United Technologies

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C.

20549

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

For the quarterly period ended September 30, 2001

OR

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

For the transition period from_____________________________to___________________________

Commission file number 1-812

UNITED TECHNOLOGIES CORPORATION

DELAWARE 06-0570975

One Financial Plaza, Hartford, Connecticut 06103

(860) 728-7000

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 September 30, 2001 there were 468,539,288 shares of Common Stock outstanding.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONTENTS OF QUARTERLY REPORT ON FORM 10-Q
Quarter Ended September 30, 2001

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

Part I – Financial Information

Item 1 – Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

In Millions (except per share amounts)	Quarter Ended September 30, 2001	2000
Revenues:		
Product sales	$ 5,124	$ 4,835
Service sales	1,610	1,504
Financing revenues and other income, net	186	126
	6,920	6,465
Costs and expenses:		
Cost of products sold	3,887	3,591
Cost of services sold	1,036	934
Research and development	318	329
Selling, general and administrative	857	761
Interest	100	97
	6,198	5,712
Income before income taxes and minority interests	722	753
Income taxes	129	230
Minority interests	28	27
Net income	$ 565	$ 496
	======	======
Earnings per share of Common Stock:		
Basic	$ 1.19	$ 1.04
Diluted	$ 1.12	$ .98
Dividends per share of Common Stock:	$ .225	$ .20
Average number of shares outstanding:		

Basic	470	468
Diluted	504	506

See accompanying Notes to Condensed Consolidated Financial Statements

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

In Millions (except per share amounts)	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Revenues:		
Product sales	$ 15,737	$ 15,029
Service sales	4,855	4,488
Financing revenues and other income, net	331	299
	20,923	19,816
Costs and expenses:		
Cost of products sold	11,811	11,322
Cost of services sold	3,108	2,818
Research and development	953	952
Selling, general and administrative	2,463	2,329
Interest	316	276
	18,651	17,697
Income before income taxes and minority interests	2,272	2,119
Income taxes	594	659
Minority interests	85	78
Net income	$ 1,593	$ 1,382
	======	======
Earnings per share of Common Stock:		
Basic	$ 3.34	$ 2.89
Diluted	$ 3.14	$ 2.71
Dividends per share of Common Stock:	$ .675	$ .60
Average number of shares outstanding:		
Basic	470	470
Diluted	506	508

See accompanying Notes to Condensed Consolidated Financial Statements

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

	September 30, 2001	December 31, 2000

In Millions		(Unaudited)		
Assets				
Cash and cash equivalents	$	1,365	$	748
Accounts receivable, net		4,517		4,445
Inventories and contracts in progress, net		4,205		3,756
Future income tax benefits		1,354		1,439
Other current assets		308		274
Total Current Assets		11,749		10,662
Fixed assets		10,536		10,355
Less: Accumulated depreciation		(6,016)		(5,868)
		4,520		4,487
Goodwill		6,803		6,771
Other assets		3,538		3,444
Total Assets	$	26,610	$	25,364
		======		======
Liabilities and Shareowners' Equity				
Short-term borrowings	$	1,234	$	1,039
Accounts payable		2,319		2,261
Accrued liabilities		5,715		5,748
Long-term debt currently due		133		296
Total Current Liabilities		9,401		9,344
Long-term debt		3,874		3,476
Future pension and postretirement benefit obligations		1,660		1,636
Other long-term liabilities		2,818		2,814
Series A ESOP Convertible Preferred Stock		745		767
ESOP deferred compensation		(320)		(335)
		425		432
Shareowners' Equity:				
Common Stock		4,937		4,665
Treasury Stock		(4,482)		(3,955)
Retained earnings		8,921		7,743
Accumulated other non-shareowners' changes in equity		(944)		(791)
		8,432		7,662
Total Liabilities and Shareowners' Equity	$	26,610	$	25,364
		======		======

See accompanying Notes to Condensed Consolidated Financial Statements

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

Nine Months Ended

In Millions	September 30, 2001	September 30, 2000
Operating Activities:		
Net income	$ 1,593	$ 1,382
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	667	639
Deferred income tax provision	85	182
Change in:		
Accounts receivable	(56)	38
Inventories and contracts in progress	(338)	(202)
Accounts payable and accrued liabilities	1	(336)
Other current assets	1	16
Other, net	71	103
Net cash flows provided by operating activities	2,024	1,822
Investing Activities:		
Capital expenditures	(588)	(600)
Investments in businesses	(416)	(507)
Dispositions of businesses	15	-
Increase in customer financing assets, net	(82)	(9)
Other, net	11	71
Net cash flows used in investing activities	(1,060)	(1,045)
Financing Activities:		
Issuance of long-term debt	500	214
Repayment of long-term debt	(317)	(239)
Increase (decrease) in short-term borrowings, net	187	(36)
Common Stock issued under employee stock plans	272	254
Dividends paid on Common Stock	(318)	(282)
Repurchase of Common Stock	(538)	(673)
Other, net	(117)	(131)
Net cash flows used in financing activities	(331)	(893)
Effect of foreign exchange rate changes on Cash and cash equivalents	(16)	(23)
Net increase (decrease) in Cash and cash equivalents	617	(139)
Cash and cash equivalents, beginning of year	748	957
Cash and cash equivalents, end of period	$ 1,365	$ 818
	======	======

See accompanying Notes to Condensed Consolidated Financial Statements

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UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Condensed Consolidated Financial Statements at September 30, 2001 and for the quarters and nine-month periods ended September 30, 2001 and 2000 are unaudited, but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results reported in these condensed consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the financial statements and notes in the Corporation's Annual Report incorporated by reference in Form 10-K for calendar year 2000.

Issuance of Long-Term Debt

In February 2001, the Corporation issued $500 million of 6.35% unsubordinated, unsecured, nonconvertible notes ("the 6.35% Notes") under shelf registration statements previously filed with the Securities and Exchange Commission. The 6.35% Notes are due March 1, 2011, with interest payable semiannually commencing September 1, 2001. The Corporation may redeem all or any portion of the 6.35% Notes at any time for a formula-based price determined at the time of the redemption. Proceeds from the issuance were used primarily to repay commercial paper. The proceeds from these commercial paper borrowings were used for working capital and for general corporate purposes, which include financing acquisitions and repurchases of the Corporation's Common Stock.

Derivative Instruments and Hedging Activities

Effective January 1, 2001, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The standard requires that all derivative instruments be recorded on the balance sheet at fair value. The accounting for the changes in fair value depends on how the derivative is used and designated. Adoption of this standard resulted in a $3 million pre-tax transition gain, recorded in "Financing revenues and other income, net" and reduced shareowners' equity by $7 million, net of tax. The income statement gain recorded at transition was largely offset by a net loss in the first quarter of 2001 associated primarily with derivatives and embedded derivatives that are not designated as hedges and do not cover balance sheet exposures.

The Corporation is exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices. To manage certain of these exposures, the Corporation uses derivative instruments, including swaps, forward contracts and options. Derivative instruments used 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.

Foreign Currency Exposures

The Corporation’s global presence and large volume of international sales, purchases, investments and borrowings expose it to fluctuations in foreign currency exchange rates. Foreign currency exposures are identified and managed at the operating unit level. Exposures that cannot be naturally offset within an operating unit to an insignificant amount are hedged. The Corporation has foreign currency forward contracts that are designated as hedges of the cash flow variability arising from forecasted foreign-currency-denominated sales and purchases. Gains and losses on those derivatives

are recorded in shareowners' equity to the extent they are effective as hedges and reclassified into sales or cost of products sold in the period in which the hedged transaction impacts earnings.

The Corporation also has foreign currency forward contracts and swaps that cover the exposures arising from remeasurement of foreign-currency-denominated receivables, payables and borrowings. The gains and losses on those derivative instruments are reported in earnings and largely offset the transaction gains and losses on remeasurement of the related balance sheet items. The Corporation also has a significant amount of foreign currency net asset exposures. As of September 30, 2001, the Corporation did not hold any derivative contracts that hedge its foreign currency net asset exposures but may consider such strategies in the future.

Interest Rate Exposures

The Corporation’s long-term debt portfolio consists mostly of fixed-rate instruments. To minimize interest expense, a portion of that portfolio is hedged with interest rate swaps. The hedges are designated as fair value hedges and the gains and losses on the swaps are reported in interest expense, reflecting that portion of interest expense at a variable rate. In addition, from time to time the Corporation issues commercial paper, which creates an exposure to changes in interest rates.

Commodity Exposures

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

Year to Date Activity

At September 30, 2001, the fair value of derivatives held by the Corporation, including those embedded in other contracts, was a $50 million net liability. The non-shareowners’ changes in equity associated with hedging activity for the nine months ended September 30, 2001 were as follows:

In Millions, net of tax		
December 31, 2000	$	-
Cash flow hedging loss, net		(49)
Net loss reclassified to sales or cost of products sold		20
September 30, 2001	$	(29)
		=====

Of the amount recorded in shareowners' equity, a $37 million pre-tax loss is expected to be reclassified into sales or cost of products sold to reflect the fixed prices obtained from hedging within the next 12 months. Gains and losses recognized in earnings related to the discontinuance of cash flow hedges and ineffectiveness of cash flow hedges during the quarter and nine months ended September 30, 2001 were immaterial. All open derivative contracts mature by November 2004.

Non-Shareowners' Changes in Equity

Non-shareowners' changes in equity include all changes in equity during a period except changes resulting from investments by and distributions to shareowners. A summary of the non-shareowners' changes in equity is provided below.

In Millions	Quarter Ended September 30, 2001	Quarter Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net income	$ 565	$ 496	$ 1,593	$ 1,382
Foreign currency translation, net	3	(77)	(118)	(139)
Unrealized holding (loss) gain on marketable equity securities, net	(4)	15	(6)	(159)
Cash flow hedging (loss), net	(13)	-	(29)	-
	$ 551	$ 434	$ 1,440	$ 1,084

Investments in Businesses

Effective July 1, 2001, the Corporation adopted the provisions of SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets" applicable to business combinations completed after June 30, 2001. These standards require the use of the purchase method of accounting for business combinations, set forth the accounting for the initial recognition of acquired goodwill and intangible assets, and describe the accounting for goodwill and intangible assets subsequent to initial recognition. Under the provisions of these standards goodwill and intangible assets deemed to have indefinite lives are no longer subject to amortization. All other intangible assets are to be amortized over their estimated useful lives. Goodwill and intangible assets are subject to annual impairment testing using the specific guidance and criteria described in the standards. The impact of adopting these provisions was not material.

Effective January 1, 2002, additional provisions of SFAS No. 141 and No. 142 relating to business combinations completed prior to June 30, 2001 become effective for the Corporation. The Corporation is currently assessing the impact of adopting these provisions and anticipates net income will increase following adoption, as amortization of recorded goodwill will be discontinued beginning January 1, 2002 under the provisions of this standard.

During the first nine months of 2001, the Corporation invested $504 million, including debt assumed, in the acquisition of businesses. Those investments include a number of small acquisitions in the commercial businesses in the third quarter, Hamilton Sundstrand’s and Pratt & Whitney’s second quarter acquisitions of aerospace aftermarket businesses and other smaller industry consolidating transactions, as well as Hamilton Sundstrand’s first quarter purchase of Claverham Group LTD. The assets and liabilities of the acquired businesses accounted for under the purchase method were recorded at their fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired has been recorded as goodwill. Goodwill acquired in business combinations completed prior to June 30, 2001 is being amortized over its estimated useful life, and in accordance with the provisions of SFAS No. 142, goodwill acquired in business combinations completed after June 30, 2001 is not amortized. The increase in goodwill in the nine-month period of 2001 is due primarily to goodwill acquired in 2001 acquisitions partially offset by adjustments made in the finalization of purchase price allocations for 2000 acquisitions.

The results of operations of all acquired businesses have been included in the Condensed Consolidated Statement of Operations beginning on the effective date of each acquisition. The pro forma results, assuming these acquisitions had been made at the beginning of the year, would not be materially different from reported results.

Inventories and Contracts in Progress

In Millions	September 30, 2001	December 31, 2000
Inventories consist of the following:		
Raw material	$ 760	$ 738
Work-in-process	1,261	1,179
Finished goods	2,425	2,099
Contracts in progress	2,045	1,849
	6,491	5,865
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(207)	(137)
Billings on contracts in progress	(2,079)	(1,972)
	$ 4,205	$ 3,756

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Restructuring

2001 Actions

During the third quarter of 2001, the Corporation recorded pre-tax charges totaling $222 million, primarily in the Carrier and Otis operating segments, related to ongoing efforts to reduce costs in a continually challenging business environment. The actions focused principally on improving the overall level of organizational efficiency and consolidation of manufacturing, sales and service facilities. The charges include accruals of $148 million for severance and related employee termination costs, $49 million for asset write-downs and $14 million for facility exit and lease termination costs.

The amounts include $151 million recorded in cost of sales and $71 million in selling, general and administrative expenses, and relate to net workforce reductions of approximately 5,300 salaried and hourly employees, the elimination of approximately two million square feet of facilities and the disposal of assets associated with exited facilities.

Approximately 2,300 workforce reductions were completed during the quarter ended September 30, 2001. The balance of the workforce and facility related cost reduction actions are targeted to be completed by the third quarter of 2002. As of September 30, 2001 approximately $121 million of severance and related cost and $13 million of facility exit and lease termination accruals remain.

1999 Actions

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

The following table summarizes the accrued costs associated with the 1999 restructuring actions by type and related activity through September 30, 2001:

In Millions	Accrued Severance and Related Costs	Asset Writedowns	Accrued Exit & Lease Termination Costs	Accrued Site Restoration & Other Costs	Total
1999 Charges:					
Staff reductions	$ 433	$ -	$ -	$ -	$ 433
Facility closures	149	160	44	56	409
Total accrued charges	582	160	44	56	842
Adjustments	(69)	-	(13)	1	(81)
Utilized to date:					
Cash	(375)	-	(21)	(27)	(423)
Non-cash	(118)	(160)	(8)	(17)	(303)
Balance at September 30, 2001	$ 20	$ -	$ 2	$ 13	$ 35
	=====	=====	=====	=====	=====

The adjustments to the 1999 restructuring liability result from completion of programs for amounts lower than originally estimated and revision of several of the original programs. In addition to the actions discussed above, during the third quarter of 2001, the Corporation recorded $24 million of restructuring related charges that were not accruable when the 1999 programs were initiated.

As of September 30, 2001, reductions of approximately 300 employees and approximately one million square feet remained under the programs, and are considered substantially complete.

Contingent Liabilities

There has been no significant change in the Corporation’s material contingencies during 2001. Summarized below, however, are the matters previously described in Notes 1 and 14 of the Notes to Consolidated Financial Statements in the Corporation’s Annual Report, incorporated by reference in Form 10-K for calendar year 2000.

Environmental

The Corporation’s operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over its foreign operations.

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

The Corporation has had insurance in force over its history with a number of insurance companies and has litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. The litigation is expected to last several years.

U.S. Government

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

The Corporation's contracts with the government are also subject to audits. Like many defense contractors, the Corporation has received audit reports that 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 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 for environmental investigatory, remediation, operating and maintenance costs, performance guarantees and other litigation and claims based on management's estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, management believes that resolution of these matters will not have a material impact on the Corporation's financial position, results of operations or cash flows.

Earnings Per Share

In Millions (except per share amounts)	Quarter Ended September 30, 2001	Quarter Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net income	$ 565	$ 496	$ 1,593	$ 1,382
Less: ESOP Stock Dividends	(7)	(8)	(23)	(24)
Basic earnings	558	488	1,570	1,358
ESOP Stock adjustment	7	7	21	21
Diluted earnings	$ 565	$ 495	$ 1,591	$ 1,379
Average shares:				
Basic	470	468	470	470
Stock awards	8	11	10	11
ESOP Stock	26	27	26	27
Diluted	504	506	506	508
Earnings per share of Common Stock:				
Basic	$ 1.19	$ 1.04	$ 3.34	$ 2.89
Diluted	$ 1.12	$ .98	$ 3.14	$ 2.71

Recent Accounting Guidance

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

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which provides guidance on the accounting for the impairment or disposal of long-lived assets and will be effective January 1, 2002 for the Corporation. The Corporation is currently reviewing the provisions of SFAS No. 144 to determine the standard's impact upon adoption.

With respect to the unaudited condensed consolidated financial information of United Technologies Corporation for the quarters and nine-month periods ended September 30, 2001 and 2000, PricewaterhouseCoopers LLP ("PricewaterhouseCoopers") reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated October 16, 2001, appearing below, states that they did not audit and they do not express an opinion on that unaudited condensed consolidated financial information. PricewaterhouseCoopers has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of section 11 of the Securities Act of 1933 ("the Act") for their report on the unaudited condensed consolidated financial information because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers within the meaning of sections 7 and 11 of the Act.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareowners of
United Technologies Corporation

We have reviewed the accompanying condensed consolidated statement of operations of United Technologies Corporation and consolidated subsidiaries for the quarters and nine-months ended September 30, 2001, and 2000, the condensed consolidated statement of cash flows for the nine-months ended September 30, 2001 and 2000, and the condensed consolidated balance sheet as of September 30, 2001. This financial information is the responsibility of the Corporation’s management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2000, and the related consolidated statements of operations, of changes in shareowners' equity and of cash flows for the year then ended (not presented herein), and in our report dated January 18, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2000, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Hartford, Connecticut
October 16, 2001

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Position

BUSINESS ENVIRONMENT

The Corporation's operations are classified into four principal operating segments: Otis, Carrier, Pratt & Whitney and Flight Systems. Otis and Carrier serve customers in the commercial and residential property industries. Carrier also serves commercial and transport refrigeration customers. Pratt & Whitney and the Flight Systems segment, which includes Sikorsky Aircraft ("Sikorsky") and Hamilton Sundstrand, primarily serve commercial and government customers in the aerospace industry.

For a discussion of the Corporation's business environment, refer to the discussion of "Business Environment" in the Management's Discussion and Analysis of Results of Operations and Financial Position in the Corporation's Annual Report incorporated by reference in Form 10-K for calendar year 2000. Notable changes in the Corporation’s business environment during the first nine months of 2001 are discussed below.

As worldwide businesses, the Corporation’s operations are affected by global and regional economic factors. During the first nine months of 2001, weaker European and Asian currencies had a negative impact on the Corporation's consolidated results. The downturn in the North American economy, including current conditions in the commercial airline industry, retail and transport refrigeration industry and commercial HVAC markets, will continue to present challenges to the Corporation’s businesses operating in these markets. In addition, the defense portion of the Corporation's aerospace businesses is affected by changes in market demand and the global political environment. In general, 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.

Worldwide airline profits, traffic growth and load factors have been historically reliable indicators for new aircraft and after-market orders. Airline operations have been negatively impacted by the disruption caused by the recent terrorist actions and the downturn in the North American economy. These conditions have resulted in reduced flight schedules, workforce reductions and declining financial performance within the airline industry, as well as an industry-wide request for government financial assistance. The disruption to airline operations has resulted in an increase in the number of idle aircraft, including a significant number of older models, which is expected to disproportionately affect the Corporation due to its concentration of products on these aircraft. These factors could result in a decrease in orders for new and after-market commercial aerospace products and services, which in turn could negatively impact the Corporation's sales, operating profits and cash flows.

There have been no other significant changes in the Corporation’s business environment during the first nine months of 2001.

RESULTS OF CONTINUING OPERATIONS

Consolidated revenues increased $455 million (7%) to $6.9 billion and $1.1 billion (6%) to $20.9 billion in the third quarter and nine-month period of 2001 compared to the same periods in 2000. Excluding the unfavorable impact of foreign currency translation, consolidated revenues increased 9% and 8% in the third quarter and nine-month period of 2001, respectively. The increases primarily reflect revenues contributed from Specialty Equipment Companies, acquired by Carrier in the fourth quarter of 2000, interest income from the favorable settlement of certain tax audits and growth in the businesses of Pratt & Whitney, Flight Systems and Otis in 2001.

Financing revenues and other income, net, increased $60 million and $32 million in the third quarter and nine-month period of 2001, respectively, compared to 2000. The third quarter increase reflects interest income associated with the favorable settlement of certain tax audits, partially offset by the absence of the modification of a product support agreement and resolution of a contract dispute, both recorded in the third quarter of 2000. The nine-month increase is partially offset by interest income recorded in the second quarter of 2000 related to prior period income tax benefits resulting from a second quarter 2000 industry related court decision.

Gross margin as a percentage of sales decreased 170 basis points in the third quarter and remained unchanged in the nine-month period of 2001 compared to the same periods of 2000. Cost of sales included $151 million of restructuring charges in the third quarter of 2001. Excluding restructuring charges, gross margin as a percentage of sales increased 50 basis points and 70 basis points in the third quarter and nine-month period of 2001, respectively, compared to 2000.

Research and development spending decreased $11 million and increased $1 million in the third quarter and nine-month period of 2001, respectively, compared to 2000. The third quarter decrease reflects slightly lower spending across all business units. The nine-month increase reflects increases at Carrier, Hamilton Sundstrand and International Fuel Cells offset by decreased spending at Sikorsky, Pratt & Whitney and Otis. The decreases at Pratt & Whitney and Sikorsky reflect the variable nature of engineering development program schedules. As a percentage of sales, research and development was 4.7% and 4.6% in the third quarter and nine-month period of 2001 as compared to 5.2% and 4.9% in the same periods of 2000. Research and development spending is expected to remain at approximately 5% of sales in 2001.

Selling, general and administrative expenses increased $96 million (13%) and $134 million (6%) in the third quarter and nine-month period of 2001, respectively, compared to 2000, reflecting increases in most operating segments. The majority of the increase relates to $71 million of charges associated with the third quarter 2001 restructuring. Excluding restructuring charges, selling, general and administrative expenses increased 3% for the third quarter and nine-month period of 2001 compared to 2000, due primarily to the impact of acquisitions, primarily at Carrier, partially offset by decreases resulting from previous and ongoing cost reduction actions. As a percentage of sales, selling, general and administrative expenses were 11.7% and 11.6% for the third quarter and nine-month period of 2001, respectively, as compared to 12.0% and 11.9% for the same periods of 2000.

Interest expense increased $3 million (3%) and $40 million (14%) in the third quarter and nine-month period of 2001, respectively, compared to 2000. The increase is primarily related to the February 2001 issuance of $500 million of 6.35% Notes due 2011 and the November 2000 issuance of $500 million of 7.125% Notes due 2010.

The effective income tax rate for the third quarter and nine-month period of 2001 including all tax items was 17.9% and 26.1%, respectively, as compared to 30.5% and 31.1% for the same periods of 2000. The 2001 rates reflect the impact of the third quarter 2001 favorable settlement of certain prior year tax audits. The rate for the nine-month period of 2000 reflects the second quarter 2000 enactment of Connecticut tax law changes and the related revaluation of the Corporation's state deferred tax asset. In addition, the Corporation recognized income tax benefits for prior periods in the second quarter of 2000 associated with an industry related court decision.

Excluding the favorable settlement of certain prior year tax audits and the 2000 discrete items discussed above, the effective income tax rate was 30.0% for the third quarter and nine-month period of 2001 as compared to 30.5% for the same periods of 2000. The Corporation has continued to lower its effective income tax rate by implementing tax reduction strategies.

Restructuring and Other Costs

2001 Actions

As described in the Notes to Condensed Consolidated Financial Statements, during the quarter ended September 30, 2001, the Corporation recorded pre-tax charges totaling $222 million related to ongoing efforts to reduce costs in a continually challenging business environment. The charges, which were recorded primarily at Carrier and Otis, include accruals of $148 million for severance and related employee termination costs, $49 million for asset write-downs and $14 million for facility exit and lease termination costs.

The amounts include $151 million recorded in cost of sales and $71 million in selling, general and administrative expenses, and relate to net workforce reductions of approximately 5,300 salaried and hourly employees, the elimination of approximately two million square feet of facilities and the disposal of assets associated with exited facilities. Savings are expected to build over a two year period resulting in recurring pre-tax savings of approximately $170 million annually.

Approximately 70% of the total pre-tax charge will require cash payments, which will be funded by cash generated from operations. As of September 30, 2001, approximately 2,300 workforce reductions were completed. The balance of the workforce and facility related cost reduction actions are targeted to be completed by the third quarter of 2002. As of September 30, 2001, approximately $121 million of severance and related cost and $13 million of facility exit and lease termination accruals remain.

The Corporation expects to record additional charges in the fourth quarter of 2001 in its ongoing efforts to reduce costs. These actions, which are anticipated to eliminate approximately 5,000 positions and relate primarily to the Corporation's aerospace businesses, have not been finalized at this time.

1999 Actions

As described in the Notes to Condensed Consolidated Financial Statements, the Corporation's operating segments initiated a variety of programs in 1999 aimed at further strengthening their future profitability and competitive position. The 1999 programs totaled $1,120 million, before income taxes and minority interests, and included accrued restructuring charges of $842 million, related charges of $141 million that were not accruable when initiated, and charges associated with product development and aircraft systems integration and non-product purchasing.

In February 2000, a Federal District Court issued an injunction relative to certain restructuring actions planned by Pratt & Whitney that would move work from Connecticut to Arkansas, Texas and Oklahoma. After a subsequent ruling by the Second Circuit Court of Appeals, the injunction remains in place until the end of the Collective Bargaining Agreement in December 2001. In February 2001, Pratt & Whitney agreed, for the life of the current Collective Bargaining Agreement, to retain this work within the bargaining unit. The Corporation does not believe that this outcome will materially impact the Corporation's restructuring program.

During the first nine months of 2001, the Corporation incurred and recognized approximately $100 million of costs that were not accruable or contemplated when the 1999 programs were initiated. In the current year, the Corporation has incurred pre-tax cash outflows of approximately $175 million associated with the 1999 program accruals and the additional costs. These cash flows are funded by cash generated from operations. The savings associated with these actions are expected to offset the additional costs, resulting in a net benefit in 2001. Recurring savings, associated primarily with a net reduction in workforce and facility closures, are expected to increase through 2002 to approximately $750 million pre-tax annually, primarily benefiting cost of products sold.

Segment Review

Revenues, operating profits and operating profit margins of the Corporation's principal operating segments include the results of all majority-owned subsidiaries, consistent with the management reporting of these businesses. Adjustments to reconcile segment reporting to consolidated results are included in "Eliminations and other," which also includes certain small subsidiaries. Results for the quarters and nine-month periods ended September 30, 2001 and 2000 are as follows:

In Millions of Dollars

Quarter Ended September 30,

	Revenues		Operating Profits		Operating Profit Margin	
	2001	2000	2001*	2000	2001*	2000
Otis	$ 1,554	$ 1,504	$ 164	$ 201	10.6%	13.4%
Carrier	2,230	2,111	105	242	4.7%	11.5%
Pratt & Whitney	1,894	1,782	337	300	17.8%	16.8%
Flight Systems	1,257	1,163	174	165	13.8%	14.2%
Total segment	6,935	6,560	780	908	11.2%	13.8%
Eliminations and other	(15)	(95)	89	(2)		
General corporate expenses	-	-	(47)	(56)		
Consolidated	$ 6,920	$ 6,465	822	850		
	=====	=====				
Interest expense			(100)	(97)		
Income before income taxes and minority interests			$ 722	$ 753		
			=====	=====		

*Third quarter 2001 restructuring charges included in segment operating profit are as follows:

Otis - $72, Carrier - $129, Pratt & Whitney - $15, and Flight Systems - $8. Excluding these restructuring charges, segment operating profit and related profit margins are as follows: Otis - $236 (15.2%), Carrier - $234 (10.5%), Pratt & Whitney - $352 (18.6%), and Flight Systems - $182 (14.5%).

Nine Months Ended September 30,	Revenues		Operating Profits		Operating Profit Margin	
	2001	2000	2001*	2000	2001*	2000
Otis	$ 4,639	$ 4,581	$ 607	$ 587	13.1%	12.8%
Carrier	6,928	6,479	553	678	8.0%	10.5%
Pratt & Whitney	5,729	5,396	1,033	867	18.0%	16.1%
Flight Systems	3,848	3,621	521	443	13.5%	12.2%
Total segment	21,144	20,077	2,714	2,575	12.8%	12.8%
Eliminations and other	(221)	(261)	27	(10)		
General corporate expenses	-	-	(153)	(170)		
Consolidated	$ 20,923	$ 19,816	2,588	2,395		
Interest expense			(316)	(276)		
Income before income taxes and minority interest			$ 2,272	$ 2,119		

*Third quarter 2001 restructuring charges included in segment operating profit are as follows:

Otis - $72, Carrier - $129, Pratt & Whitney - $15, and Flight Systems - $8. Excluding these restructuring charges, segment operating profit and related profit margins are as follows: Otis - $679 (14.6%), Carrier - $682 (9.8%), Pratt & Whitney - $1,048 (18.3%), and Flight Systems - $529 (13.8%).

Otis revenues increased $50 million (3%) and $58 million (1%) in the third quarter and nine-month period of 2001 compared to the same periods of 2000. Excluding the impact of foreign currency translation, revenues in the third quarter and nine-month period increased 8% and 7%, respectively, reflecting increases in all regions except Latin America and related to increased service and new equipment sales. The negative foreign currency impact was primarily due to the strength of the U.S. dollar in relation to European and Asian currencies.

Otis operating profits decreased $37 million (18%) in the third quarter and increased $20 million (3%) in the nine-month period of 2001 compared to the same periods of 2000, due primarily to restructuring charges recorded in the third quarter of 2001. Excluding the third quarter 2001 restructuring charge, operating profit increased 17% and 16% in the third quarter and nine-month period, reflecting profit improvements in all regions primarily resulting from previous cost reduction actions. Foreign currency translation reduced operating profits before restructuring charges by 3% and 5%, respectively, for the third quarter and nine-month period of 2001.

Carrier revenues increased $119 million (6%) and $449 million (7%) in the third quarter and nine-month period of 2001 compared to 2000. Excluding the impact of foreign currency translation, revenues in the third quarter and nine-month period increased 8% and 10%, respectively, reflecting the acquisition of Specialty Equipment Companies during the fourth quarter of 2000 and growth in international markets. The improvements were partially offset by continued weakness in several of the commercial refrigeration businesses. The negative foreign currency impact was primarily due to the strength of the U.S. dollar in relation to Asian and European currencies.

Carrier's operating profits decreased $137 million (57%) and $125 million (18%) in the third quarter and nine-month period of 2001, respectively, compared to 2000, due primarily to restructuring charges in the third quarter of 2001. Excluding the third quarter 2001 restructuring charge, operating profits decreased 3% in the third quarter and increased 1% in the nine-month period. The third quarter and

nine-month results reflect lower operating performance in the commercial refrigeration businesses, market weakness in the North American commercial HVAC business and the absence of export incentives that were recorded during the third quarter of 2000. The third quarter and nine-month period also reflect increased operating profits due to the acquisition of Specialty Equipment Companies in the fourth quarter of 2000 and strong performance in the Europe and Asian HVAC businesses. Excluding restructuring charges, foreign currency translation reduced operating profits by 2% and 3% for the third quarter and nine-month period of 2001.

Pratt & Whitney revenues increased $112 million (6%) and $333 million (6%) in the third quarter and nine-month period of 2001 compared to 2000. The third quarter increase reflects increased commercial aftermarket and military engine shipments and increased shipments of industrial gas turbines at Pratt & Whitney Power Systems, partially offset by lower Pratt & Whitney Canada revenues and modification of a product support agreement recorded in the third quarter of 2000.

The nine-month increase primarily reflects increased shipments of industrial gas turbines at Pratt & Whitney Power Systems, increased commercial aftermarket volume and increased shipments at Pratt & Whitney Canada, partially offset by lower military spare parts volume.

Pratt & Whitney operating profits increased $37 million (12%) and $166 million (19%) in the third quarter and nine-month period of 2001 compared to 2000. Excluding the third quarter 2001 restructuring charge, operating profits increased 17% and 21% for the third quarter and nine-month period of 2001, respectively. The third quarter increase primarily reflects increased profits at Pratt & Whitney's commercial aftermarket and military engine business and at Pratt & Whitney Power Systems. The nine-month increase reflects increases at Pratt & Whitney Canada and Pratt & Whitney Power Systems and continued cost reductions throughout the segment.

Flight Systems revenues increased $94 million (8%) and $227 million (6%) in the third quarter and nine-month period of 2001, respectively, compared to 2000. The increases were primarily associated with increased original equipment sales and aftermarket revenues at Hamilton Sundstrand's aerospace business, which more than offset weakness in the industrial businesses.

Flight Systems operating profits increased $9 million (5%) and $78 million (18%) in the third quarter and nine-month period of 2001 compared to 2000. Excluding the third quarter 2001 restructuring charge, operating profits increased 10% and 19% for the third quarter and nine-month period of 2001, respectively. The increases were primarily associated with Hamilton Sundstrand's aerospace business and continued business improvements at Sikorsky.

LIQUIDITY AND FINANCIAL POSITION

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, investments in businesses, customer financing requirements, Common Stock repurchases, adequate bank lines of credit and financial flexibility to attract long-term capital with satisfactory terms.

In Millions of Dollars	September 30, 2001	December 31, 2000	September 30, 2000
Cash and cash equivalents	$ 1,365	$ 748	$ 818
Total debt	5,241	4,811	4,242
Net debt (total debt less cash)	3,876	4,063	3,424
Shareowners' equity	8,432	7,662	7,423
Debt to total capitalization	38%	39%	36%
Net debt to total capitalization	31%	35%	32%

Net cash flows provided by operating activities increased $202 million in the first nine months of 2001 compared to the corresponding period in 2000. The increase reflects improved operating performance partially offset by higher inventory and receivable levels.

Cash used in investing activities increased $15 million in the first nine months of 2001 compared with the same period of 2000, primarily due to increased customer financing assets partially offset by lower investment in businesses. Cash spending for investments in businesses for the first nine months of 2001 was $416 million and includes a number of smaller acquisitions in the commercial businesses in the third quarter, Hamilton Sundstrand's and Pratt & Whitney's second quarter aerospace aftermarket purchases and other smaller industry consolidating transactions, as well as Hamilton Sundstrand's first quarter acquisition of Claverham Group LTD. While the Corporation expects total investments in businesses in 2001 to remain in the $1 billion range, actual acquisition activity is subject to market conditions during the remainder of the year.

Customer financing activity was a net use of cash of $82 million in the first nine months of 2001 compared with a $9 million net use of cash in the first nine months of 2000, primarily due to customer generated requirements for financing. While the Corporation expects that 2001 customer financing activity will be a net use of funds, actual funding is subject to usage under existing customer financing commitments during the remainder of the year. The Corporation had financing and rental commitments of $1.8 billion related to commercial aircraft, compared to $1.2 billion at December 31, 2000.

Net cash flows used in financing activities decreased $562 million in the first nine months of 2001 compared with the same period of 2000, due primarily to an increase in short and long term borrowings and a decrease in repurchases of Common Stock. The Corporation issued $500 million of 6.35% Notes in February 2001 under shelf registration statements previously filed with the Securities and Exchange Commission. In May 2001, the Corporation registered an additional $1.5 billion of debt and equity securities under shelf registration statements on file with the Commission. As a result, the Corporation can issue up to $2 billion of additional debt and equity securities under shelf registrations on file with the Commission.

The Corporation repurchased $538 million of Common Stock, representing 7.4 million shares, in the first nine months of 2001. In June 2001, the Corporation announced that the Board of Directors authorized the repurchase of up to 20 million shares. The new authorization replaces previous share repurchase authority. The share repurchase programs continue to be a use of cash and have more than offset the dilutive effect resulting from the issuance of stock and options under stock-based employee benefit programs. At September 30, 2001, the Corporation was authorized to repurchase a total of 16.9 million shares.

The Corporation manages its worldwide cash requirements considering available funds among the many subsidiaries through which it conducts its business and the cost effectiveness with which those 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.

Management believes that its existing cash position and other available sources of liquidity are sufficient to meet current and anticipated requirements for the foreseeable future. Although uncertainties in acquisition spending could cause modest variations at times, management anticipates that the level of debt-to-capital will remain generally consistent with recent levels.

Recent Accounting Guidance

Effective July 1, 2001, the Corporation adopted the provisions of SFAS No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets" applicable to business combinations completed after June 30, 2001. Effective January 1, 2002, additional provisions of SFAS No. 141 and No. 142, which relate to business combinations completed prior to June 30, 2001, will become effective for the Corporation. The Corporation is currently assessing the impact of adopting these provisions and anticipates net income will increase following adoption, as amortization of recorded goodwill will be discontinued beginning January 1, 2002 under the provisions of this standard. See Notes to Condensed Consolidated Financials Statements for further discussion.

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

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which provides guidance on the accounting for the impairment or disposal of long-lived assets and is effective January 1, 2002 for the Corporation. The Corporation is currently reviewing the provisions of SFAS No. 144 to determine the standard's impact upon adoption.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has been no significant change in the Corporation's exposure to market risk during the first nine months of 2001. For discussion of the Corporation's exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, contained in the Corporation's Annual Report incorporated by reference in Form 10-K for the calendar year 2000.

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report on Form 10-Q contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for the future operating and financial performance of the Corporation, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "plans," "strategy," "prospects," "estimate," "project," "anticipate" and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- Future earnings and other measurements of financial performance
- Future cash flow and uses of cash
- The effect of economic downturns or growth in particular regions
- The effect of changes in the level of activity in particular industries or markets
- The scope, nature or impact of acquisition activity
- Product developments and new business opportunities
- Restructuring costs and savings
- The outcome of contingencies.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. This Report on Form 10-Q includes important information as to risk factors in the "Notes to Condensed Consolidated Financial Statements" under the heading "Contingent Liabilities" and in the section titled "Management's Discussion and Analysis of Results of Operations and Financial Position" under the headings "Business Environment" and "Results of Continuing Operations." The Corporation's Annual Report on Form 10-K for 2000 also includes important information as to risk factors in the "Business" section under the headings "Description of Business by Operating Segment," "Other Matters Relating to the Corporation's Business as a Whole" and "Legal Proceedings." Additional important information as to risk factors is included in the Corporation's 2000 Annual Report to Shareowners in the section titled "Management's Discussion and Analysis of Results of Operations and Financial Position" under the headings "Business Environment" and "Restructuring and Other Costs." For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see the Corporation's reports on Forms 10-Q and 8-K filed with the Securities and Exchange Commission from time to time.

Part II – Other Information

Item 1. Legal Proceedings

As previously reported, the Department of Defense and the Corporation are litigating whether Pratt & Whitney's accounting practices for certain engine parts are acceptable. The litigation, filed with the Armed Services Board of Contract Appeals ("ASBCA"), No. 47416 et. al., relates to the accounting for engine parts produced by foreign companies under commercial engine collaboration programs from 1984 through 1995. In December 1996, the Government claimed damages of $157.6 million, plus $102.7 million in interest through 1996. On July 31, 2001, the ASBCA issued a decision in favor of the Corporation. The Department of Defense has until December, 2001 to appeal.

Except as noted above, there have been no material developments in legal proceedings. For a description of previously reported legal proceedings, refer to Part I, Item 3. Legal Proceedings of the Corporation's Annual Report on Form 10-K for 2000.

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

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(12) Statement re: computation of ratio of earnings to fixed charges. *
(15) Letter re: unaudited interim financial information. *

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 2001.

*Submitted electronically herewith.

SIGNATURES

Pursuant to the requirements 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
Dated: October 22, 2001	By: /s/ David J. FitzPatrick David J. FitzPatrick Senior Vice President and Chief Financial Officer
Dated: October 22, 2001	By: /s/ David G. Nord David G. Nord Vice President, Controller
Dated: October 22, 2001	By: /s/ William H. Trachsel William H. Trachsel Senior Vice President, General Counsel and Secretary

EXHIBIT INDEX

(12)	Statement re: computation of ratio of earnings to fixed charges. *
(15)	Letter re: unaudited interim financial information. *

*Submitted electronically herewith.

Exhibit 12

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Nine Months Ended September 30,	
In Millions of Dollars	**2001**	**2000**
Fixed Charges:		
Interest expense	$ 316	$ 276
Interest capitalized	19	12
One-third of rents*	50	50
Total Fixed Charges	$ 385	$ 338
	======	======
Earnings:		
Income before income taxes and minority interests	$ 2,272	$ 2,119
Fixed charges per above	385	338
Less: interest capitalized	(19)	(12)
	366	326
Amortization of interest capitalized	9	12
Total Earnings	$ 2,647	$ 2,457
	======	======
Ratio of Earnings to Fixed Charges	6.88	7.27
	======	======

* Reasonable approximation of the interest factor.

Exhibit 15

October 22, 2001

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Ladies and Gentlemen:

We are aware that our report dated October 16, 2001 on our review of interim financial information of United Technologies Corporation as of and for the period ended September 30, 2001 and included in the Corporation's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in the Prospectus constituting part of its Registration Statements on Form S-3 (Nos. 333-51830 and 333-60276), in the Registration Statement on Form S-4 (No. 333-77991) as amended by Post-Effective Amendment No. 1 on Form S-8 (No. 333-77991-01) and in the Registration Statements on Form S-8 (Nos. 333-21853, 333-18743, 333-21851, 33-57769, 33-45440, 33-11255, 33-26580, 33-26627, 33-28974, 33-51385, 33-58937, 2-87322, 333-77817, and 333-82911).

Yours very truly,

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Hartford, Connecticut