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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

Commission file number 1-812

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

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

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

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

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

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒. No ☐.

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐. No ☒.

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒. No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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 amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒.

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2006 was approximately $63,982,113,467, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At January 31, 2007, there were 995,786,259 shares of Common Stock outstanding.

List hereunder documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) Portions of the United Technologies Corporation 2006 Annual Report to Shareowners are incorporated by reference in Parts I, II and IV hereof; and (2) Portions of the United Technologies Corporation Proxy Statement for the 2007 Annual Meeting of Shareowners are incorporated by reference in Part III hereof.

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UNITED TECHNOLOGIES CORPORATION

Annual Report on Form 10-K for Year Ended December 31, 2006

Whenever reference is made in this Form 10-K to specific sections of UTC's 2006 Annual Report to Shareowners, those sections are incorporated herein by reference. United Technologies Corporation and its subsidiaries' names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of United Technologies Corporation and its subsidiaries. As used herein, the terms "we", "us", "our" or "UTC", unless the context requires otherwise, mean United Technologies Corporation and its subsidiaries.

PART I

Item 1. Business

General

United Technologies Corporation was incorporated in Delaware in 1934. UTC provides high technology products and services to the building systems and aerospace industries worldwide. Growth is attributable to acquisitions and the internal development of our existing businesses. The following description of our business should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2006 Annual Report, especially the information contained therein under the heading "Business Overview."

Our operating units include businesses with operations throughout the world. Otis, Carrier and UTC Fire & Security (collectively referred to as the commercial businesses) serve customers in the commercial and residential property industries worldwide. Carrier also serves commercial, industrial, transport refrigeration and food service equipment customers. Pratt & Whitney, Hamilton Sundstrand and Sikorsky Aircraft (collectively referred to as the aerospace businesses) primarily serve commercial and government customers in the aerospace industry. Hamilton Sundstrand and Pratt & Whitney also serve customers in industrial markets. For 2006, our commercial and industrial revenues (generated principally by our commercial businesses) were 63 percent of our consolidated revenues, and commercial aerospace and military aerospace revenues were approximately 21 percent and 16 percent, respectively, of our total revenues. Revenues for 2006 from outside the United States, including U.S. export sales, were 60 percent of our total segment revenues.

This Form 10-K and our quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through the Investor Relations section of our Internet website (www.utc.com) under the headings "Financials" and/or "SEC Filings" as soon as practicable after these reports are electronically filed with, or furnished to, the Securities and Exchange Commission.

Description of Business by Segment

We conduct our business through six principal segments: Otis, Carrier, UTC Fire & Security, Pratt & Whitney, Hamilton Sundstrand and Sikorsky. Each segment groups similar operating companies and its management organization has general operating autonomy over a range of products and services. The principal products and services of each segment are as follows:

Otis	—Otis elevators, escalators, moving walkways and service.
Carrier	—Carrier residential, commercial and industrial heating, ventilating, air conditioning (HVAC) and refrigeration systems and equipment, food service equipment, building automation and controls, HVAC and refrigeration components and installation, retrofit and aftermarket services.
UTC Fire & Security	—UTC Fire & Security fire and special hazard detection and suppression systems and fire fighting equipment, electronic security, monitoring and rapid response systems and service and security personnel services.
Pratt & Whitney	—Pratt & Whitney commercial, general aviation and military aircraft engines, parts and services, industrial gas turbines and space propulsion.
Hamilton Sundstrand	—Hamilton Sundstrand aerospace products and aftermarket services, including power generation, management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems, and industrial products, including air compressors, metering pumps and fluid handling equipment.
Sikorsky	—Sikorsky military and commercial helicopters, aftermarket helicopter and aircraft parts and services.

Segment financial data for the years 2004 through 2006, including financial information about foreign and domestic operations and export sales, appears in Note 15 of "Notes to Consolidated Financial Statements" in our 2006 Annual Report.

Otis

Otis is the world's largest elevator and escalator manufacturing, installation and service company. Otis designs, manufactures, sells and installs a wide range of passenger and freight elevators for low-, medium- and high-speed applications, as well as a broad line of escalators and moving walkways. In addition to new equipment, Otis provides modernization products to upgrade elevators and escalators as well as maintenance services for both its products and those of other manufacturers. Otis serves customers in the commercial and residential property industries around the world. Sales are made both directly to the customers and, to a limited extent, through sales representatives and distributors.

Revenues generated by Otis' international operations were 80 percent of total Otis segment revenues in 2006 and 2005. At December 31, 2006, Otis' business backlog was $11,583 million as compared to $10,243 million at December 31, 2005. Due to an industry-wide progression to longer term maintenance contracts in recent years, in 2006, Otis re-evaluated the factors used to calculate service contract backlog. The backlog amounts above reflect this re-evaluation, which resulted in increased backlog figures. We believe these figures more accurately reflect the current outstanding service contract backlog. Calculated as previously reported, backlog would have been $6,750 million and $5,807 million at December 31, 2006 and 2005, respectively. Of the total Otis backlog at December 31, 2006, approximately $7,200 million is expected to be realized as sales in 2007.

Carrier

Carrier is the world's largest manufacturer and distributor of HVAC and refrigeration systems. It also produces food service equipment and HVAC and refrigeration related controls for residential, commercial, industrial and transportation applications. Carrier also provides installation, retrofit and aftermarket services and components for the products it sells and those of other manufacturers in the HVAC and refrigeration industries. Carrier's products and services are sold under Carrier and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. Sales are made both directly to the customer and through manufacturer representatives, distributors, wholesalers, dealers and retail outlets. Certain of Carrier's HVAC businesses are seasonal and can be impacted by weather.

Revenues generated by Carrier's international operations, including U.S. export sales, were 54 percent and 55 percent of total Carrier segment revenues in 2006 and 2005, respectively. At December 31, 2006, Carrier's business backlog was $1,852 million as compared to $2,099 million at December 31, 2005. Substantially all the business backlog at December 31, 2006 is expected to be realized as sales in 2007.

UTC Fire & Security

UTC Fire & Security (UTC F&S) is a global provider of security and fire safety products and services. We created the UTC F&S segment in the second quarter of 2005 upon acquiring Kidde plc. The UTC F&S segment includes our former Chubb segment, Kidde's industrial, retail and commercial fire safety businesses and Lenel Systems International, Inc., a leader in the development and delivery of scalable, integrated security software systems and business solutions. In the electronic security industry, UTC F&S provides system integration, installation and service of intruder alarms, access control systems and video surveillance systems. In the fire safety industry, UTC F&S designs, manufactures, integrates, installs and services fire and specialty hazard detection and fixed suppression systems and manufactures, sells and services portable fire extinguishers and other fire fighting equipment. UTC F&S also provides monitoring, response and security personnel services, including cash-in-transit security, to complement its electronic security and fire safety products. Its products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants and other end-users requiring a high level of security and fire protection for their businesses and residences.

UTC F&S provides its products and services under Chubb, Kidde, Lenel and other brand names and sells directly to the customer as well as through manufacturer representatives, distributors and dealers. Revenues generated by UTC F&S's international operations were 84 percent and 87 percent of total UTC F&S segment revenues in 2006 and 2005, respectively. At December 31, 2006, UTC F&S's business backlog was $692 million as compared to $582 million at December 31, 2005. Substantially all the business backlog at December 31, 2006 is expected to be realized as sales in 2007.

Pratt & Whitney

Pratt & Whitney is among the world's leading suppliers of commercial, general aviation and military aircraft engines. Pratt & Whitney's Global Service Partners provides maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services. Pratt & Whitney produces families of engines for wide, narrow body and military aircraft that power both Boeing and Airbus aircraft. Pratt & Whitney also sells engines for auxiliary power units, industrial applications and space propulsion systems. Pratt & Whitney Canada (P&WC) is a world leader for engines powering business, regional, light jet, utility and military aircraft and helicopters. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated aerospace propulsion systems for military and commercial applications, including the space shuttle.

In view of the risk and cost associated with developing new engines, Pratt & Whitney has entered into collaboration arrangements in which revenues, costs and risks are shared. At December 31, 2006, the interests of participants in current Pratt & Whitney-directed commercial jet engine production programs ranged from 14 to 29 percent. In addition, Pratt & Whitney has interests in other programs. These include a 33 percent interest in the International Aero Engines (IAE) collaboration that sells and supports V2500 engines for the A320 family of aircraft and a 50 percent interest in the Engine Alliance (EA) with GE Aviation to develop, market and manufacture the GP7000 engine for the A380 aircraft. At December 31, 2006, other participants held interests totaling 40 percent of Pratt & Whitney's share of the EA. Flight testing of the GP7000 commenced in 2006. European Aviation Safety Agency certification of the A380 aircraft with the GP7000 engines is expected in 2007, with expected entry into service in 2008.

In terms of engine development programs, Pratt & Whitney is under contract with the U.S. Air Force to develop the F135 engine, a derivative of Pratt & Whitney's F119 engine, to power the single-engine F-35 Lightning II aircraft being developed by Lockheed Martin. In addition, Pratt & Whitney is currently developing technology, including testing of a geared turbofan, which is intended to enable it to power the next generation A320 and 737 aircraft. Pratt & Whitney has also initiated the Advantage 70 program, which is intended to enhance its PW4000 engine for the A330 aircraft by reducing maintenance and fuel costs and increasing thrust. PWR is developing a liquid fuel J-2x engine to support NASA's vision for space exploration. P&WC is developing the PW600 engine series for the very light jet market. Two of the engine models have been certified to power Cessna Aircraft's Citation Mustang and Eclipse Aviation's Eclipse 500. A third engine model is expected to be certified in 2007 to power the Embraer Phenom 100. P&WC is also developing the PW210 engine for Sikorsky's S-76D helicopter. IAE is developing the V2500 Select as a follow-on to its V2500 engine. Pratt & Whitney continues to enhance its programs through performance improvement measures and product base expansion. During 2006, Pratt & Whitney launched Global Material Solutions (GMS), a new business that intends to engineer, certify, manufacture, sell, distribute and service new original equipment parts, including life limited parts, for CFM56®-3 engines.

Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, space launch vehicle providers and U.S. and foreign governments. The vast majority of sales are made directly to the customer and, to a limited extent, through independent distributors or foreign sales representatives. Sales to Airbus and Boeing were 12 and 6 percent, respectively, of total Pratt & Whitney revenues in 2006, before taking into account discounts or financial incentives offered to customers. Sales to the U.S. government were 33 percent of total Pratt & Whitney revenues in 2006.

Revenues from Pratt & Whitney's international operations, including U.S. exports, were 53 percent and 54 percent of total Pratt & Whitney segment revenues in 2006 and 2005, respectively. At December 31, 2006, Pratt & Whitney's business backlog was $16,893 million, including $2,895 million of U.S. government funded contracts and subcontracts, as compared to $17,834 million and $2,959 million, respectively, at December 31, 2005. Of the total Pratt & Whitney backlog at December 31, 2006, approximately $6,118 million is expected to be realized as sales in 2007. During 2006, P&WC began including an estimate of the net realizable value of all future sales remaining on long term aftermarket maintenance agreements in the business backlog, consistent with Pratt & Whitney's practice. As these contracts are sole source and represent an increasing portion of Pratt & Whitney's aftermarket business, management believes their inclusion provides a more accurate representation of the business backlog. Calculated as previously reported, backlog would have been $15,836 million and $16,831 million at December 31, 2006 and 2005, respectively. Pratt & Whitney's backlog includes certain contracts for which actual costs may ultimately exceed total revenues. See Note 1 to Consolidated Financial Statements in our 2006 Annual Report for a description of our accounting for long-term contracts.

Hamilton Sundstrand

Hamilton Sundstrand is among the world's leading suppliers of technologically advanced aerospace and industrial products and aftermarket services for diversified industries worldwide. Hamilton Sundstrand's aerospace products, such as power generation management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems, serve commercial, military, regional, business and general aviation, as well as space and undersea applications. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet maintenance programs. Hamilton Sundstrand sells aerospace products to airframe manufacturers, the U.S. and foreign governments, aircraft operators and independent distributors. Hamilton Sundstrand sales of aerospace products to Boeing, Airbus and Pratt & Whitney, collectively, including sales where the U.S. government was the ultimate customer, were 17% percent of Hamilton Sundstrand segment sales in 2006.

Hamilton Sundstrand is engaged in development programs for the Boeing 787 aircraft, the Airbus A380 aircraft, the F-35 Lightning II military aircraft and the A400M military aircraft. Hamilton Sundstrand is also the prime contractor for NASA's space suit/life support system and produces environmental monitoring and control, life support, mechanical systems and thermal control systems for the space shuttle, international space station and the Orion crew exploration vehicle.

Hamilton Sundstrand's principal industrial products, such as air compressors, metering pumps and fluid handling equipment, serve industries involved with raw material processing, bulk material handling, construction, hydrocarbon and chemical processing, and water and wastewater treatment. These products are sold under the Sullair, Sundyne, Milton Roy and other brand names directly to end-users, through manufacturer representatives and distributors.

Revenues generated by Hamilton Sundstrand's international operations, including U.S. export sales, were 47 percent and 45 percent of total Hamilton Sundstrand segment revenues in 2006 and 2005, respectively. At December 31, 2006, Hamilton Sundstrand's business backlog was $4,527 million, including $725 million under U.S. government funded contracts and subcontracts, as compared to $3,700 million and $708 million, respectively, at December 31, 2005. Of the total Hamilton Sundstrand backlog at December 31, 2006, approximately $2,600 million is expected to be realized as sales in 2007. During 2006, Hamilton Sundstrand began including an estimate of the net realizable value of all future sales remaining on long term aftermarket maintenance agreements in the business backlog. As these contracts are sole source and represent an increasing portion of Hamilton Sundstrand's aftermarket business, management believes their inclusion provides a more accurate representation of the business backlog. Calculated as previously reported, backlog would have been $3,015 million and $2,823 million at December 31, 2006 and 2005, respectively.

Sikorsky

Sikorsky is one of the world's largest manufacturers of military and commercial helicopters and also provides aftermarket helicopter and aircraft parts and services.

Current production programs at Sikorsky include the UH-60L and UH-60M Black Hawk medium-transport helicopters for the U.S. and foreign governments, the MH-60S and MH-60R helicopters for the U.S. Navy, the International Naval Hawk for multiple naval missions, and the S-76 and the S-92 helicopters for commercial operations. In June 2005, the U.S. Army awarded Sikorsky a low rate initial production contract for new UH-60M Black Hawk advanced utility helicopters. This contract is the last phase before the Army makes the full rate production decision. In April 2006, Sikorsky was awarded a System Development and Demonstration contract for the U.S. Marine Corps CH-53K next generation heavy lift helicopter. Development of the H-92 helicopter for military markets and the S-76D helicopter, which is expected to be the next generation of the S-76 helicopter, is in process.

In December 2006, Sikorsky entered into an agreement to acquire the Polish aircraft manufacturer, PZL Mielec, which is intended to form the foundation for Sikorsky's European operations. This acquisition is expected to close in the first half of 2007, subject to regulatory and other customary conditions.

Sikorsky's aftermarket business includes spare parts sales, overhaul and repair services, maintenance contracts, and logistics support programs for helicopters and other aircraft. Sales are made directly by Sikorsky and by its subsidiaries and joint ventures. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide maintenance and repair services.

Revenues generated by Sikorsky's international operations, including U.S. export sales, were 34 percent and 31 percent of total Sikorsky revenues in 2006 and 2005, respectively. At December 31, 2006, Sikorsky's business backlog was $8,789 million, including $3,257 million under U.S. government funded contracts and subcontracts, as compared to $7,531 million and $2,261 million, respectively, at December 31, 2005. Of the total Sikorsky backlog at December 31, 2006, approximately $3,800 million is expected to be realized as sales in 2007.

Other

UTC Power develops and markets distributed generation power systems and fuel cell power plants for stationary, transportation, space and defense applications. UTC Power's three primary distributed generation product lines, PureCell 200 fuel cell power plants, PureComfort combined cooling, heat and power systems and PureCycle geothermal organic Rankine cycle power systems, are designed to provide reliable, efficient and environmentally responsible energy solutions for customers.

UTC Power's automotive and bus transportation fuel cell power plants are based on proton exchange membrane (PEM) technology, including its PureMotion 120 power plant, which is currently used in revenue service in transit bus applications. UTC Power is currently developing PEM fuel cells for submarine applications. UTC Power's alkaline-based fuel cells are used on NASA's space shuttle program.

Although fuel cells are believed to be superior to conventional power generation technologies in terms of efficiency and environmental characteristics, the technology is still in development and continued technology advancement and cost reduction of key fuel cell components are required to achieve wide-scale market acceptance. Government support is needed to advance fuel cell technology to a truly commercial stage. There is still significant uncertainty as to whether and when commercially viable PEM fuel cells will be produced.

UTC Power and its related UTC Fuel Cells unit merged effective January 1, 2007. The results of UTC Power and UTC Fuel Cells are included in the "Eliminations and other" category in the segment financial data in Note 15 of "Notes to Consolidated Financial Statements" in our 2006 Annual Report.

Other Matters Relating to Our Business as a Whole

Competition and Other Factors Affecting Our Businesses

As worldwide businesses, our operations can be affected by a variety of economic and other factors, including those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2006 Annual Report, in this Item 1 under the heading "Other Matters Relating to Our Business as a Whole", in Item 1A. "Risk Factors" and in "Cautionary Note Concerning Factors That May Affect Future Results" in this Form 10-K. Each business unit is subject to significant competition from a large number of companies in the United States and other countries, and each competes on the basis of price, delivery schedule, product performance and service.

Our aerospace businesses are subject to substantial competition from domestic manufacturers, foreign manufacturers (whose governments sometimes provide research and development assistance, marketing subsidies and other assistance for their commercial products) and companies that obtain regulatory agency approval to manufacture spare parts. In particular, Pratt & Whitney experiences intense competition for new commercial airframe/engine combinations. Engine suppliers may offer substantial discounts and other financial incentives, performance and operating cost guarantees, participation in financing arrangements and maintenance agreements. Customer selections of engines and components can also have a significant impact on later sales of parts and services. In addition, the U.S. and other governments' policies of purchasing parts from suppliers other than the original equipment manufacturer affect military spare parts sales. Significant elements of our aerospace businesses, such as spare parts sales for engines and aircraft in service, have short lead times. Therefore, backlog information may not be indicative of future demand. Pratt & Whitney's major competitors in the sale of engines are GE Aviation and Rolls Royce plc. For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, see Notes 4 and 13 of "Notes to Consolidated Financial Statements" in our 2006 Annual Report.

Research and Development

Since changes in technology can have a significant impact on our operations and competitive position, we spend substantial amounts of our own funds on research and development. These expenditures, which are charged to expense as incurred, were $1,529 million, or 3.2 percent of total sales in 2006, as compared with $1,367 million or 3.2 percent of total

sales in 2005 and $1,267 million or 3.5 percent of total sales in 2004. We also perform research and development work under contracts funded by the U.S. government and other customers. This contract research and development, which is performed principally in the Pratt & Whitney segment and to a lesser extent in the Hamilton Sundstrand and Sikorsky segments, amounted to $1,952 million in 2006, as compared with $1,650 million in 2005 and $1,619 million in 2004. These contract research and development costs include amounts that are expensed as incurred, through cost of products sold, and amounts that are capitalized into inventory to be subsequently recovered through production aircraft shipments. Of the totals, $1,621 million, $1,478 million and $1,585 million were expensed in 2006, 2005 and 2004, respectively. The remaining costs have been capitalized.

U.S. Government Contracts

U.S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. In the case of a termination for convenience, we would normally be entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. Most of our U.S. government sales are made under fixed-price type contracts, while approximately $2.1 billion of our total sales for 2006 were made under cost-reimbursement type contracts.

Our contracts with the U.S. government are also subject to audits. Like many defense contractors, we have received audit reports from the U.S. government which recommend that we reduce certain contract prices because cost or pricing data we submitted in negotiation of the contract prices or cost accounting practices may not have conformed to government regulations. Some of these audit reports have involved substantial amounts. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and we continue to litigate certain cases. For further discussion of risks related to government contracting, see the discussion in Item 1A, “Risk Factors” and Item 3 “Legal Proceedings” in this Form 10-K and Note 14 of “Notes to Consolidated Financial Statements” in our 2006 Annual Report for further discussion.

Compliance with Environmental and Other Government Regulations

Our operations are subject to and affected by environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. We have incurred and will likely continue to incur liabilities under various government statutes for the cleanup of pollutants previously released into the environment. We do not anticipate that compliance with current provisions relating to the protection of the environment or that any payments we may be required to make for cleanup liabilities will have a material adverse effect upon our cash flows, competitive position, financial condition or results of operations. Environmental matters are further addressed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1 and 14 of “Notes to Consolidated Financial Statements” in our 2006 Annual Report.

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

We conduct our businesses through subsidiaries and affiliates worldwide. Changes in legislation or government policies can affect our worldwide operations. For example, governmental regulation of refrigerants and energy efficiency standards, elevator safety codes and fire safety regulations are important to the businesses of Carrier, Otis and UTC F&S respectively, while government safety and performance regulations, restrictions on aircraft engine noise and emissions and government procurement practices can impact our aerospace businesses.

Intellectual Property and Raw Materials

We maintain a portfolio of patents, trademarks, licenses and franchises related to our businesses. While this portfolio is cumulatively important to our business, we do not believe that the loss of any one or group of related patents, trademarks, licenses or franchises would have a material adverse effect on our overall business or on any of our operating segments.

We believe we have adequate sources for our purchases of materials, components, services and supplies used in our manufacturing. We work continuously with our supply base to ensure an adequate source of supply and to reduce costs. We pursue cost reductions through a number of mechanisms, including consolidating our purchases, reducing the number of suppliers, strategic global sourcing and using online bidding competitions among potential suppliers. In some instances, we depend upon a single source of supply or participate in commodity markets that may be subject to allocations by suppliers. Like other users in the U.S., we are largely dependent upon foreign sources for certain raw materials requirements such as cobalt (Finland, Norway, Russia and Canada), tantalum (Australia and Canada), chromium (South Africa, Kazakhstan, Zimbabwe and Russia) and rhenium (Chile, Kazakhstan and Germany). We have a number of ongoing programs to manage

this dependence and the accompanying risk, including long-term agreements and the conservation of materials through scrap reclamation and new manufacturing processes. We believe that our supply management practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Although recent high prices for some raw materials important to some of our businesses (steel, copper, aluminum, titanium and nickel) have caused margin and cost pressures, we do not foresee any near term unavailability of materials, components or supplies that would have an adverse effect on our business, or on any of our business segments. For further discussion of the possible effects of the cost and availability of raw materials on our business, see Item 1A. "Risk Factors" in this Form 10-K.

Employees and Employee Relations

At December 31, 2006, our total employment was approximately 214,500, approximately 66 percent of which represents employees based outside the United States. During 2006, we renegotiated twenty multi-year collective bargaining agreements, the largest of which covered certain workers at Sikorsky and Carrier. In 2007, numerous collective bargaining agreements are subject to renegotiation, the largest of which cover certain workers at Hamilton Sundstrand, Otis and Pratt & Whitney. We do not anticipate any problems in renegotiating these contracts that would either individually, or in the aggregate, have a material adverse effect on our financial condition or results of operations. For discussion of the effects of our restructuring actions on employment, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 11 of "Notes to Consolidated Financial Statements" in our 2006 Annual Report.

For a discussion of other matters which may affect our financial condition, results of operations or cash flows, including the risks of our international operations, see the further discussion under the headings "General" and "Description of Business by Segment" in this section and Item 1A. "Risk Factors" in this Form 10-K and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2006 Annual Report.

Cautionary Note Concerning Factors That May Affect Future Results

This Form 10-K contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, 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," "target," "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 measures 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 availability and cost of materials, components, services and supplies
- The scope, nature or impact of acquisition activity and integration into our businesses
- The development, production and support of advanced technologies and new products and services
- New business opportunities
- Restructuring costs and savings
- The effective negotiation of collective bargaining agreements
- The outcome of contingencies
- Future repurchases of common stock
- Future levels of indebtedness and capital spending
- Pension plan assumptions and future contributions

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission from time to time. This Annual Report on Form 10-K for 2006 includes important information as to these factors in the “Business” section under the headings “General”, “Description of Business by Segment” and “Other Matters Relating to Our Business as a Whole” and in the “Risk Factors” and “Legal Proceedings” sections. Additional important information as to these factors is included in our 2006 Annual Report in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Item 1A. Risk Factors

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, including, but not limited to those set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion in “Other Matters Relating to Our Business as a Whole” and “Cautionary Note Concerning Factors That May Affect Future Results” in this Form 10-K and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to Consolidated Financial Statements” in our 2006 Annual Report.

Our Financial Performance Is Dependent on the Conditions of the Aerospace and Construction Industries

The results of our commercial and military aerospace businesses, which generated 37 percent of our revenues in 2006, are directly tied to the economic conditions in the commercial aviation and defense industries. The aviation industry is cyclical, and capital spending by airlines and aircraft manufacturers may be influenced by a wide variety of factors, including current and predicted traffic levels, load factors, aircraft fuel pricing, labor issues, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, worldwide airline profits and backlog levels. Also, since a substantial portion of the backlog for commercial aerospace customers is scheduled for delivery beyond 2007, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. In addition, our aerospace businesses face intense competition from domestic and foreign manufacturers of new equipment and spare parts. The defense industry is also affected by a changing global political environment, continued pressure on U.S. and global defense spending and U.S. foreign policy and the level of activity in military flight operations. Spare parts sales and aftermarket service trends are affected by similar factors, including usage, pricing, regulatory changes, the retirement of older aircraft and technological improvements to new engines that increase reliability. Furthermore, because of the lengthy research and development cycle involved in bringing products in these business segments to market, we cannot predict the economic conditions that will exist when any new product is complete. A reduction in capital spending in the aviation or defense industries could have a significant effect on the demand for our products, which could have an adverse effect on our financial performance or results of operations.

The results of our commercial and industrial businesses, which generated 63 percent of our revenues in 2006, are influenced by a number of external factors including fluctuations in residential and commercial construction activity, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs and other global and political factors. In addition to these factors, Carrier’s financial performance can also be influenced by production and utilization of transport equipment and, in its residential business, weather conditions.

Our Business May Be Affected by Government Contracting Risks

U.S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. We are now, and believe that in light of the current U.S. government contracting environment we will continue to be, the subject of one or more U.S. government investigations. If we or one of our business units were charged with wrongdoing as a result of any U.S. government investigations (including violation of certain environmental or export laws), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could subject us to fines, penalties, repayments and treble and other damages. The U.S. government could void any contracts found to be tainted by fraud. The U.S. government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other seriously improper conduct. Debarment generally does not exceed three years. Independently, failure to comply with U.S. laws and regulations related to the export of goods and technology outside the U.S. could result in civil or criminal penalties and suspension or termination of our export privileges.

Our International Operations Subject Us to Economic Risk As Our Results of Operations May Be Adversely Affected by Foreign Currency Fluctuations and Changes in Local Government Regulation

We conduct our business on a global basis, with 60 percent of our total 2006 segment revenues derived from operations outside of the United States and from U.S. export sales. Fluctuations in exchange rates may affect product demand in export markets and affect reported profits of our non-U.S. operations (primarily the commercial businesses) where transactions are generally denominated in local currencies. In addition, currency fluctuations may affect the prices we pay suppliers for materials used in our products. Our financial statements are denominated in U.S. dollars. Accordingly, fluctuations in exchange rates may also give rise to translation gains or losses when financial statements on non-U.S. operating units are translated into U.S. dollars. Given that the majority of our revenues are non-U.S. based, a strengthening of the U.S. dollar against other major foreign currencies could adversely affect our results of operations.

Our international sales and operations are subject to risks associated with changes in local government laws, regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls, employment regulations, and repatriation of earnings. Our international sales and operations are also sensitive to changes in foreign national priorities, including government budgets, as well as to political and economic instability. International transactions may involve increased financial and legal risks due to differing legal systems and customs in foreign countries. For example, as a condition of sale or award of a contract, some international customers require us to agree to offset arrangements, which may include in-country purchases, manufacturing and financial support arrangements. The contract may provide for penalties in the event we fail to perform in accordance with the offset requirements. In addition, as part of our globalization strategy, we have invested in certain countries, including Argentina, Brazil, China, India, Russia and South Africa, that carry high levels of currency, political and economic risk. While these factors or the impact of these factors are difficult to predict, any one or more of them could adversely affect our business, financial condition or operating results.

We Use a Variety of Raw Materials, Supplier Provided Parts, Components, Sub-Systems and Third Party Contract Manufacturing Services in Our Businesses, and Significant Shortages, Supplier Capacity Constraints, Supplier Production Disruptions or Price Increases Could Increase Our Operating Costs and Adversely Impact the Competitive Positions of Our Products

Our reliance on suppliers, third party contract manufacturing and commodity markets to secure raw materials, parts, components and sub-systems used in our products exposes us to volatility in the prices and availability of these materials. In some instances, we depend upon a single source of supply, manufacturing or assembly or participate in commodity markets that may be subject to allocations by suppliers. A disruption in deliveries from our suppliers or third party contract manufacturers, supplier capacity constraints, supplier and third party contract manufacturer production disruptions, price increases, or decreased availability of raw materials or commodities, could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. We believe that our supply management and production practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Nonetheless, price increases, supplier capacity constraints, supplier production disruptions or the unavailability of some raw materials may have an adverse effect on our results of operations or financial condition.

We Engage in Acquisitions, and May Encounter Difficulties Integrating Acquired Businesses with Our Current Operations; Therefore, We May Not Realize the Anticipated Benefits of the Acquisitions

We seek to grow through strategic acquisitions. In the past several years, we have made various acquisitions and entered into joint venture arrangements intended to complement and expand our businesses, and may continue to do so in the future. The success of these transactions will depend on our ability to integrate assets and personnel acquired in these transactions, apply our internal controls processes to these acquired businesses, and cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations.

We Design, Manufacture and Service Products that Incorporate Advanced Technologies; The Introduction of New Products and Technologies Involves Risks and We May Not Realize the Degree or Timing of Benefits Initially Anticipated

We seek to achieve growth through the design, development, production, sale and support of innovative products that incorporate advanced technologies. We regularly invest substantial amounts in research and development efforts that pursue advancements in a wide range of technologies, products and services. Our ability to realize the anticipated benefits of these advancements depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules; execution of internal and external performance plans; availability of internal and supplier produced parts and materials; performance of suppliers and subcontractors; achieving cost and production efficiencies and validation of innovative technologies. These factors involve significant risks and uncertainties. We may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. In particular, we cannot predict with certainty whether, when and in what quantities Pratt & Whitney or its affiliates will produce aircraft engines currently in development or pending required certifications. Any of the foregoing could adversely affect our business and results of operations.

We Are Subject to Litigation and Legal Compliance Risks That Could Adversely Affect Our Operating Results

We are subject to a variety of litigation and legal compliance risks. These risks include, among other things, litigation concerning product liability matters, personal injuries, intellectual property rights, government contracts, taxes, environmental matters, compliance with competition laws and sales and trading practices. While we believe we have adopted appropriate risk management and compliance programs to address and reduce these risks, the global and diverse nature of our operations means that these risks will continue to exist and additional legal proceedings and contingencies will arise from time to time. Our results may be affected by the outcome of legal proceedings and other contingencies that cannot be predicted with certainty. As required by generally accepted accounting principles, we estimate material loss contingencies and establish reserves based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a liability or as a reserve against assets in our financial statements and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid. For a description of current legal proceedings, see Item 3 “Legal Proceedings” in this Form 10-K.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Location	Number of Facilities - Owned							
	Otis	Carrier	Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
Manufacturing:								
North America	—	18	9	27	22	8	—	84
Europe & Middle East	8	12	13	2	20	—	—	55
Asia	3	3	—	6	2	—	—	14
Emerging Markets*	13	23	6	9	4	—	—	55
	24	56	28	44	48	8	—	208
Non-Manufacturing:								
North America	4	23	1	33	5	—	11	77
Europe & Middle East	16	13	2	—	1	—	—	32
Asia	1	1	5	1	—	—	—	8
Emerging Markets*	7	13	2	3	—	—	—	25
	28	50	10	37	6	—	11	142

Location	Number of Facilities - Leased							
	Otis	Carrier	Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
Manufacturing:								
North America	2	9	4	19	6	7	2	49
Europe & Middle East	2	7	9	1	10	1	—	30
Asia	—	1	—	3	2	—	—	6
Emerging Markets*	1	5	7	3	2	1	—	19
	5	22	20	26	20	9	2	104
Non-Manufacturing:								
North America	4	83	16	19	2	7	4	135
Europe & Middle East	11	27	13	1	—	—	—	52
Asia	8	5	7	2	1	2	1	26
Emerging Markets*	11	21	2	1	—	—	—	35
	34	136	38	23	3	9	5	248

* For purposes of this table, emerging markets include the countries included in the Morgan Stanley Capital International Emerging Markets Global Index℠.

Our fixed assets as of December 31, 2006 include the manufacturing facilities and non-manufacturing facilities such as warehouses set forth in the tables above and a substantial quantity of machinery and equipment, most of which are general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The facilities, warehouses, machinery and equipment in use as of December 31, 2006 are in good operating condition, are well maintained and substantially all are in regular use.

Our management believes that the fixed assets capitalized and the facilities in operation at December 31, 2006 for the production of our products are suitable and adequate for the business conducted therein in the current business environment and have sufficient production capacity for their present intended purposes. Utilization of the facilities varies based on demand for the products. We continuously review our anticipated requirements for facilities and, based on that review, may from time to time adjust our facility needs.

For discussion of the effect of our restructuring actions on manufacturing facilities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 11 of “Notes to Consolidated Financial Statements” in our 2006 Annual Report.

Item 3. Legal Proceedings

As previously reported, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and GE's F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. Treble damages and penalties of up to $10,000 per false claim could be assessed if the court finds that Pratt & Whitney violated the civil False Claims Act, and common law damages would accrue pre-judgment interest. Trial of this matter was completed in December 2004. At trial, the government claimed Pratt & Whitney's liability is $624 million. We believe that this estimate is substantially overstated, denied any liability and vigorously defended against the DOJ's claims. A decision is pending. Should the government ultimately prevail with respect to the foregoing government contract matter, the outcome could result in a material effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid. However, we believe that the resolution of this matter will not have a material adverse effect upon our competitive position, cash flows or financial condition.

As previously reported, the European Commission's Competition Directorate (EU Commission) conducted inspections in early 2004 at offices of our Otis subsidiary in Berlin, Brussels, Luxembourg and Paris relating to an investigation of possible unlawful collusive arrangements involving the European elevator and escalator industry. Based on the results of our own internal investigation, we believe that some Otis employees engaged in activities at a local level in Belgium, Luxembourg, The Netherlands and Germany in violation of Otis and UTC policies and European competition law. On October 13, 2005, we received a Statement of Objections (SO) from the EU Commission relating to this investigation. The SO, an administrative complaint, alleges infringements of EU competition rules by certain elevator companies, including Otis, in Belgium, Luxembourg, The Netherlands and Germany. We responded to the SO on February 21, 2006 and have cooperated fully with the EU Commission. We expect the EU Commission to issue a decision in the near term, but cannot reasonably estimate the range of civil fines to which we or Otis would likely be subject. The aggregate amount of such fines could be material to our operating results for the period in which the liability would be recognized or cash flows for the period in which the fines would be paid. We do not believe that any such fines would have a material adverse effect on our financial condition, or that the resolution of this matter would have a material adverse effect on Otis' competitive position.

Since the EU Commission's investigation became public, class action lawsuits were filed in various federal district courts in the United States alleging that we, Otis and other elevator manufacturers engaged in violations of Sections 1 and 2 of the Sherman Act. Those lawsuits were transferred to and consolidated in the U.S. District Court for the Southern District of New York. On June 6, 2006, the district court judge granted our motion to dismiss without leave to replead. On June 30, 2006, the plaintiffs appealed this decision to the U.S. Court of Appeals for the Second Circuit. We expect a decision in the second or third quarter of 2007. We continue to believe this litigation is without merit.

As previously reported, in December 2003, the U.S. Environmental Protection Agency executed a search warrant at Hamilton Sundstrand seeking records and data regarding processes for monitoring, treating and discharging wastewater at a Connecticut manufacturing facility. Hamilton Sundstrand also received a Notice of Violation associated with the same matter from the Connecticut Department of Environmental Protection. On February 8, 2007 Hamilton Sundstrand pled guilty to a two-count Federal criminal information alleging that it violated the Clean Water Act by filing inaccurate reports of hexavalent chrome levels at an internal sampling point from 2001 to 2003, and by discharging wastewater containing an excessive amount of copper into the Farmington River. Pursuant to a plea agreement, Hamilton Sundstrand will pay a $1 million penalty and be placed on probation for a five year period. Over this period, Hamilton Sundstrand will also contribute to and perform $11 million of projects to benefit the environment and take a number of actions with respect to environmental training, compliance, oversight, reporting and auditing. Hamilton Sundstrand also entered into a Consent Order with the Connecticut Department of Environmental Protection to resolve the related Notice of Violation. Under the Consent Order, Hamilton Sundstrand will pay an additional $75,000 fine, and $675,000 of the $11 million in projects described above will be designated to resolve its liability under the Notice of Violation.

In 2005, the Korean Fair Trade Commission conducted an inspection at the office of Otis' Korean subsidiary in connection with an investigation of possible unlawful collusive arrangements in the Korean elevator industry. Based on the results of our internal investigation, we believe that some employees at this subsidiary engaged in activities at a local level in violation of Otis and UTC policies and Korean competition law. We are cooperating fully with the investigation. We do not believe that any fines that may be imposed will be material to UTC or have a materially adverse impact on Otis' competitive position.

As previously reported, like many other companies in recent years, we or our subsidiaries have been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos integrated into certain of our products or premises. While we have never manufactured asbestos and no longer incorporate it in any currently manufactured products, certain of our historical products, like those of many other manufacturers, have contained components incorporating asbestos. We have made no payment in a substantial majority of the cases closed to date. The remainder of the resolved

cases have settled for amounts that are not material to us, and have been supported in part by insurance. At present, we are named in approximately 2,830 lawsuits involving approximately 15,365 individual claimants. In our report on Form 10-K for the year ended December 31, 2004, we reported that approximately 18,000 claimants were then joined in lawsuits in Mississippi state courts. Typically, these Mississippi lawsuits named from 200 to 400 other companies as defendants along with us or our subsidiaries. The complaints did not identify any of our products or products of our subsidiaries, or specify the amount of damages claimed. In addition, the complaints did not allege which claimants, if any, were exposed to asbestos attributable to our products or premises, nor the extent, if any, to which such claimants had been harmed. Since our 2004 report, as a result of changes in the law governing joinder and pleading in Mississippi, approximately 5,700 Mississippi claimants have been transferred to the Federal Multidistrict Litigation asbestos docket in Pennsylvania. Many other claimants have been dismissed without prejudice and required to file claims, if they can, that allege more specifically the claimant's exposure to asbestos and the resulting harm. At present, the total number of claimants in Mississippi is approximately 4,955.

Except as otherwise noted above, we do not believe that resolution of any of the legal matters discussed above will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition. A further discussion of government contracts and related investigations, as well as a discussion of our environmental liabilities, can be found under the heading "Other Matters Relating to Our Business as a Whole – Compliance with Environmental and Other Government Regulations" in Item 1 "Business" and in Item 1A. "Risk Factors" in this Form 10-K.

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

No matters were submitted to security holders for a vote during the fourth quarter ended December 31, 2006.

Executive Officers of the Registrant

The following persons are or will become executive officers of United Technologies Corporation:

Name	Title	Other Business Experience Since 1/1/2002	Age 2/8/07
Ari Bousbib	President, Otis Elevator (since 2002)	Executive Vice President and Chief Operating Officer, Otis Elevator	45
William M. Brown	President, UTC Fire & Security (since 2006)	President, Asia Pacific, Carrier Corporation; President, Carrier Transicold	44
William L. Bucknall, Jr.	Senior Vice President, Human Resources and Organization (since 1992)	—	64
Louis R. Chênevert	Director, President and Chief Operating Officer (since 2006)	President, Pratt & Whitney	49
Geraud Darnis	President, Carrier Corporation (since 2001)	—	47
George David	Chairman (since 1997) and Chief Executive Officer (since 1994)	Chairman, President and Chief Executive Officer, United Technologies Corporation	64
Stephen N. Finger	President, Pratt & Whitney (since 2006)	President, Sikorsky Aircraft; President, Military Engines and Executive Vice President, Engineering and Operations, Pratt & Whitney	58
James E. Geisler	Vice President, Finance (since 2004)	Director, Financial Planning and Analysis, United Technologies Corporation	40

Name	Title	Other Business Experience Since 1/1/2002	Age 2/8/07
Charles D. Gill	Senior Vice President and General Counsel (effective April 11, 2007)	Vice President and General Counsel, and Secretary, Carrier Corporation; Executive Assistant to Chairman and Chief Executive Officer, United Technologies Corporation; Vice President, Legal Affairs, Carrier Corporation Asia Pacific Operations	42
Gregory J. Hayes	Vice President, Accounting and Finance (since 2006), Controller (since 2003)	Vice President, Accounting and Control, Controller, United Technologies Corporation; Vice President, Financial Planning and Analysis and Treasury, Hamilton Sundstrand	46
David P. Hess	President, Hamilton Sundstrand Corporation (since 2005)	President, Hamilton Sundstrand Aerospace Power Systems	51
Jeffrey P. Pino	President, Sikorsky Aircraft (since 2006)	Senior Vice President, Marketing & Commercial Programs, Sikorsky Aircraft; Senior Vice President, Commercial Business Unit, Bell Helicopter, Textron	52
Thomas I. Rogan	Vice President, Treasurer (since 2001)	—	54
William H. Trachsel	Senior Vice President and General Counsel (since 2004; until April 11, 2007)	Senior Vice President, General Counsel and Secretary, United Technologies Corporation	63
Debra A. Valentine	Vice President, Deputy General Counsel and Secretary (effective April 11, 2007)	Vice President, Secretary and Associate General Counsel, United Technologies Corporation; Partner, O'Melveny and Myers LLP	53
Jan van Dokkum	President, UTC Power (since 2002)	President and Chief Executive Officer, Siemens Power Transmission and Distribution, Inc.	53

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

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Performance Graph and Comparative Stock Data appearing in our 2006 Annual Report containing the following data relating to our Common Stock: shareholder return, principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends is hereby incorporated by reference. The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is set forth in Part III, Item 12 of this Form 10-K.

Issuer Purchases of Equity Securities

The following table provides information about our purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2006.

2006	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (000's)	Maximum Number of Shares that may yet be Purchased Under the Program (000's)
October 1 – October 31	2,750	65.01	2,746	14,083
November 1 – November 30	5,322	65.11	5,321	8,762
December 1 – December 31	3,356	63.51	3,354	58,294*
Total	11,428	64.62	11,421	58,294

* 7,115 shares that could still have been purchased under the limits of the old program became unavailable as of December 13, 2006 with the authorization of the new program. The 58,294 shares currently available are all under the new program.

On December 13, 2006, we announced that our Board of Directors authorized the repurchase of up to 60 million shares of our common stock. Shares may be purchased on the open market, in privately negotiated transactions, or both. In the fourth quarter of 2006, we entered into a stock repurchase plan under which a broker repurchases shares of our common stock on our behalf pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. These repurchases are included within the scope of our overall repurchase program discussed above. We may also reacquire shares outside of the program in connection with the surrender of shares to cover taxes on vesting of restricted stock. Approximately 7,000 shares were reacquired in transactions outside the program during the quarter.

In June 2006 and May 2005, we contributed 2,497,919 and 3,000,000 shares of our common stock, respectively, valued at $150 million and $157 million, respectively, to our U.S. defined pension plans, in accordance with Section 4(2) of the Securities Act of 1933. These contributions will reduce our future obligations to fund the plans.

Item 6. Selected Financial Data

The Five Year Summary appearing in our 2006 Annual Report, containing revenues, net income, basic and diluted earnings per share, cash dividends per common share, total assets and long-term debt, is hereby incorporated by reference. See “Notes to Consolidated Financial Statements” in our 2006 Annual Report for a description of any accounting changes and acquisitions or dispositions of businesses materially affecting the comparability of the information reflected in the Five Year Summary.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2006 Annual Report is hereby incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information concerning market risk sensitive instruments, see discussion under the headings “Market Risk and Risk Management” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2006 Annual Report and “Foreign Exchange and Hedging Activity” in Note 1 and Note 12 of “Notes to Consolidated Financial Statements” in our 2006 Annual Report.

Item 8. Financial Statements and Supplementary Data

The 2006 and 2005 Consolidated Balance Sheet, and other financial statements for the years 2006, 2005 and 2004, together with the report thereon of PricewaterhouseCoopers LLP dated February 8, 2007 in our 2006 Annual Report are incorporated by reference in this Form 10-K. The 2006 and 2005 unaudited Selected Quarterly Financial Data appearing in our 2006 Annual Report is incorporated by reference in this Form 10-K.

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

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, we carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer, the President and Chief Operating Officer, the Vice President, Accounting and Finance; Controller and the Vice President, Finance, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the

effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer, our President and Chief Operating Officer, our Vice President, Accounting and Finance; Controller and our Vice President, Finance concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer, our President and Chief Operating Officer, our Vice President, Accounting and Finance; Controller and our Vice President, Finance, as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2006. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in *Internal Control—Integrated Framework.* Our management concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2006. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in our 2006 Annual Report.

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors and Audit Committee financial experts is incorporated herein by reference to the section of our Proxy Statement for the 2007 Annual Meeting of Shareowners entitled "General Information Concerning the Board of Directors", subsections "Nominees" and "The Audit Committee." Information regarding executive officers is contained in Part I of this Form 10-K under the heading "—Executive Officers of the Registrant." Information concerning Section 16(a) compliance is incorporated by reference to the section of our Proxy Statement for the 2007 Annual Meeting of Shareowners entitled "Section 16(a) Beneficial Ownership Reporting Compliance."

We have adopted a code of ethics that applies to all our directors, officers, employees and representatives. This code is publicly available on our website at www.utc.com/responsibility/ethics/english/coe_english.pdf. Amendments to the code of ethics and any grant of a waiver from a provision of the code requiring disclosure under applicable SEC rules will be disclosed on our website. Our Corporate Governance Guidelines and the charters of our Board of Directors' Audit Committee, Finance Committee, Committee on Nominations and Governance, Public Issues Review Committee and Committee on Compensation and Executive Development are available on our website at http://investors.utc.com/charters.cfm. These materials may also be requested in print free of charge by writing to our Investor Relations Department at United Technologies Corporation, United Technologies Building, Investor Relations, Hartford, CT 06101.

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Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2007 Annual Meeting of Shareowners entitled “Executive Compensation” and “Director Compensation”.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information relating to security ownership of certain beneficial owners and management required by Item 12 is incorporated herein by reference to the section of our Proxy Statement for the 2007 Annual Meeting entitled “Security Ownership of Directors, Executive Officers and Certain Beneficial Owners.” The Equity Compensation Plan Information required by Item 12 is set forth in the table below.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2006 concerning common stock issuable under equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	66,546,676[1]	$ 39.57	28,092,510[2]
Equity compensation plans not approved by security holders	13,978,079[3]	$ 38.54	—
Total	80,524,755	$ 39.39[4]	28,092,510

(1) Consists of options awarded under the 1989 Long Term Incentive Plan (the “1989 LTIP”), the 2005 Long Term Incentive Plan (the “2005 LTIP”) and the Non-Employee Director Stock Option Plan. Options issued under the 1989 LTIP include options that resulted from the conversion of awards granted under equity compensation plans of Sundstrand Corp. at the time it was merged into Hamilton Sundstrand Corp. This amount includes 269,500 restricted shares and 1,140,060 performance share units at the target level. Up to an additional 1,140,060 performance units could be issued if performance goals are achieved above target.

(2) Represents the maximum number of shares of common stock available to be awarded as of December 31, 2006.

(3) Consists of options awarded under the Employee Stock Option Plan. Effective April 14, 2005, all equity compensation awards are now provided under the shareowner approved 2005 LTIP.

(4) Weighted-average calculation does not include restricted shares and performance share units because they have no exercise price.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated herein by reference to the sections of our Proxy Statement for the 2007 Annual Meeting entitled “Transactions with Related Persons” and “General Information Concerning the Board of Directors”.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the section of our Proxy Statement for the 2007 Annual Meeting entitled “Appointment of a Firm of Independent Registered Public Accountants to Serve as Independent Auditors,” under the headings “Audit Fees,” “Audit Related Fees,” “Tax Fees” and “All Other Fees.”

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements (incorporated by reference from the 2006 Annual Report):

	Page Number in Annual Report
Report of Independent Registered Public Accounting Firm	21
Consolidated Statement of Operations for the three years ended December 31, 2006	22
Consolidated Balance Sheet—December 31, 2006 and 2005	23
Consolidated Statement of Cash Flows for the three years ended December 31, 2006	24
Notes to Consolidated Financial Statements	26
Selected Quarterly Financial Data (Unaudited)	51

(2) Financial Statement Schedule for the three years ended December 31, 2006:

	Page Number in Form 10-K
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	S-I
Schedule II - Valuation and Qualifying Accounts	S-II
Consent of Independent Registered Public Accounting Firm	F-I

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

(3) Exhibits:

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

Exhibit Number	
3(i)	Restated Certificate of Incorporation, restated as of May 8, 2006.*
3(ii)	Bylaws as amended and restated effective February 6, 2006, incorporated by reference to Exhibit 3(ii) to UTC's Current Report on Form 8-K (Commission file number 1-812) filed February 8, 2006.
4.1	Amended and Restated Indenture, dated as of May 1, 2001, between UTC and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(a) to UTC's Registration Statement on Form S-3 (Commission File No. 333-60276) filed with the SEC on May 4, 2001). UTC hereby agrees to furnish to the Commission upon request a copy of each other instrument defining the rights of holders of long-term debt of UTC and its consolidated subsidiaries and any unconsolidated subsidiaries.
10.1	United Technologies Corporation Annual Executive Incentive Compensation Plan, as amended, incorporated by reference to Exhibit 10.1 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995.
10.2	United Technologies Corporation Executive Estate Preservation Program, incorporated by reference to Exhibit 10(iv) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.3	United Technologies Corporation Pension Preservation Plan, as amended and restated, incorporated by reference to Exhibit 10.3 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2002.

10.4	United Technologies Corporation Senior Executive Severance Plan, incorporated by reference to Exhibit 10(vi) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992, and Amendment thereto, incorporated by reference to Exhibit 10.4 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.
10.5	Amended and Restated United Technologies Corporation Deferred Compensation Plan, dated September 1, 2002, as amended October 1, 2004.*
10.6	United Technologies Corporation Long Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.
10.7	United Technologies Corporation Executive Leadership Program, incorporated by reference to Exhibit 10.7 to the UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004, as amended.
10.8	United Technologies Corporation Directors' Restricted Stock/Unit Program, incorporated by reference to Exhibit 10(xiii) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.9	United Technologies Corporation Board of Directors Deferred Stock Unit Plan, incorporated by reference to Exhibit 10.9 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995, and Amendment 1 thereto, incorporated by reference to Exhibit 10(iii)(A)(1) to UTC's Report on Form 10-Q for the quarterly period ended June 30, 2000.
10.10	United Technologies Corporation Pension Replacement Plan, as amended and restated, incorporated by reference to Exhibit 10.10 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2002.
10.11	United Technologies Corporation Special Retention and Stock Appreciation Program, incorporated by reference to Exhibit 10(xvi) to UTC's Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 1995.
10.12	United Technologies Corporation Nonemployee Director Stock Option Plan, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995, Amendment 1 thereto, incorporated by reference to Exhibit 10(iii)(A)(2) to UTC's Report on Form 10-Q for the quarterly period ended June 30, 2000, Amendment 2 thereto, incorporated by reference to Exhibit 10(iii)(A)(1) to UTC's Report on Form 10-Q for the quarterly period ended June 30, 2001, Amendment 3 thereto, incorporated by reference to Exhibit 10.17 to UTC's Annual Report on Form 10-K for fiscal year ending December 31, 2001, Amendment 4 thereto, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ending December 31, 2002 and Amendment 5 thereto, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.
10.13	United Technologies Corporation Employee Stock Option Plan, incorporated by reference to Exhibit 10.13 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2002, and Amendment 1 thereto, incorporated by reference to Exhibit 10.13 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.
10.14	United Technologies Corporation Employee Scholar Program, as amended and restated on June 27, 2003, incorporated by reference to Exhibit 10.14 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.
10.15	Nonqualified Stock Option and Dividend Equivalent Award Schedule of Terms relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to UTC's Annual

Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.15 to UTC's Annual Report on form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2004.

10.16	Restricted Stock Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.1 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.17	Nonqualified Stock Option Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long-Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.2 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.18	Restricted Stock Unit Award relating to the United Technologies Corporation Directors' Restricted Stock/Unit Program (previously filed as Exhibit 10(xiii) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992), incorporated by reference to Exhibit 10.3 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.19	Form of Award relating to the United Technologies Corporation Nonemployee Director Stock Option Plan (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995, as amended by Amendment 1 thereto (previously filed as Exhibit 10(iii)(A)(2) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2000), Amendment 2 thereto (previously filed as Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q (Commission file number 1-812) for quarterly period ended June 30, 2001), Amendment 3 thereto (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ending December 31, 2001), Amendment 4 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2002) and Amendment 5 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ending December 31, 2003)), incorporated by reference to Exhibit 10.4 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.20	Recognition Stock Option Program Prospectus and Statement of Award relating to the United Technologies Corporation Employee Stock Option Plan (previously filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2002, as amended by Amendment 1, filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.5 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.21	Continuous Improvement Incentive Program Non-qualified Stock Option and Dividend Equivalent Award Schedule of Terms and Forms of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.6 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.22	Retainer Payment Election Form relating to the United Technologies Corporation Board of Directors Deferred Stock Unit Plan (previously filed as Exhibit 10.14 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended 1995, as amended by Amendment No. 1 thereto (incorporated by reference to Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q (Commission file number 1-812) for quarterly period ended June 30, 2000)), incorporated by reference to Exhibit 10.8 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.23	United Technologies Corporation 2005 Long Term Incentive Plan, incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005.
10.24	Schedule of Terms for restricted stock awards relating to the United Technologies Corporation 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed September 20, 2005.
10.25	Form of Award Agreement for restricted stock awards relating to the United Technologies Corporation 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005), incorporated by reference to Exhibit 10.2 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed September 20, 2005.
10.26	Schedule of Terms for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005), incorporated by reference to Exhibit 10.3 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed September 20, 2005.
10.27	Form of Award Agreement for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005), incorporated by reference to Exhibit 10.4 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed September 20, 2005.
10.28	Form of Award Agreement for performance share unit and stock appreciation rights awards relating to the United Technologies Corporation 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed December 20, 2005.
10.29	Schedule of Terms for performance share unit awards relating to the United Technologies Corporation 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005), incorporated by reference to Exhibit 10.2 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed December 20, 2005.
10.30	Schedule of Terms for stock appreciation rights awards relating to the United Technologies Corporation 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2005, incorporated by reference to Exhibit 10.3 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed December 20, 2005.
10.31	United Technologies Corporation Executive Leadership Group Agreement, as amended, incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed March 24, 2006.
10.32	Form of Agreement for Executive Leadership Group Restricted Share Unit Retention Awards, incorporated by reference to Exhibit 10.2 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed March 24, 2006.
10.33	Schedule of Terms for Executive Leadership Restricted Share Unit Awards, incorporated by reference to Exhibit 10.3 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed March 24, 2006.
10.34	United Technologies Corporation Board of Directors 2006 Retainer Payment Election Form, incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 18, 2006.
10.35	Form of Award Agreement for Performance Share Units and Stock Appreciation Rights Awards relating to the 2005 Long Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed April 15, 2005), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K filed October 16, 2006.

11	Statement Re: Computations of Per Share Earnings.*
12	Statement Re: Computation of Ratios.*
13	Annual Report for the year ended December 31, 2006 (except for the information thereof expressly incorporated by reference in this Form 10-K, the Annual Report 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).*
14	Code of Ethics. The UTC Code of Ethics may be accessed via UTC’s website at www.utc.com/responsibility/ethics/english/coe_english.pdf.
21	Subsidiaries of the Registrant.*
23	Consent of PricewaterhouseCoopers LLP, included as page F-I of this Form 10-K.
24	Powers of Attorney of John V. Faraci, Jean-Pierre Garnier, Jamie S. Gorelick, Charles R. Lee, Richard D. McCormick, Harold W. McGraw III, Richard B. Myers, Frank P. Popoff, H. Patrick Swygert, André Villeneuve, H. A. Wagner and Christine Todd Whitman.*
31	Rule 13a-14(a)/15d-14(a) Certifications.*
32	Section 1350 Certifications.*

Notes to Exhibits List:

* Submitted electronically herewith.

Exhibits 10.1 through 10.35 are contracts, arrangements or compensatory plans filed as exhibits pursuant to Item 15(b) of the requirements for Form 10-K reports.

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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/ JAMES E. GEISLER
James E. Geisler
Vice President, Finance

By: /s/ GREGORY J. HAYES
Gregory J. Hayes
Vice President, Accounting and Finance; Controller

Date: February 8, 2007

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

Signature	Title	Date
/S/ GEORGE DAVID **(George David)**	Chairman, Director and Chief Executive Officer	February 8, 2007
/S/ LOUIS R. CHÊNEVERT **(Louis R. Chênevert)**	Director, President and Chief Operating Officer	February 8, 2007
/S/ JAMES E. GEISLER **(James E. Geisler)**	Vice President, Finance	February 8, 2007
/S/ GREGORY J. HAYES **(Gregory J. Hayes)**	Vice President, Accounting and Finance; Controller	February 8, 2007
/S/ JOHN V. FARACI* **(John V. Faraci)**	Director)	
/S/ JEAN-PIERRE GARNIER* **(Jean-Pierre Garnier)**	Director)	
/S/ JAMIE S. GORELICK* **(Jamie S. Gorelick)**	Director)	
/S/ CHARLES R. LEE* **(Charles R. Lee)**	Director)	
/S/ RICHARD D. MCCORMICK* **(Richard D. McCormick)**	Director)	
/S/ HAROLD W. MCGRAW III* **(Harold W. McGraw III)**	Director)	
/S/ RICHARD B. MYERS* **(Richard B. Myers)**	Director)	
/S/ FRANK P. POPOFF* **(Frank P. Popoff)**	Director)	
/S/ H. PATRICK SWYGERT* **(H. Patrick Swygert)**	Director)	
/S/ ANDRÉ VILLENEUVE* **(André Villeneuve)**	Director)	
/S/ H. A. WAGNER* **(H. A. Wagner)**	Director)	
/S/ CHRISTINE TODD WHITMAN* **(Christine Todd Whitman)**	Director)	

* By: /S/ DEBRA A. VALENTINE
Debra A. Valentine
Vice President, Secretary and
Associate General Counsel, as Attorney-in-Fact

Date: February 8, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of United Technologies Corporation:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated February 8, 2007 appearing in the 2006 Annual Report to Shareowners of United Technologies Corporation (which report, consolidated financial statements and assessment are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 8, 2007

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UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Schedule II - Valuation and Qualifying Accounts
Three Years Ended December 31, 2006
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 2003	$ 484
Provision charged to income	73
Doubtful accounts written off (net)	(131)
Other adjustments	26
Balance December 31, 2004	452
Provision charged to income	85
Doubtful accounts written off (net)	(90)
Other adjustments	(21)
Balance December 31, 2005	426
Provision charged to income	71
Doubtful accounts written off (net)	(89)
Other adjustments	16
Balance December 31, 2006	$ 424

Future Income Tax Benefits - Valuation allowance:

Balance December 31, 2003	$ 477
Reductions charged to goodwill, due to acquisitions	(28)
Additions charged to income tax expense	61
Reductions credited to income tax expense	(19)
Other adjustments	(24)
Balance December 31, 2004	467
Additions charged to income tax expense	39
Reductions charged to goodwill, due to acquisitions	(6)
Reductions credited to income tax expense	(15)
Other adjustments	11
Balance December 31, 2005	496
Additions charged to income tax expense	99
Additions charged to goodwill, due to acquisitions	24
Reductions credited to income tax expense	(92)
Other adjustments	15
Balance December 31, 2006	$ 542

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-124743), 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) and in the Registration Statements on Form S-8 (Nos. 333-125478, 333-125476, 333-125293, 333-110020, 333-103307, 333-103305, 333-100724, 333-100723, 333-100718, 333-82911, 333-77817, 333-21853, 333-21851, 033-58937, 033-57769 and 033-51385) of United Technologies Corporation of our report dated February 8, 2007 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareowners, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 8, 2007 relating to the financial statement schedule, which appears on page S-I of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 8, 2007

(CONFORMED COPY)

UNITED TECHNOLOGIES CORPORATION

Restated
Certificate of Incorporation

May 5, 2006

RESTATED

CERTIFICATE OF INCORPORATION

of

UNITED TECHNOLOGIES CORPORATION

Pursuant to Section 245

of the General Corporation Law

of the State of Delaware

Original Certificate of Incorporation filed

with the Secretary of State

of the State of Delaware

on July 21, 1934,

under the name

United Aircraft Corporation

FIRST: The name of the Corporation is UNITED TECHNOLOGIES CORPORATION.

SECOND: Its registered office or place of business in the State of Delaware is to be located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent is The Corporation Trust Company and the address of the said registered agent is Corporation Trust Center, 1209 Orange Street, in the said City of Wilmington.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted or carried on, are those necessary to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of stock of all classes which the Corporation shall have authority to issue is 4,250,000,000 shares, of which 250,000,000 shares shall be Preferred Stock of the par value of $1.00 each (hereinafter called “Preferred Stock”) and 4,000,000,000 shares shall be Common Stock of the par value of $1.00 each (hereinafter called “Common Stock”).

The designations and the powers, preferences and rights and the qualifications, limitations or restrictions thereof of the shares of each class are as follows:

1. The Preferred Stock may be issued from time to time in one or more series, the shares of each series to have such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed herein or in the resolution or resolutions providing for the issue of such series, adopted by the Board of Directors as hereinafter provided.

2. Authority is hereby expressly granted to the Board of Directors of the Corporation, subject to the provisions of this Article Fourth and to the limitations prescribed by law, to authorize the issue of one or more series of Preferred Stock and with respect to each such series to fix by resolution or resolutions providing for the issue of such series the voting powers, full or limited, if any, of the shares of such series and the designations, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, the determination or fixing of the following:

   (a) The designation of such series.

   (b) The dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock, and whether such dividends shall be cumulative or non-cumulative.

   (c) Whether the shares of such series shall be subject to redemption by the Corporation and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption.

   (d) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series.

   (e) Whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of stock of the Corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange.

(f) The extent, if any, to which the holders of the shares of such series shall be entitled to vote with respect to the election of directors or otherwise.

(g) The restrictions, if any, on the issue or reissue or any additional Preferred Stock.

(h) The rights of the holders of the shares of such series upon the dissolution of, or upon the distribution of assets of, the Corporation.

3. Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolution or resolutions of the Board of Directors providing for the issue of any series of Preferred Stock, the holders of any such series shall have no voting power whatsoever. Subject to such restrictions as may be stated in the resolution or resolutions of the Board of Directors providing for the issue of any series of Preferred Stock, any amendment to the Certificate of Incorporation which shall increase or decrease the authorized stock of any class or classes may be adopted by the affirmative vote of the holders of a majority of the outstanding shares of the voting stock of the Corporation.

4. No holder of stock of any class of the Corporation shall as such holder have any preemptive or preferential right of subscription to any stock of any class of the Corporation or to any obligations convertible into stock of the Corporation, issued or sold, or to any right of subscription to, or to any warrant or option for the purchase of any thereof, other than such (if any) as the Board of Directors of the Corporation, in its discretion, may determine from time to time.

5. The Corporation may from time to time issue and dispose of any of the authorized and unissued shares of Common Stock or of Preferred Stock for such consideration, not less than its par value, as may be fixed from time to time by the Board of Directors, without action by the stockholders. The Board of Directors may provide for payment therefor to be received by the Corporation in cash, property or services. Any and all such shares of the Preferred or Common Stock of the Corporation the issuance of which has been so authorized, and for which consideration so fixed by the Board of Directors has been paid or delivered, shall be deemed full paid stock and shall not be liable to any further call or assessment thereon.

FIFTH: The minimum amount of capital with which the Corporation will commence business is One Thousand Dollars.

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts.

EIGHTH: Subject to the provisions of the laws of the State of Delaware, the following provisions are adopted for the management of the business and for the conduct of the affairs of the Corporation, and for defining, limiting and regulating the powers of the Corporation, the directors and the stockholders:

(a) The books of the Corporation may be kept outside the State of Delaware at such place or places as may, from time to time, be designated by the Board of Directors.

(b) The business of the Corporation shall be managed by its Board of Directors; and the Board of Directors shall have power to exercise all the powers of the Corporation, including (but without limiting the generality hereof) the power to create mortgages upon the whole or any part of the property of the Corporation, real or personal, without any action of or by the stockholders, except as otherwise provided by statute or by the Bylaws.

(c) The number of the directors shall be fixed by the Bylaws, subject to alteration, from time to time, by amendment of the Bylaws either by the Board of Directors or the stockholders. An increase in the number of directors shall be deemed to create vacancies in the Board, to be filled in the manner provided in the Bylaws. Any director or any officer elected or appointed by the stockholders or by the Board of Directors may be removed at any time, in such manner as shall be provided in the Bylaws.

(e) The Board of Directors shall have power, in its discretion, to fix, determine and vary, from time to time, the amount to be retained as surplus and the amount or amounts to be set apart out of any of the funds of the Corporation available for dividends as working capital or a reserve or reserves for any proper purpose, and to abolish any such reserve in the manner in which it was created.

(f) The Board of Directors shall have power, in its discretion, from time to time, to determine whether and to what extent and at what times and places and under what conditions and regulations the books and accounts of the Corporation, or any of them, other than the stock ledger, shall be open to the inspection of stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by law or authorized by resolution of the directors or of the stockholders.

(g) Upon any sale, exchange or other disposal of the property and/or assets of the Corporation, payment therefore may be made either to the Corporation or directly to the stockholders in proportion to their interests, upon the surrender of their respective stock certificates, or otherwise, as the Board of Directors may determine.

(h) At all elections of directors of the Corporation, each holder of Common Stock shall be entitled to as many votes as shall equal the number of his shares of such stock multiplied by the number of directors to be elected by the holders of Common Stock, and he may cast all of such votes for a single director or may distribute them among the number to be voted for by the holders of the Common Stock, or any two or more of them as he may see fit.

(i) In case the Corporation shall enter into any contract or transact any business with one or more of its directors, or with any firm of which any director is a member, or with any corporation or association of which any director is a stockholder, director or officer, such contract or transaction shall not be invalidated or in any way affected by the fact that such director has or may have an interest therein which is or might be adverse to the interests of the Corporation, even though the vote of such director might have been necessary to obligate the Corporation upon such contract or transaction; provided, that the fact of such interest shall have been disclosed to the other directors or the stockholders of the Corporation, as the case may be, acting upon or with reference to such contract or transaction.

(j) Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

(k) The Corporation reserves the right to amend, alter, change, add to or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute; and all rights herein conferred are granted subject to this reservation.

NINTH: The stockholder vote required to approve Business Combinations (hereinafter defined) shall be as set forth in this Article Ninth.

SECTION 1. *Higher Vote for Business Combinations.* In addition to any affirmative vote required by law or this Certificate of Incorporation, and except as otherwise expressly provided in Section 3 of this Article Ninth:

A. any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

B. any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of $25,000,000 or more; or

C. the issuance or transfer by the Corporation or any subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $25,000,000 or more; or

D. the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

E. any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the “Voting Stock”), voting together as a single class (it being understood that for purposes of this Article Ninth, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article Fourth of this Certificate of Incorporation). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

SECTION 2. *Definition of “Business Combination”.* The term “Business Combination” as used in this Article Ninth shall mean any transaction which is referred to in any one or more of paragraphs A through E of Section 1.

SECTION 3. *When Higher Vote is Not Required.* The provisions of Section 1 of this Article Ninth shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if in the case of a Business Combination that does not involve any cash or other consideration being received by the stockholders of the Corporation, solely in their capacities as stockholders, the condition specified in the following paragraph A is met, or if in the case of any other Business Combination, the conditions specified in either of the following paragraphs A or B are met:

A. *Approval by Disinterested Directors.* The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined).

B. *Price and Procedure Requirements.* All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination (the “Consummation Date”) of the consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be an amount at least equal to the higher of the following (it being intended that the requirements of this paragraph B(i) shall be required to be met with respect to all shares of Common Stock outstanding, whether or not the Interested Stockholder has previously acquired any shares of the Common Stock):

(a) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers’ fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business

Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher, plus interest compounded annually from the date on which the Interested Stockholder became an Interested Stockholder through the Consummation Date at the prime rate of interest of Citibank, N.A. (or other major bank headquartered in New York City selected by a majority of the Disinterested Directors) from time to time in effect in New York City, less the aggregate amount of any cash dividends paid, and the Fair Market Value of any dividends paid in other than cash, per share of Common Stock from the date on which the Interested Stockholder became an Interested Stockholder through the Consummation Date in an amount up to but not exceeding the amount of such interest payable per share of Common Stock; or

(b) the Fair Market Value per share of Common Stock on the Announcement Date.

(ii) The aggregate amount of the cash and the Fair Market Value as of the Consummation Date of the consideration other than cash to be received per share by holders of shares of any class of outstanding Voting Stock, other than the Common Stock, in such Business Combination shall be an amount at least equal to the highest of the following (it being intended that the requirements of this paragraph B (ii) shall be required to be met with respect to all shares of every such other class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(a) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher, plus interest compounded annually from the date on which the Interested Stockholder became an Interested Stockholder through the Consummation Date at the prime rate of interest of Citibank, N.A. (or other major bank headquartered in New York City selected by a majority of the Disinterested Directors) from time to time in effect in New York City, less the aggregate amount of any cash dividends paid, and the Fair Market Value of any dividends paid in other than cash, per share of such class of Voting Stock from the date on which the Interested Stockholder became an Interested Stockholder through the Consummation Date in an amount up to but not exceeding the amount of such interest payable per share of such class of Voting Stock;

(b) the Fair Market Value per share of such class of Voting Stock on the Announcement Date; or

(c) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(iii) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (a) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (c) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(v) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation.

(vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

SECTION 4. *Certain Definitions*. For the purposes of this Article Ninth:

A. A “person” shall mean any individual, firm, corporation or other entity.

B. “Interested Stockholder” shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

C. A person shall be a “beneficial owner” of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

D. For the purposes of determining whether a person is an Interested Stockholder pursuant to paragraph B of this Section 4, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C of this Section 4 but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. “Affiliate” or “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1983.

F. “Subsidiary” means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph B of this Section 4, the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

G. “Disinterested Director” means any member of the Board of Directors of the Corporation (the “Board”) who is unaffiliated with the Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board.

H. “Fair Market Value” means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc., Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

I. In the event of any Business Combination in which the Corporation survives, the phrase “consideration other than cash to be received” as used in paragraph B(i) and (ii) of Section 3 of this Article Ninth shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

SECTION 5. *Powers of Disinterested Directors.* A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article Ninth, including without limitation (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, (D) whether the requirements of paragraph B of Section 3 have been met with respect to any Business Combination, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $25,000,000 or more; and the good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all the purposes of this Article Ninth.

SECTION 6. *No effect on Fiduciary Obligations of Interested Stockholders.* Nothing contained in this Article Ninth shall be construed to relieve the Board of Directors or any Interested Stockholder from any fiduciary obligation imposed by law.

SECTION 7. *Amendment, Repeal, etc.* Notwithstanding any other provisions of this Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the Bylaws of the Corporation), the affirmative vote of the holders of 80% or more of the voting power of the shares of the then outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Ninth of this Certificate of Incorporation; provided, however, that the preceding provisions of this Section 7 shall not be applicable to any amendment to this Article Ninth of this Certificate of Incorporation, and such amendment shall require only such affirmative vote as is required by law and any other provisions of this Certificate of Incorporation, if such amendment shall have been approved by a majority of the Disinterested Directors.

TENTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law for payment of unlawful dividends or unlawful stock repurchases or redemption, or (iv) for any transaction from which the director derived an improper personal benefit.

I, DEBRA A. VALENTINE, Vice President, Secretary and Associate General Counsel of the aforesaid Corporation, hereby certify that the foregoing Restated Certificate of Incorporation of the said Corporation was duly adopted by the Board of Directors and that it only restates and integrates and does not further amend the provisions of the Corporation's certificate of incorporation as theretofore amended or supplemented, and that there is no discrepancy between those provisions and the provisions of the restated certificate.

IN WITNESS WHEREOF, I have executed this Restated Certificate of Incorporation under the seal of the aforesaid Corporation, duly attested, this 5th day of May 2006.

/s/ Debra A. Valentine
Debra A. Valentine
Vice President, Secretary and Associate General Counsel

Attest: [CORPORATE SEAL]

/s/ Charles F. Hildebrand
Charles F. Hildebrand
Assistant Secretary

State of Connecticut
SS: Hartford
County of Hartford

BE IT REMEMBERED that on this 5th day of May 2006 personally came before me, a notary public in and for the said State and County, DEBRA A. VALENTINE, Vice President, Secretary and Associate General Counsel of UNITED TECHNOLOGIES CORPORATION, a Corporation of the State of Delaware and the Corporation described in the foregoing Restated Certificate of Incorporation, known to me personally to be such Vice President, Secretary and Associate General Counsel, and she duly executed the said Restated Certificate of Incorporation before me and acknowledged the said Restated Certificate of Incorporation to be her act and deed and the act and deed of the said Corporation and the facts stated therein are true; and that the seal affixed to the said Restated Certificate of Incorporation and attested by the Assistant Secretary of the said Corporation is the common or corporate seal of the said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year as aforesaid.

/s/ Diane B. Ciechowski
Diane B. Ciechowski
Notary Public
My Commission Expires January 31, 2008

[NOTARY SEAL]

UNITED TECHNOLOGIES CORPORATION
DEFERRED COMPENSATION PLAN

Effective September 1, 2002

Amended October 1, 2004

UNITED TECHNOLOGIES CORPORATION

DEFERRED COMPENSATION PLAN

(As amended and restated effective September 1, 2002, and amended October 1, 2004)

Article I – Preamble

United Technologies Corporation established the United Technologies Deferred Compensation Plan effective April 1, 1985. Pursuant to such Plan, certain eligible executives of the Corporation deferred all or a portion of their compensation earned with respect to 1985 and 1986. No compensation earned after 1986 was deferred under the Plan until the Plan was amended and restated effective December 15, 1993 to offer eligible executives the opportunity to defer all or a portion of Compensation earned or otherwise payable in 1994 and subsequent years. The Plan is hereby amended and restated, effective September 1, 2002, and amended October 1, 2004, to reflect administrative changes and enhancements.

Article II – Definitions

Beneficiary means the person, persons or entity designated by the Participant to receive the value of his or her Plan Accounts in the event of the Participant's death. If the Participant fails to designate a Beneficiary, or the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Accounts will be paid to the estate of the Participant.

Benefit Reduction means either a reduction in a Participant's (or the Participant's Beneficiary's) benefit under any of the Corporation's defined benefit pension plans or a reduction in the value of employer matching or other contributions under any of the Corporation's savings or other tax qualified defined contribution retirement plans as a result of the reduction of such Participant's Compensation pursuant to this Plan.

Class Year means each calendar year for which Compensation has been deferred pursuant to the Plan prior to 2003.

Class Year Account means the account established for each Participant for each Class Year for which Compensation has been deferred under the Plan prior to January 1, 2003.

Committee means the United Technologies Corporation Deferred Compensation Committee, which is responsible for the administration of the Plan. The Corporation's Pension Administration Committee shall appoint the Committee's members.

Compensation means base salary and Incentive Compensation Payments otherwise payable to a Participant and considered to be wages for purposes of federal income tax withholding, but before any deferral of Compensation pursuant to the Plan. Compensation does not include foreign service premiums and allowances, compensation realized from Long Term Incentive Plan awards or other types of awards.

Corporation means United Technologies Corporation, its divisions, affiliates and subsidiaries.

Credited Interest Account means the Investment Fund that is valued in the manner set forth in Section 5.2.

Deferral Period means the period prior to the receipt of Compensation deferred hereunder.

Election Form means the enrollment form provided by the Committee to Participants electronically or in paper form for the purpose of deferring Compensation under the Plan. Each Participant's Election Form must specify: the amount to be deferred from base salary and/or from any Incentive Compensation Payment with respect to the following calendar year; the respective amounts to be allocated to the Participant's Retirement Account and/or Special Purpose Account or Accounts; the percentage allocation among the Investment Funds with respect to each such Account; the method of distribution of each such Account; and the Deferral Period for each Special Purpose Account. There will be a separate Election Form for each calendar year.

Incentive Compensation Payment means amounts awarded to a Participant pursuant to the Corporation's Annual Executive Incentive Compensation Plan.

Investment Fund means the Credited Interest Account, the S&P 500 Account, the UTC Stock Unit Account or such other investment option as may be established by the Committee from time to time. The value of Participants' Accounts shall be adjusted to replicate the performance of the applicable Investment Fund. Amounts allocated to any Investment Fund do not result in any investment in actual assets corresponding to the Investment Fund.

Participant means an executive of the Corporation who is paid from a US payroll, files a U.S. income tax return, and who elects to defer Compensation under the Plan.

Plan means the United Technologies Corporation Deferred Compensation Plan as amended and restated effective September 1, 2002, and as amended from time to time thereafter.

Plan Accounts means the aggregate value of all Class Year Accounts, Special Purpose Accounts, and Retirement Account, but excluding accounts under the Prior Plan. Accounts under the Prior Plan will be valued and administered separately in accordance with the terms and procedures in effect under the Prior Plan.

Prior Plan means the United Technologies Corporation Deferred Compensation Plan, as in effect prior to December 15, 1993. All amounts deferred and credited under the Prior Plan shall continue to be subject to the terms and conditions of the Prior Plan and shall not be affected by this amendment and restatement.

Retirement Account means a Plan Account maintained on behalf of the Participant that will be distributed in the manner elected by the Participant commencing in April of the calendar year following the Participant's Retirement Date.

Retirement means attainment of age 65; attainment of at least age 55 and a minimum of 10 or more years of "continuous service" (as defined in one of the Corporation's retirement plans); or termination of employment on or after age 50 and before age 55, with a combination of age and years of service equal to at least 65 (the "Rule of 65").

*Retirement Dat*e means the date a Participant terminates employment from the Corporation on or after attaining eligibility for Retirement.

S&P 500 Account means an Investment Fund that is valued in the manner set forth in Section 5.4.

Special Purpose Account means a Plan Account maintained on behalf of the Participant that will be distributed in the manner elected by the Participant commencing in April of the calendar year specified by the Participant. The minimum Deferral Period is five (5) calendar years following the end of the calendar year for which the Account is established.

UTC Common Stock means the common stock of United Technologies Corporation.

UTC Stock Unit Account means the Investment Fund that is valued in the manner set forth in Section 5.3.

Article III – Eligibility and Participation

SECTION 3.1 – ELIGIBILITY. Each employee of the Corporation who is classified as an eligible Participant as of December 31 will be eligible to elect to defer Compensation under the Plan in respect of the subsequent calendar year in accordance with the terms of the Plan and the rules and procedures established by the Committee.

SECTION 3.2 – PARTICIPATION. Each eligible Participant may elect to participate in the Plan with respect to any calendar year for which the Committee offers the opportunity to defer Compensation by timely filing with the Committee an Election Form, properly completed in accordance with Section 4.1. Participation in the Plan is entirely voluntary.

Article IV – Participant Elections

SECTION 4.1 – ELECTION. An eligible Participant may participate in the Plan by executing the Election Form provided by the Committee for the subsequent calendar year. The eligible Participant must designate the dollar amount of base salary that will be deferred during such calendar year, and/or the percentage or dollar amount of any Incentive Compensation Payment otherwise payable during such calendar year that will be deferred under the Plan. The minimum dollar amount that a Participant may defer under the Plan for any calendar year is $5,000. Any deferral election made in the Election Form is irrevocable and must be completed and returned to the Committee no later than the December 31 immediately preceding the calendar year to which the election applies, or such earlier date as the Committee may specify. If an eligible executive fails to return a properly completed Election Form by such date, the executive will be ineligible to defer Compensation under the Plan for the following calendar year.

SECTION 4.2 – INVESTMENT FUND ALLOCATIONS. When completing the Election Form, the Participant must allocate the amounts to be deferred, in the nearest whole percentage, among the available Investment Funds.

Participants may reallocate their existing post-1993 Class Year Accounts, Special Purpose Accounts and Retirement Account among the available Investment Funds as permitted by the Committee, generally once per year. Such reallocations shall be in the nearest whole percentage and, unless otherwise specified by the Committee, shall be effective January 1 of the calendar year following the date of the reallocation election.

SECTION 4.3 – DESIGNATION OF BENEFICIARY. Each Participant shall designate a Beneficiary for his or her Plan Accounts on a form provided by the Committee. Such designation may be changed on a form acceptable to the Committee at any time by the Participant. In the event that no Beneficiary designation is filed with the Committee, or if the Beneficiary (and contingent Beneficiary) does not survive the Participant, all amounts deferred hereunder will be paid to the estate of the Participant in a lump sum. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any: (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of the Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.3. In the event of the death of a Participant, distributions shall be made in accordance with Section 6.4.

SECTION 4.4 – DEFERRAL PERIOD. Each Participant shall specify in the Election Form the Deferral Period for amounts to be deferred in the following calendar year. The minimum Deferral Period for a Special Purpose Account is five (5) calendar years following the end of the calendar year in which the Account is established. Participants may defer Compensation into a Retirement Account until April of the calendar year following their Retirement Date.

SECTION 4.5 – DISTRIBUTION SCHEDULE. Each Participant shall specify in the Election Form whether the value of the Participant's Retirement or Special Purpose Account shall be distributed in a single lump-sum cash payment or in a series of annual cash installment payments for a specified number of years (not to exceed 15 years).

Article V – Plan Accounts

SECTION 5.1 – ACCOUNTS. Prior to 2003, the Committee established a Class Year Account for each Participant with respect to each Class Year for which the Participant elected to defer Compensation under the Plan. Each Class Year Account will be maintained separately.

Amounts deferred in 2003 and subsequent calendar years will be allocated to a Retirement Account and/or one or more Special Purpose Accounts as elected by the Participant. The Committee will establish the maximum number of Special Purpose Accounts.

Participants' Plan Accounts shall be allocated or reallocated among Investment Funds in accordance with each Participant's instructions in the manner set forth in Section 4.2.

SECTION 5.2 – VALUATION OF CREDITED INTEREST ACCOUNT. Deferred amounts allocated to the Credited Interest Account will be credited with a rate of interest equal to the average interest rate on 10-Year Treasury Bonds as of the last business day of each month from January through October in the prior calendar year, plus 1%.

SECTION 5.3 – VALUATION OF UTC STOCK UNIT ACCOUNT. Deferred Compensation allocated to the UTC Stock Unit Account will be converted to Stock Units, or fractional Stock Units. A UTC Stock Unit is equal to the closing price of one share of UTC Common Stock as reported on the composite tape of the New York Stock Exchange. The number of Stock Units will be calculated by dividing the amount of Compensation deferred by the closing price of UTC Common Stock on the date the deferred amounts otherwise would have been paid. Stock Units held in the UTC Stock Unit Account will be credited with a dividend payment equal to the Corporation's declared dividend on UTC Common Stock (if any). Such dividend equivalent payments will be converted to additional Stock Units or fractional units using the closing price of UTC Common Stock as of the date such dividends are credited to the Participant's UTC Stock Unit Account.

SECTION 5.4 – VALUATION OF S&P 500 ACCOUNT. Deferred amounts allocated to the S&P 500 Account will be converted to S&P Account units based on the closing share price of the Vanguard 500 Index Fund as of date the deferred amount is credited to the Participant's S&P 500 Account. The value of the S&P 500 Account units will fluctuate on a daily basis based on the performance of the Vanguard 500 Index Fund.

SECTION 5.5 – ALLOCATION TO ACCOUNTS. During the year of deferral, deferred amounts will be allocated to the Participant's Plan Accounts and Investment Funds as of the date the deferred amounts would otherwise have been paid.

SECTION 5.6 – REPORTS TO PARTICIPANTS. The Committee will provide or make available detailed information to Participants regarding the value of Plan Accounts, distribution elections, Beneficiary designations, Investment Fund allocations and credited values for Class Year, Retirement and Special Purpose Accounts, not less than once per year. Such information may be provided via electronic media as determined by the Committee.

Article VI – Distribution of Accounts

SECTION 6.1 – TIMING OF PLAN DISTRIBUTIONS. The value of a Participant's Retirement Account will be distributed (or begin to be distributed) in April of the calendar year following the Retirement Date. The value of a Participant's Special Purpose Account will be distributed (or begin to be distributed) in April of the specified year. This means, for example, that if a deferral election specifies a Deferral Period until 2015, distribution will occur in April of 2015.

The value of a Participant's Class Year Account will be distributed (or begin to be distributed) in April of the last year of the Deferral Period. Upon Retirement, the value of a Participant's Class Year Account will be distributed (or begin to be distributed) in April next following the Retirement Date, or in April of the calendar year following the Retirement Date, as elected.

SECTION 6.2 – METHOD OF DISTRIBUTION. Each Class Year, Retirement and Special Purpose Account will be distributed in a single lump-sum cash payment, or in a series of annual cash installment payments, in accordance with the Participant's election with respect to each such Account.

SECTION 6.3 – TERMINATION OF EMPLOYMENT. In the event of termination of employment prior to a Participant's Retirement Date, during or after the Deferral Period with respect to any Class Year, Retirement or Special Purpose Account, the full value of the Participant's Plan Accounts will be distributed in a lump-sum cash payment in April following the date of termination, regardless of the distribution option elected.

SECTION 6.4 – DISTRIBUTION IN THE EVENT OF DEATH. In the event of the death of a Participant prior to attaining eligibility for Retirement, and before the end of the Deferral Period with respect to any Plan Account, the full value of such Plan Accounts will be distributed to the designated Beneficiary in a lump sum as soon as administratively feasible.

In the event of the death of a Participant prior to attaining eligibility for Retirement, but after the end of the Deferral Period with respect to any Plan Account, the full value of such Plan Accounts will be distributed to the designated Beneficiary in accordance with the Participant's distribution election on file.

In the event of death of a Participant after attaining eligibility for Retirement, the full value of the Participant's Plan Accounts will be distributed to the Beneficiary in accordance with the Participant's distribution elections on file.

If the Beneficiary is the Participant's estate, the full value of the Participant's Plan Accounts will be paid in a single lump sum as soon as administratively feasible following the Participant's date of death.

In the event of the death of the Beneficiary (and any contingent Beneficiary) while receiving distributions from the Plan, the full value of the applicable Plan Accounts will be paid in a single lump sum to such Beneficiary's estate as soon as administratively feasible.

SECTION 6.5 – HARDSHIP DISTRIBUTION. The Committee may, in its sole discretion, upon finding that the Participant (or Beneficiary in the event of a Participant's death) has suffered an unforeseen, severe and immediate financial emergency, permit such Participant to withdraw a portion of the value of the Participant's Plan Accounts in an amount sufficient to eliminate the hardship. Financial hardship distributions will be made only if the Committee determines that the Participant is unable to resolve the financial emergency through other means reasonably available to the Participant. Financial hardship distributions will be made following the Committee's determination of a qualifying financial emergency on the basis of the value of the Participant's Plan Accounts as of the most recent date available. The Committee will determine from which Special Purpose, Retirement or Class Year Accounts and associated Investment Funds hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for financial hardship distributions.

SECTION 6.6 – DISABILITY. In the event of the disability of a Participant, as determined under the Corporation's Long Term Disability Plan, the Participant's Plan Accounts will be maintained and distributed in accordance with the Participant's elections on file.

SECTION 6.7 – DISTRIBUTION FROM SUPPLEMENTAL ACCOUNT. The Committee will effect distributions from supplemental retirement plans with respect to Benefit Reductions incurred in any of the Corporation's defined benefit pension plans at the same time, in the same manner and in the required amounts such that when combined with benefits provided by the defined benefit pension plans in which a Participant incurred a Benefit Reduction, the total amount received by a Participant (or Beneficiary) will equal the amount of pension benefit that would otherwise have been paid had the Participant not participated in this Plan.

At the end of each calendar year, the Committee will determine if any Benefit Reduction has been incurred with respect to any of the Corporation's savings plans or other tax qualified defined contribution retirement plans, and will credit the amount of such Benefit Reduction to the affected Participant's Plan Accounts as of the last business day of the calendar year. Any such amounts will be allocated on a pro-rata basis to the Participant's Plan Accounts and Investment Funds in accordance with the Participant's deferral elections on file for that calendar year.

Article VII – Amendment and Termination of Plan

SECTION 7.1 – AMENDMENT. The Corporation may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to the Plan and the tax treatment of Plan Accounts, the Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article VI.

SECTION 7.2 – PLAN SUPSPENSION AND TERMINATION. The Corporation's Pension Administration Committee, may, at any time, suspend or terminate the Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments hereunder would not be in the best interest of the Corporation or for any other reason. In the event of the suspension of the Plan, no additional deferral shall be made under the Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of the Plan and the applicable elections on file. In the event of the termination of the Plan, each Participant will receive, in a lump-sum cash payment, the value of his or her Plan Accounts.

SECTION 7.3 – NO CONSENT REQUIRED. The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of the Plan.

Article VIII – General Provisions

SECTION 8.1 – UNSECURED GENERAL CREDITOR. The Corporation's obligations under the Plan constitute an unfunded and unsecured promise to pay money in the future. Participants' and Beneficiaries' rights under the Plan are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of the Plan or Participants' Plan Accounts.

SECTION 8.2 – NONASSIGNABILITY. No Participant or Beneficiary or any other person shall have right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Plan. All Plan Accounts and the rights to all payments are unassignable and non-transferable. Plan Accounts or payment hereunder, prior to actual payment, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

SECTION 8.3 – NO CONTRACT OF EMPLOYMENT. Participation in the Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Participants and Beneficiaries will have no rights against the Corporation resulting from participation in the Plan other than as specifically provided herein. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time or to interfere with the right of the Corporation to terminate a Participant's employment prior to the end of any Deferral Period.

SECTION 8.4— GOVERNING LAW. The provisions of the Plan will be construed and interpreted according to the laws of the State of Connecticut, to the extent not preempted by federal law.

SECTION 8.5 – VALIDITY. If any provision of the Plan is held to be illegal or invalid for any reason, the remaining provisions of the Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

SECTION 8.6 – NOTICE. Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if sent by first-class mail, to the United Technologies Corporation Deferred Compensation Committee, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: Jeff Kridler, Director, Compensation, MS-504. Any notice or filing required or permitted to be given to any Participant or Beneficiary under the Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

SECTION 8.7 – SUCCESSORS. The provisions of the Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

SECTION 8.8 – INCOMPETENCE. If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under the Plan is unable to care for their affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of and on behalf of such Participant or Beneficiary. Any such payment from a Participant’s Plan Accounts shall be a complete discharge of any liability under the Plan with respect to the amount so paid.

Article IX – Administration and Claims

SECTION 9.1 – PLAN ADMINISTRATION. The Committee shall be solely responsible for the administration and operation of the Plan. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee which shall respond in writing as soon as practicable.

SECTION 9.2 – CLAIM PROCEDURES. If a Participant or Beneficiary requests a benefit or payment under the Plan and such claim or request is denied, the Committee will provide a written notice of denial which will specify (a) the reason for denial, with specific reference to the Plan provisions on which the denial is based and (b) a description of any additional material or information that may be required with respect to the claim and an explanation of why such information is necessary.

If a claim or request is denied or if the Participant or Beneficiary receives no response within 60 days, the Participant or Beneficiary may request review by writing to the Committee. The Committee will review the claim or request, and may request additional information or materials that it deems appropriate to the resolution of any issues presented. The decision on review will normally be made by the Committee within 60 days of its receipt of the request for review but may be extended up to 120 days from such date. The Committee's decision will be in writing and will state the basis for its decision and shall be conclusive and binding on all parties.

Certain Regulatory Matters

The Plan is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Because the Plan is an unfunded plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, the Plan is exempt from most of ERISA's requirements. Although the Plan is subject to Part 1 (Reporting and Disclosure) and Part 5 (Administration and Enforcement) of Title I, Subtitle B of ERISA, the Department of Labor has issued a regulation that exempts the Plan from most of ERISA's reporting and disclosure requirements.

Documents Incorporated by Reference

The following documents filed by the Corporation with the Securities and Exchange Commission are incorporated herein by reference:

- The most recent Annual Report on Form 10-K filed by the Corporation pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"); and
- All other reports filed by the Corporation pursuant to Section 13(a) or 15(d) of the 1934 Act since the end of the fiscal year covered by the Form 10-K referred to above.

In addition, all reports and documents filed by the Corporation under Section 13(a), 13(c), 14 or 15(d), of the 1934 Act after the date hereof and prior to the termination of this offering shall be deemed to be incorporated by reference in this Offering Statement and to be a part of this Offering Statement from the date of the filing of such reports and documents.

Any statements contained in a report or document incorporated or deemed incorporated by reference herein shall be deemed to be modified or superseded to the extent that a statement in any subsequently filed report or document incorporated or deemed incorporated herein modifies or supplements such statement.

Copies of the foregoing documents, as well as the Corporation's most recent Annual Report to Shareholders, may be obtained, without charge, by written or oral request directed to the Director — Compensation at the address and telephone number indicated below.

To Whom Should Questions Concerning The Plan Be Directed?

All questions concerning the operation of the Plan (including information concerning the administrators of the Plan) should be directed to:

Jeff Kridler
Director, Compensation
United Technologies Corporation
1 Financial Plaza
Hartford, Connecticut 06101
Telephone: 860-728-6381

Exhibit 11

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

For the Five Years Ended December 31, 2006
(Millions of Dollars, except per share amounts)

	2006	2005	2004	2003	2002
Net Income	$ 3,732	$ 3,069	$ 2,673	$ 2,236	$ 2,118
ESOP Convertible Preferred Stock dividend	—	—	—	(24)	(31)
Basic earnings for period	$ 3,732	$ 3,069	$ 2,673	$ 2,212	$ 2,087
ESOP Convertible Preferred Stock adjustment	—	—	—	23	29
Diluted earnings for period	$ 3,732	$ 3,069	$ 2,673	$ 2,235	$ 2,116
Basic average number of shares outstanding during the period (thousands)	980,000	991,200	992,800	947,600	944,900
Stock awards (thousands)	25,700	23,300	18,000	14,000	14,100
ESOP Convertible Preferred Stock (thousands)	—	—	—	44,200	52,100
Diluted average number of shares outstanding during the period (thousands)	1,005,700	1,014,500	1,010,800	1,005,800	1,011,100
Basic earnings per common share	$ 3.81	$ 3.10	$ 2.69	$ 2.33	$ 2.21
Diluted earnings per common share	$ 3.71	$ 3.03	$ 2.64	$ 2.22	$ 2.09

United Technologies Corporation and Subsidiaries
Statement Re: Computation of Ratios

Exhibit 12

In Millions of Dollars	Full year				
	2006	2005	2004	2003	2002
Fixed Charges:					
Interest Expense	$ 606	$ 498	$ 363	$ 375	$ 381
Interest Capitalized	19	16	11	10	16
One-third of rents*	96	100	107	87	71
Total Fixed Charges	$ 721	$ 614	$ 481	$ 472	$ 468
Earnings:					
Income before income taxes and minority interests	$5,492	$4,684	$3,938	$3,272	$3,090
Fixed Charges per above	721	614	481	472	468
Less: interest capitalized	(19)	(16)	(11)	(10)	(16)
	702	598	470	462	452
Amortization of interest capitalized	8	10	3	4	4
Total Earnings	$6,202	$5,292	$4,411	$3,738	$3,546
Ratio of Earnings to Fixed Charges	8.60	8.62	9.17	7.92	7.58

* Reasonable approximation of the interest factor

Exhibit 13

FIVE-YEAR SUMMARY

(in millions, except per share amounts)	2006	2005	2004	2003	2002
For the year					
Revenues	**$ 47,829**	$ 42,725	$ 37,445	$ 31,034	$ 28,212
Research and development	**1,529**	1,367	1,267	1,040	1,203
Income before cumulative effect of a change in accounting principle [1]	**3,732**	3,164	2,673	2,236	2,118
Net income	**3,732**	3,069	2,673	2,236	2,118
Earnings per share:					
Basic:					
Income before cumulative effect of a change in accounting principle [1]	**3.81**	3.19	2.69	2.33	2.21
Cumulative effect of a change in accounting principle [1]	**—**	(.09)	—	—	—
Net income	**3.81**	3.10	2.69	2.33	2.21
Diluted:					
Income before cumulative effect of a change in accounting principle [1]	**3.71**	3.12	2.64	2.22	2.09
Cumulative effect of a change in accounting principle [1]	**—**	(.09)	—	—	—
Net income	**3.71**	3.03	2.64	2.22	2.09
Cash dividends per common share	**1.02**	.88	.70	.57	.49
Average number of shares of Common Stock outstanding:					
Basic	**980**	991	993	948	945
Diluted	**1,006**	1,014	1,011	1,006	1,011
Cash flow from operations	**4,803**	4,334	3,596	2,827	2,829
Voluntary pension contributions [2]	**190**	663	906	994	530
Capital expenditures	**954**	929	795	530	586
Acquisitions, including debt assumed	**1,049**	4,583	1,295	2,305	424
Share repurchase	**2,068**	1,181	992	401	700
Dividends on Common Stock [3]	**951**	832	660	533	462
At year end					
Working capital	**$ 3,636**	$ 1,861	$ 2,575	$ 2,069	$ 4,050
Total assets [4]	**47,141**	45,925	40,441	35,674	30,254
Long-term debt, including current portion	**7,074**	6,628	4,271	4,632	4,676
Total debt	**7,931**	8,240	5,591	5,301	4,873
Debt to total capitalization [4]	**31%**	33%	28%	31%	36%
ESOP Preferred Stock, net [5]	**—**	—	—	—	428
Shareowners' equity [4]	**17,297**	16,991	14,266	11,953	8,557
Number of employees	**214,500**	218,200	209,700	203,300	155,000

Note 1: During 2005, we acquired Kidde, which in conjunction with Chubb (acquired during 2003) forms the UTC Fire & Security segment.

Note 2: During 2005, a 2-for-1 split of our common stock was effected in the form of a share dividend. All common share and per share amounts for periods prior to the split have been adjusted to reflect the split.

[1] During 2005, we adopted the provisions of FIN 47, "Accounting for Conditional Asset Retirement Obligations" and SFAS 123R, "Share-Based Payment".

[2] Represents the cash contribution amount. In addition, during 2006, 2005 and 2002 we contributed UTC common stock of $150, $157 and $253, respectively.

[3] Excludes dividends paid on Employee Stock Ownership Plan (ESOP) common stock.

[4] During 2006, we adopted the provisions of SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87,88,106 and 132(R)," which resulted in an approximately $1.8 billion non-cash charge to equity and a $2.4 billion non-cash reduction to total assets.

[5] During 2003, we converted all of our outstanding shares of ESOP Preferred Stock into common stock.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

We are a global provider of high technology products and services to the building systems and aerospace industries. Our operations are classified into six principal business segments: Otis, Carrier, UTC Fire & Security, Pratt & Whitney, Hamilton Sundstrand and Sikorsky Aircraft. Otis, Carrier and UTC Fire & Security are collectively referred to as the "commercial businesses", while Pratt & Whitney, Hamilton Sundstrand and Sikorsky are collectively referred to as the "aerospace businesses". The commercial businesses generally serve customers in the worldwide commercial and residential property industries, although Carrier also serves customers in the commercial and transport refrigeration industries. The aerospace businesses serve both commercial and government aerospace customers. In addition, a portion of these businesses serve customers in the industrial markets. Our consolidated revenues were derived from the commercial and aerospace businesses as follows (revenues from Hamilton Sundstrand's and Pratt & Whitney's industrial markets are included in "commercial and industrial"):

	2006	2005	2004
Commercial and industrial	**63%**	64%	64%
Military aerospace and space	**16%**	16%	18%
Commercial aerospace	**21%**	20%	18%
	100%	100%	100%

In 2006, approximately 59% of our consolidated sales were original equipment and 41% aftermarket parts and services. For both 2005 and 2004 the amounts were 58% and 42%, respectively.

Our strategy is to maintain balance across our businesses in order to limit the impact of any one industry or the economy of any single country on our consolidated operating results. This balance is managed, in part, through the commercial and aerospace revenue split noted above, as well as through the geographic diversity that has evolved with the continued globalization of world economies. The composition of total revenues from outside the United States, including U.S. export sales, in dollars and as a percentage of total segment revenues, was as follows:

(in millions of dollars)	2006	2005	2004	2006	2005	2004
Europe	**$12,069**	$11,255	$ 9,389	**25%**	26%	25%
Asia Pacific	**7,056**	6,525	5,717	**15%**	15%	15%
Other Non-U.S.	**4,809**	4,137	3,288	**10%**	10%	9%
U.S. Exports	**4,848**	4,124	3,563	**10%**	10%	10%
International segment revenues	**$28,782**	$26,041	$21,957	**60%**	61%	59%

As part of our growth strategy, we invest in businesses in certain countries, such as Argentina, Brazil, China, India, Russia and South Africa that carry high levels of currency, political and/or economic risk. At December 31, 2006, our investment in any one of these countries did not exceed 2.5% of consolidated shareowners' equity.

The strength and value of our business balance manifested itself in the 2006 operating results. The strong aerospace market generated better than expected commercial aftermarket volumes. This volume, coupled with strong performance at Otis and generally positive worldwide economic conditions, generated solid organic revenue growth of 9% in 2006, and more than offset the lower than expected results at Carrier and Sikorsky. A downturn in the U.S. housing market in the second half of 2006 resulted in a decline in shipments of Carrier's split systems of approximately 30% in the third quarter and 50% in the fourth quarter of 2006 as compared with the same periods in the prior year. While a market impact resulting from the additional 2005 shipments that occurred in advance of the January 2006 13 SEER minimum efficiency standard change (13 SEER pre-buy) was expected, the significant downturn in the U.S. housing industry and its effect on the residential heating, ventilating and air conditioning (HVAC) market was not anticipated. In addition, operating results were adversely impacted by supplier issues and manufacturing inefficiencies associated with the production ramp up of the completely new 13 SEER product line. The commercial HVAC market remained strong throughout 2006. Although the weakness in the U.S. housing market is expected to continue into 2007, the impact of the 13 SEER pre-buy compare issue will phase out in the second quarter. Global commercial construction is expected to remain strong in 2007.

Operating results were also impacted by a strike of Sikorsky's union workforce at its Connecticut and Florida facilities in February through early April 2006. Although manufacturing efforts continued to some extent during the strike, the strike

had an adverse impact on operating results due to lower volumes and higher than average manufacturing costs as manufacturing operations ramped back up to full production levels. Although helicopter deliveries improved significantly following the resumption of full production, Sikorsky continues to incur additional manufacturing costs as it works to accommodate the steep ramp up required to meet production requirements for more complex helicopters and a record backlog. This ramp up will require a near doubling of Sikorsky's helicopter unit volume over the next two years. Complicating the recovery from the strike and the increasing production requirements has been the concurrent effort for the reconfiguration of Sikorsky's manufacturing processes including the sourcing of certain activities and the transfer of work to other manufacturing facilities to increase capacity. Progress on these matters will continue throughout 2007 with deliveries projected to be back on schedule towards the end of 2007.

In addition to revenue growth, an improvement in consolidated operating profit margin also contributed to the strong growth in earnings per share. Operating profit margin increased 70 basis points to 12.8% in 2006 as compared with 2005. Savings from previous restructuring actions, ongoing acquisition integration efforts and continued cost containment measures contributed to the operating margin improvement. Further improvement was generated by various gains and other benefits realized during 2006 including an approximately $80 million reserve reversal on the settlement of a Department of Defense (DoD) claim against Pratt & Whitney related to cost accounting practices for commercial engine parts on collaboration programs, and an approximately $60 million gain on Carrier's sale of its interest in a compressor manufacturing joint venture. These operating profit improvements were partially offset by the adverse impact of commodity and energy cost increases, increased manufacturing costs associated with the previously noted Sikorsky and Carrier production issues as well as the market declines in Carrier's North American residential market. Increases in energy and certain commodity prices seen over the last two years continued in 2006. After a partial recovery through price increases, commodity and energy cost increases had a net negative impact on operating results for 2006 of approximately $280 million. Continuing cost increases are expected to have a further adverse impact of approximately $150 million in 2007. To help generate future margin growth, we also invested an additional $288 million and $267 million in 2006 and 2005, respectively, in restructuring actions across our businesses.

In addition to organic revenue growth, including growth from new product development and product improvements, our earnings growth strategy also contemplates investments in acquisitions. We invested $1.0 billion and $4.6 billion, including debt assumed of $138 million and $520 million, in the acquisition of businesses across all our operations in 2006 and 2005, respectively. Acquisitions in 2006 consisted principally of a number of smaller acquisitions including Red Hawk Industries by UTC Fire & Security, Page Group Ltd. by Hamilton Sundstrand and Longville Group Ltd. and Sensitech, Inc. by Carrier. The 2005 acquisitions, which contributed approximately half of our revenue growth in 2005, included Kidde (acquired for $3.1 billion), Rocketdyne Power & Propulsion (acquired for $700 million) and Lenel Systems International, Inc. (acquired for $440 million). These acquisitions helped contribute to both revenue and operating profit growth in 2006 and 2005.

For additional discussion of acquisitions and restructuring, see "Liquidity and Financing Commitments", "Restructuring and Other Costs" and Notes 2 and 11 to the Consolidated Financial Statements.

Results of Operations

Revenues

(in millions of dollars)	2006	2005	2004
Sales	**$47,118**	$42,278	$36,700
Financing revenues and other income, net	**711**	447	745
Revenues	**$47,829**	$42,725	$37,445

The consolidated revenue increase of 12% in 2006 to $47.8 billion reflects organic growth of 9%, revenues from acquisitions of 2%, and the favorable impact of foreign currency translation of 1%. All segments experienced organic sales growth in 2006 led by the aerospace businesses, which benefited from strong commercial volumes, particularly aftermarket, and helicopter and aftermarket services demand. Military original equipment market (OEM) revenue growth was also strong at Pratt & Whitney and Sikorsky, while military aftermarket growth at Sikorsky was offset partially by declines at Pratt & Whitney. Within the commercial businesses, generally favorable worldwide economic conditions for most of the year resulted in revenue increases across all geographic regions. Otis also benefited from a strong order backlog coming into 2006. Carrier's revenues increased as a result of generally strong North American and international commercial HVAC markets, price increases, and the transition to the higher value 13 SEER product, which was offset in part by significantly lower unit shipments of U.S. residential product.

The consolidated revenue increase of 14% in 2005 to $42.7 billion reflected organic growth of 7% and revenues from acquisitions of 7%. Acquisition revenues principally resulted from the acquisition of Kidde in the second quarter of 2005, and Carrier's acquisition of Linde in the fourth quarter of 2004. Similar to 2006, all segments experienced organic growth in 2005 due principally to a strong commercial aerospace market and generally favorable worldwide economic conditions.

The increase in financing revenues and other income, net, consisted partially of gains realized on the sale of certain non-core assets, including a gain of approximately $60 million on Carrier's sale of its interest in a compressor manufacturing joint venture, and a gain of $25 million on Pratt & Whitney's sale of a partnership interest in a small engine line. The remaining increase consisted of higher joint venture income, higher interest income and the benefit from lower hedging costs associated with our cash management activities (combined $131 million). The increase in interest income resulted principally from the approximately $30 million associated with the final 1994 through 1999 tax settlement with the Appeals Division of the Internal Revenue Service (IRS).

Gross Margin

(in millions of dollars)	2006	2005	2004
Gross margin	**$12,378**	$11,343	$9,458
Percentage of sales	**26.3%**	26.8%	25.8%

Gross margin (product and service sales less cost of product and services sold) increases in 2006 resulted from higher commercial aerospace aftermarket volume, savings from previously initiated restructuring actions, and net operational efficiencies. Gross margin also included a benefit from an approximately $80 million reserve reversal (approximately 20 basis points) on the settlement of the DoD claim against Pratt & Whitney. However, gross margin as a percentage of sales declined 50 basis points as these benefits were more than offset by the adverse impact of higher commodity and energy prices (approximately 60 basis points), higher manufacturing costs at Sikorsky related to the strike, subsequent ramp up to full production and an unfavorable mix (approximately 20 basis points), and supplier issues and manufacturing inefficiencies associated with the ramp up of 13 SEER production (approximately 10 basis points).

The improvement in gross margin in 2005 as compared with 2004 is primarily the result of lower restructuring costs of $365 million (approximately 90 basis points). After a partial recovery through pricing, increased commodity and energy costs had a net adverse impact on gross margin of approximately $150 million (approximately 40 basis points), which was effectively offset by the savings realized on current and prior year restructuring actions, operational efficiencies and a better mix in the aerospace businesses including higher commercial aftermarket sales.

Research and Development

(in millions of dollars)	2006	2005	2004
Company funded	**$1,529**	$1,367	$1,267
Percentage of sales	**3.2%**	3.2%	3.5%
Customer funded	**$1,621**	$1,478	$1,585
Percentage of sales	**3.4%**	3.5%	4.3%

The 12% increase in company funded research and development in 2006 is primarily attributable to spending on the Boeing 787 program at Hamilton Sundstrand (5%), new platform spending at Pratt & Whitney Canada for small engines (3%) and spending at Pratt & Whitney (2%), including the next generation single aisle aircraft. The increase in company funded research and development in 2005 as compared with 2004 is primarily attributable to spending on the Boeing 787 program (3%), the H-92 program (2%) and to spending at companies acquired by Carrier and UTC Fire & Security (combined 3%). Company funded research and development spending is subject to the variable nature of program development schedules.

The 2006 increase in customer funded research and development is primarily attributable to military and space programs at Pratt & Whitney, Hamilton Sundstrand and Sikorsky. The 2005 decrease in customer funded research and development was principally the result of the Comanche program termination at Sikorsky (15%), offset partially by increased space development spending at Hamilton Sundstrand associated with ongoing efforts at acquired companies.

Company funded research and development spending for the full year 2007 is expected to approximate 2006 levels due principally to continued spending on aircraft programs such as the Boeing 787 and the next generation single aisle aircraft.

Selling, General and Administrative

(in millions of dollars)	2006	2005	2004
Selling, general and administrative	**$5,462**	$5,241	$4,635
Percentage of sales	**11.6%**	12.4%	12.6%

Both the 2006 and 2005 increase in selling, general and administrative expenses is due principally to acquisitions and general increases across the businesses in support of higher volumes. The reduction as a percent of sales is attributable to cost control initiatives and to the savings from prior restructuring actions.

Interest Expense

(in millions of dollars)	2006	2005	2004
Interest expense	**$606**	$498	$363
Average interest rate during the year:			
Short-term borrowings	**6.2%**	5.5%	4.9%
Total debt	**6.4%**	6.3%	6.3%

Interest expense increased in 2006, primarily as a result of the $2.4 billion issuance of long-term debt in April 2005 in connection with the acquisitions of Kidde, Rocketdyne and Lenel, higher average commercial paper balances, as well as higher average interest rates on short-term borrowings, and the additional $1.1 billion long-term debt issuance in May 2006. The increase in 2005 as compared to 2004 was also due to the April 2005 long-term debt issuance, a higher average commercial paper balance and higher average interest rates on short-term borrowings.

The average interest rate for commercial paper increased in 2006 as compared to 2005 generating the increase in the average short-term borrowing rate. The weighted-average interest rate applicable to debt outstanding at December 31, 2006 was 5.9% for short-term borrowings and 6.1% for total debt as compared to 5.2% and 6.1%, respectively, at December 31, 2005.

Income Taxes

	2006	2005	2004
Effective income tax rate	**27.2%**	26.8%	26.2%

The effective tax rate for 2006, 2005 and 2004 reflects the tax benefit associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States.

In the normal course of business, various tax authorities examine us, including the IRS. The 2005 effective tax rate reflects an approximately $66 million reduction in tax expense primarily as a result of the reevaluation of our liabilities and contingencies in light of the completion and commencement of exam cycles. In 2006, a residual disputed issue related to the 1999 disposition of a business segment was settled with the Appeals Division of the IRS and was reviewed by the U.S. Congress Joint Committee on Taxation. The settlement resulted in an approximately $35 million reduction in tax expense. The 2004 effective tax rate reflects an approximately $80 million reduction in tax expense as a result of a settlement with the IRS with respect to claims and other disputed items related to the 1986 to 1993 tax years. In 2007, we expect that the IRS will complete the examination phase of the 2000 through 2003 audit and commence examination of 2004 and 2005. Although the outcome of these matters cannot currently be determined, we believe adequate provision has been made for any potentially unfavorable financial statement impact.

The 2005 effective rate reflects a benefit of approximately $135 million related to an amended return, filed in 2005, which claimed credits for 2003 foreign taxes previously recognized as deductions. The 2005 effective tax rate also reflects a tax benefit of approximately $19 million associated with noncore business divestitures. We recognized a tax cost related to the tax gain from the sale of a Hamilton Sundstrand division, and tax benefits related to tax losses from the sale of a Carrier refrigeration operation and the sale and liquidation of a Pratt & Whitney subsidiary. The third-party sales did not result in significant pre-tax gains or losses for financial reporting purposes.

The American Jobs Creation Act, signed into law in October 2004, provided an opportunity in 2005 to repatriate up to $500 million of reinvested foreign earnings and to claim an 85% dividend received deduction against the repatriated amount. We evaluated the potential effects of the repatriation provision and decided not to repatriate earnings under the provision.

We expect our effective income tax rate in 2007 to be approximately 28%, before the impacts of any discrete events.

For additional discussion of income taxes, see "Critical Accounting Estimates – Income Taxes" and Note 9 to the Consolidated Financial Statements.

Net Income and Earnings Per Share

(in millions of dollars, except per share amounts)	2006	2005	2004
Income before cumulative effect of a change in accounting principle	**$3,732**	$3,164	$2,673
Cumulative effect of a change in accounting principle	**—**	(95)	—
Net income	**$3,732**	$3,069	$2,673
Diluted Earnings per Share:			
Income before cumulative effect of a change in accounting principle	**$ 3.71**	$ 3.12	$ 2.64
Cumulative effect of a change in accounting principle	**—**	(.09)	—
Diluted Earnings per Share	**$ 3.71**	$ 3.03	$ 2.64

Foreign currency translation had a favorable impact of $.01 per share in 2006, did not have a significant impact on earnings per share in 2005 and had a favorable impact of $.09 per share in 2004. As discussed in Note 1 to the Consolidated Financial Statements, we adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB Statement No. 143)" effective December 31, 2005. The cumulative effect of this adoption reduced 2005 diluted earnings per share by $.09 and did not have a significant impact to 2006 operating results.

Restructuring and Other Costs

We recorded net pre-tax restructuring and related charges totaling $288 million in 2006 and $267 million in 2005 for new and ongoing restructuring actions. We recorded these charges in the segments as follows:

(in millions of dollars)	2006	2005
Otis	**$ 46**	$52
Carrier	**69**	80
UTC Fire & Security	**44**	21
Pratt & Whitney	**68**	39
Hamilton Sundstrand	**40**	66
Sikorsky	**21**	3
Eliminations and Other	**—**	6

The 2006 charges include $223 million in cost of sales, $64 million in selling, general and administrative expenses and $1 million in other income. The 2005 charges include $180 million in cost of sales, $73 million in selling, general and administrative expenses and $14 million in other income. As described below, these charges relate to actions initiated during 2006, 2005 and certain actions initiated in the fourth quarter of 2004.

Restructuring actions are an essential component of our operating margin improvement efforts and relate to both existing operations and those recently acquired. We have acquired certain businesses at beneficial values, such as Linde, Chubb and Kidde, with the expectation of restructuring the underlying cost structure in order to bring operating margins up to expected levels. Restructuring actions focus on streamlining costs through workforce reductions, the consolidation of manufacturing, sales and service facilities, and the transfer of work to more cost-effective locations. For acquisitions, the costs of restructuring actions, contemplated at the date of acquisition, are recorded under purchase accounting. Actions initiated subsequently are recorded through operating results.

2006 Actions. During 2006, we initiated restructuring actions relating to ongoing cost reduction efforts, including selling, general and administrative reductions, principally at Carrier and UTC Fire & Security; workforce reductions, principally in Korea at Otis and Carrier and voluntary separations at Sikorsky; and the consolidation of manufacturing facilities. These actions, when complete, will provide for workforce reductions of approximately 3,800 hourly and salaried employees, the exiting of approximately 500,000 net square feet of facilities and the disposal of assets associated with the exited facilities. Savings are expected to increase over the two-year period subsequent to initiating the actions, resulting in recurring pre-tax savings of approximately $150 million. We expect pre-tax cash outflows on these programs to be approximately $230 million, of which $130 million has been funded to date.

2005 Actions. During 2005, the more significant actions related to the consolidation of manufacturing operations at Hamilton Sundstrand, including the closure of a portion of Rockford manufacturing, and general overhead reduction efforts principally at Pratt & Whitney and Carrier. These actions, when complete, will provide for workforce reductions of approximately 2,900 hourly and salaried employees, the exiting of approximately 1.2 million net square feet of facilities and the disposal of assets associated with the exited facilities. Savings are expected to increase over the two-year period subsequent to initiating the actions, resulting in recurring pretax savings of approximately $115 million. We expect pre-tax cash outflows on these programs to be approximately $145 million, of which $135 million has been funded to date.

2004 Actions. During 2004, we focused on a reduction of our manufacturing footprint. Two of the more significant announced closures, Carrier's McMinnville, Tennessee commercial air conditioning and ventilation product manufacturing facility and Hamilton Sundstrand's Rockford, Illinois electronics manufacturing facility, were completed during the first quarter of 2006. All other actions were completed during 2005. The 2004 actions resulted in workforce reductions of approximately 5,400 hourly and salaried employees, the exiting of approximately 5.5 million net square feet of facilities and the disposal of assets associated with the exited facilities. These actions resulted in recurring pre-tax savings of approximately $295 million annually. Pre-tax cash outflows on these programs were approximately $370 million.

We may initiate additional restructuring actions in 2007 through our continuing cost-reduction efforts. No specific plans for significant new actions have been finalized at this time. However, it is management's expectation that when significant favorable items are recorded in a period, restructuring actions may also be initiated in that period when practical.

For additional discussion of restructuring, see Note 11 to the Consolidated Financial Statements.

Segment Review

	Revenues			Operating Profits			Operating Profit Margin		
(in millions of dollars)	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
Otis	**$10,290**	$ 9,575	$ 8,937	**$1,888**	$1,712	$1,413	**18.3%**	17.9%	15.8%
Carrier	**13,481**	12,512	10,620	**1,237**	1,104	830	**9.2%**	8.8%	7.8%
UTC Fire & Security	**4,747**	4,250	2,879	**301**	235	130	**6.3%**	5.5%	4.5%
Pratt & Whitney	**11,112**	9,295	8,281	**1,817**	1,449	1,083	**16.4%**	15.6%	13.1%
Hamilton Sundstrand	**4,995**	4,382	3,921	**832**	675	583	**16.7%**	15.4%	14.9%
Sikorsky	**3,230**	2,802	2,506	**173**	250	200	**5.4%**	8.9%	8.0%

Commercial Businesses

The financial performance of our commercial businesses can be influenced by a number of external factors including fluctuations in residential and commercial construction activity, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs and other global and political factors. Carrier's financial performance can also be influenced by production and utilization of transport equipment, and in its residential business, weather conditions. In 2006, 68% of total commercial business revenues was generated outside the U.S., as compared to 69% in 2005. The following table shows revenues generated outside the U.S. for each of the segments in our commercial businesses:

	2006	**2005**
Otis	**80%**	80%
Carrier	**54%**	55%
UTC Fire & Security	**84%**	87%

OTIS is the world's largest elevator and escalator manufacturing, installation and service company. Otis designs, manufactures, sells and installs a wide range of passenger and freight elevators for low-, medium- and high-speed applications, as well as a broad line of escalators and moving walkways. In addition to new equipment, Otis provides modernization products to upgrade elevators and escalators as well as maintenance services for both its products and those of other manufacturers. Otis serves customers in the commercial and residential property industries around the world. Sales are made both directly to customers and, to a limited extent, through sales representatives and distributors.

New equipment orders remained strong throughout 2006, with double digit increases in North America and Asia resulting in an increased closing backlog. Within Asia, strong order growth in China was partially offset by Korea, and pricing remained under significant pressure. These conditions are expected to continue into 2007.

In 2006, Otis revenues increased $715 million (7%), reflecting growth in all geographic regions aided by a strong opening backlog in North America, Europe and China. The 2006 increase reflects volume growth (6%) and the favorable impact of foreign currency translation (1%). The 2005 increase of $638 million (7%) reflects volume growth (5%) in all geographic regions, and the favorable impact of foreign currency translation (2%).

Otis operating profits increased $176 million (10%) in 2006 compared with 2005. The operating profit increase reflects profit improvement at constant currency due to higher volume, product cost reduction and operational efficiencies (9%) and the favorable impact of foreign currency translation (1%). Operating profits increased $299 million (21%) in 2005 compared to 2004. The operating profit increase reflects profit improvement at constant currency due to higher volume, product cost reduction and operational efficiencies (12%), lower restructuring charges (7%) and the favorable impact of foreign currency translation (2%).

CARRIER is the world's largest manufacturer and distributor of HVAC and refrigeration systems. It also produces food service equipment and HVAC and refrigeration related controls for residential, commercial, industrial and transportation applications. Carrier also provides installation, retrofit and aftermarket services and components for the products it sells and those of other manufacturers in the HVAC and refrigeration industries. Sales are made both directly to the end customer and through manufacturers' representatives, distributors, wholesalers, dealers and retail outlets.

In the first half of 2006, strong demand in the commercial HVAC and refrigeration business, a positive North American construction market and a transition in the U.S. residential market to the higher value 13 SEER product, all contributed to generate strong organic growth. Volume growth within transport refrigeration was generated primarily in the truck/trailer refrigeration business as the container refrigeration market was essentially flat. While both the North American and international commercial HVAC and refrigeration markets remained strong throughout the balance of the year, a significant downturn in the North American residential housing industry and difficult compares from the 2005 13 SEER pre-buy led to declining orders and shipments in Carrier's residential business in the second half of 2006. Carrier's residential split system unit shipments dropped by approximately 30% in the third quarter and 50% in the fourth quarter. Further contributing to the second-half reduction in North American residential revenues was a decline in gas furnace shipments due to the softening housing market and the unseasonably mild weather at the end of 2006.

As a result of commodity cost increases in 2006 and 2005, Carrier implemented price increases on many of its products, which partially offset the impact in both years. Cost pressures from commodity price increases are expected to continue in 2007, however, we expect to offset these increases through additional price increases. Certain of Carrier's HVAC businesses are seasonal and are impacted by weather. Carrier customarily offers its customers incentives to purchase products to ensure adequate supply of our products in the distribution channel.

Carrier's revenues increased $969 million (8%) in 2006 compared to 2005. Organic revenue growth for the year was 5%, driven primarily by the commercial and international HVAC businesses. Unit orders in the North American residential market declined substantially due to a market downturn and the 13 SEER pre-buy activity. However, revenues increased overall as a result of higher value 13 SEER product and pricing increases. Revenues from acquisitions (1%), the favorable impact of foreign currency translation (1%) and gains from dispositions (1%), principally the third quarter 2006 sale of Carrier's interest in a compressor manufacturing joint venture, generated the remaining revenue growth. Revenues increased $1,892 million (18%) in 2005 compared to 2004. The increase primarily resulted from acquisitions (9%), principally Linde, and growth in the North American HVAC business (6%).

Carrier's operating profits increased $133 million (12%) in 2006 compared to 2005. The operating profit improvement was generated principally by higher volumes and the benefits from previous restructuring actions, partially offset by manufacturing inefficiencies associated with the ramp up of 13 SEER production and the decline in North American residential volume (net 7%). Gains from dispositions (6%), principally the third quarter 2006 sale of Carrier's interest in a compressor manufacturing joint venture, lower restructuring charges (1%) and the favorable impact of foreign currency translation (1%) were partially offset by the impact of higher commodity and energy costs, net of price increases (3%). Carrier's operating profits increased $274 million (33%) in 2005 compared to 2004 due in large part to a reduction in restructuring charges of $161 million (19%). The net impact of higher volumes and restructuring benefits (15%), Linde (8%), and favorable currency translation (1%) was partially offset by higher commodity costs including a related last-in, first-out (LIFO) charge, net of price increases (6%) and the expenses related to the new 13 SEER platform (4%).

UTC FIRE & SECURITY is a global provider of security and fire safety products and services. We created the UTC Fire & Security segment in the second quarter of 2005 upon acquiring Kidde. The UTC Fire & Security segment includes our former Chubb segment, Kidde's industrial, retail and commercial fire safety businesses and Lenel, a leader in the development and delivery of scalable, integrated security software systems and business solutions. In the electronic security industry, UTC Fire & Security provides system integration, installation and service of intruder alarms, access control systems and video

surveillance systems. In the fire safety industry, UTC Fire & Security designs, manufactures, integrates, installs and services fire and specialty hazard detection and fixed suppression systems and manufactures, sells and services portable fire extinguishers and other fire fighting equipment. UTC Fire & Security also provides monitoring, response and security personnel services, including cash-in-transit security, to complement its electronic security and fire safety businesses. UTC Fire & Security's operations are predominantly outside the U.S. UTC Fire & Security sells directly to the customer as well as through manufacturers' representatives, distributors and dealers.

UTC Fire & Security's revenues increased $497 million (12%) in 2006 as compared with 2005 due largely to acquisitions (10%), principally Kidde, with volume, price increases and foreign exchange translation (combined 2%) contributing the remainder. Revenues increased $1,371 million (48%) in 2005 as compared with 2004 due largely to the acquisition of Kidde (43%) in the second quarter. Volume and pricing increases (combined 3%) and foreign currency translation (2%), contributed the remainder.

Operating profit increased $66 million (28%) in 2006 as compared with 2005. The majority of the operating profit increase was generated principally from the cost reductions realized on previous restructuring actions and some slight volume related impact (combined 35%), in line with management's focus on integration efforts and margin expansion. Further operating profit increases from acquisitions (9%), principally Kidde, were offset by additional restructuring charges (10%) and the adverse impact of higher commodity costs (4%). Operating profit increased $105 million (81%) in 2005 as compared with 2004, with acquisitions (63%) contributing the majority. The balance of the operating profit increase was generated principally from increased volume, pricing and net cost reductions from previous restructuring actions (combined 27%), offset partially by additional restructuring charges (16%).

Aerospace Businesses

The financial performance of Pratt & Whitney, Hamilton Sundstrand and Sikorsky is directly tied to the economic conditions of the commercial aerospace and defense industries. Traffic growth, load factors, worldwide airline profits, general economic activity and global defense spending have been reliable indicators for new aircraft and aftermarket orders in the aerospace industry. Spare part sales and aftermarket service trends are affected by many factors including usage, pricing, regulatory changes and retirement of older aircraft. Performance in the general aviation sector is closely tied to the overall health of the economy and is positively correlated to corporate profits.

The continued growth in revenue passenger miles (RPMs) is benefiting both commercial aircraft production as well as aftermarket service and spares revenue levels. However, as the commercial airline industry continues its recovery after years of poor financial performance, which was exacerbated by escalating fuel prices, airlines and aircraft manufacturers will continue to pursue lower-cost products and services from their suppliers. The bankruptcy filings of major U.S. airlines during 2005 did not have a significant impact on our operating results. Notwithstanding the poor health of the airlines, strong production levels at airframers, as well as the continued high usage of aircraft, as evidenced by the growth in RPMs, drove growth in the aerospace businesses in 2006. Growth was further augmented by strong commercial helicopter sales, resulting partially from higher corporate profits and increased oil industry activity, and record military helicopter orders. Further increases in RPMs and continued positive global economic conditions are expected to result in additional increases to commercial aerospace volume in 2007. However, the rate of growth in the commercial aerospace aftermarket realized in 2006 is not expected to be sustainable and is projected to decline in 2007 to approximately half of the 2006 levels.

Our total sales to the U.S. government increased in 2006 to $6.4 billion or 14% of total sales, compared with $5.8 billion or 14% of total sales in 2005 and $5.5 billion or 15% of total sales in 2004. The defense portion of our aerospace business is affected by changes in market demand and the global political environment. Our participation in long-term production and development programs for the U.S. government has contributed positively to our results in 2006 and is expected to continue to benefit results in 2007.

PRATT & WHITNEY is among the world's leading suppliers of commercial, general aviation and military aircraft engines. Pratt & Whitney's Global Service Partners provides maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services. Pratt & Whitney produces families of engines for wide, narrow body and military aircraft that power both Boeing and Airbus aircraft. Pratt & Whitney also sells engines for auxiliary power units, industrial applications and space propulsion systems. Pratt & Whitney Canada (P&WC) is a world leader for engines powering business, regional, light jet, utility and military aircraft and helicopters. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated aerospace propulsion systems for military and commercial applications, including the space shuttle. Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, space launch vehicle providers and U.S. and foreign governments. During 2006, Pratt & Whitney launched Global Material Solutions, a new business that intends to engineer, certify, manufacture, sell, distribute and service new OEM caliber parts, including life limited parts, for CFM56-3® engines. Pratt &

Whitney's products and services must adhere to strict regulatory and market driven safety and performance standards. These standards, along with the long duration of aircraft engine programs, create uncertainty regarding engine program profitability. The vast majority of sales are made directly to the customer and, to a limited extent, through independent distributors or foreign sales representatives.

In view of the risk and cost associated with developing new engines, Pratt & Whitney has entered into collaboration agreements in which revenues, costs and risks are shared. At December 31, 2006, the interests of participants in current Pratt & Whitney-directed commercial jet engine production programs ranged from 14 to 29% . In addition, Pratt & Whitney has interests in other programs. These include a 33% interest in the International Aero Engines (IAE) collaboration that sells and supports V2500 engines for the A320 family of aircraft and a 50% interest in the Engine Alliance (EA) with GE Aviation to develop, market and manufacture the GP7000 engine for the A380 aircraft. At December 31, 2006, other participants held interests totaling 40% of Pratt & Whitney's share of the EA. Flight testing of the GP7000 commenced in 2006. European Aviation Safety Agency certification of the A380 aircraft with the GP7000 engines is expected in 2007, with entry into service expected in 2008.

Pratt & Whitney's revenues increased $1,817 million (20%) in 2006 as compared with 2005. This increase is primarily attributable to higher commercial aftermarket services and spare parts revenues (7%) and higher Pratt & Whitney Canada engine, spares and service revenues (5%). Military and power systems (combined 4%), and acquisitions, principally Rocketdyne (4%) generated the remainder of the increase. Revenues increased $1,014 million (12%) in 2005 as compared with 2004. The increase is primarily attributable to higher aftermarket services and commercial engine revenues (6%) and higher Pratt & Whitney Canada volume (5%), including engine sales, spares and service. Acquisitions, principally Rocketdyne, contributed 3% of the increase. Military aerospace revenues were relatively flat in 2005 compared to 2004.

Pratt & Whitney's operating profits increased $368 million (25%) in 2006 as compared with 2005. This increase is primarily attributable to higher aftermarket services, including spare parts (26%), and Pratt & Whitney Canada (7%), partially offset by increased research and development spending (5%), and the net impact of increased commodity and energy prices (10%). The favorable impact of the settlement of a government litigation matter (6%) and a gain realized on the sale of a partnership interest in a small engine product line (2%), partially offset by higher restructuring charges (2%) and the adverse impact of foreign currency translation (2%), contributed the majority of the remaining operating profit increase. Operating profits increased $366 million (34%) in 2005 as compared with 2004. This increase is primarily attributable to higher aftermarket services and commercial engine volumes (10%), increased volume at Pratt & Whitney Canada (6%), lower restructuring charges (10%) and $42 million (4%) of first quarter 2004 costs associated with a collaboration accounting litigation matter.

HAMILTON SUNDSTRAND is among the world's leading suppliers of technologically advanced aerospace and industrial products and aftermarket services for diversified industries worldwide. Hamilton Sundstrand's aerospace products, such as power generation management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems, serve commercial, military, regional, business and general aviation, as well as space and undersea applications. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet maintenance programs. Hamilton Sundstrand sells aerospace products to airframe manufacturers, the U.S. and foreign governments, aircraft operators and independent distributors. Hamilton Sundstrand's principal industrial products, such as air compressors, metering pumps and fluid handling equipment, serve industries involved with raw material processing, bulk material handling, construction, hydrocarbon and chemical processing, and water and wastewater treatment. These products are sold under the Sullair, Sundyne, Milton Roy and other brand names directly to end-users through manufacturers' representatives and distributors.

Hamilton Sundstrand's revenues increased $613 million (14%) as compared with 2005 due principally to volume growth in both the aerospace (7%) and industrial (6%) businesses. The net impact of acquisitions and divestitures contributed the remainder of the increase. Within aerospace, both commercial OEM and commercial aftermarket contributed to the volume increase. Military OEM and aftermarket volumes increased modestly. Industrial revenues benefited from strong compressor and pump demand as well as growth in the emerging markets. Revenues increased $461 million (12%) in 2005 as compared with 2004, due principally to the net impact of acquisitions and divestitures (5%), and volume growth in both the aerospace (4%) and industrial (2%) businesses. Within aerospace, increased commercial aftermarket volume was partially offset by continued declines in military aftermarket volume.

Hamilton Sundstrand's operating profits increased $157 million (23%) as compared with 2005 due principally to volume growth in both the commercial aftermarket (13%) and industrial businesses (8%). Operating profit increases from the commercial OEM revenue growth (10%) were offset by the increased company funded research and development costs, primarily associated with the Boeing 787 program (9%) and higher commodity costs net of price increases (5%). The net impact of acquisitions and divestitures (2%) and lower restructuring charges (4%) contributed to the remainder of the growth.

Operating profits increased $92 million (16%) in 2005 as compared with 2004 due principally to the net impact of acquisitions and divestitures (11%) and volume growth in both the commercial aftermarket (6%) and industrial businesses (2%). This operating profit improvement was partially offset by the effects of increased development spending, net of gains on the disposition of noncore businesses, principally Falk.

SIKORSKY is one of the world's largest manufacturers of military and commercial helicopters and also provides aftermarket helicopter and aircraft parts and services. Current production programs at Sikorsky include the UH-60L and UH-60M Black Hawk medium-transport helicopters for the U.S. and foreign governments, the MH-60S and MH-60R helicopters for the U.S. Navy, the International Naval Hawk for multiple naval missions, and the S-76 and the S-92 helicopters for commercial operations. Sikorsky is also developing the U.S. Marine Corps CH-53K next generation heavy lift helicopter. Sikorsky's aftermarket business includes spare parts sales, overhaul and repair services, maintenance contracts, and logistics support programs for helicopters and other aircraft. Sales are made directly by Sikorsky and by its subsidiaries and joint ventures. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide maintenance and repair services.

As discussed previously, Sikorsky's operating results were adversely impacted by a strike of its union workforce from February through early April 2006. Although helicopter deliveries improved significantly following the resumption of full production after settlement of the strike, Sikorsky incurred additional manufacturing costs as it worked to accommodate the steep ramp up needed to meet the requirements of both a record backlog and more complex helicopters. Concurrently, Sikorsky also worked to reconfigure its manufacturing processes, including the sourcing of certain manufacturing activities.

Sikorsky's revenues increased $428 million (15%) in 2006 as compared to 2005. Increases in commercial and military aircraft deliveries (2%), strong aftermarket sales (5%) and acquisitions (5%) contributed the majority of the increase in revenues. The remainder of the revenue increase was attributable to program support and development efforts. Revenues increased $296 million (12%) in 2005 as compared to 2004 with commercial aircraft deliveries (10%) and strong aftermarket sales (10%), offsetting the loss of Comanche revenues (10%).

Sikorsky's operating profit decreased $77 million (31%) in 2006 as compared to 2005. The profit contribution from higher revenues was more than offset by higher manufacturing costs at Sikorsky related to the strike and subsequent ramp up to full production (net 16%). The adverse impact of commodity and energy prices (10%) and an increase in restructuring costs (7%), offset in part by the contribution from acquisitions (2%), comprised the remainder. Operating profit increased $50 million (25%) in 2005 as compared to 2004 due principally to higher aircraft and aftermarket volume (47%). The balance of the operating profit change primarily reflects the termination of the Comanche program (12%) and an increase in development spending (11%), offset by lower restructuring charges (3%).

Liquidity and Financing Commitments

(in millions of dollars)	2006	2005
Cash and cash equivalents	**$ 2,546**	$ 2,247
Total debt	**7,931**	8,240
Net debt (total debt less cash and cash equivalents)	**5,385**	5,993
Shareowners' equity	**17,297**	16,991
Total capitalization (debt plus equity)	**25,228**	25,231
Net capitalization (debt plus equity less cash and cash equivalents)	**22,682**	22,984
Debt to total capitalization	**31%**	33%
Net debt to net capitalization	**24%**	26%

We adopted the provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158) on December 31, 2006. The adoption resulted in a decrease in total assets by approximately $2.4 billion, an increase of total liabilities by approximately $549 million and a reduction of total shareowners' equity by approximately $1.8 billion, net of tax. The impact of the adoption had an adverse impact on our debt to total capitalization and net debt to net capitalization of two percentage points in 2006.

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our principal source of liquidity is operating cash flows, which, after netting out capital expenditures, we target to equal or exceed net income. In addition to operating cash flows, other significant factors that affect our overall management of liquidity include: capital expenditures, customer financing requirements, investments in businesses, dividends, common stock repurchases, pension funding, adequacy of available bank lines of credit, and the ability to attract long-term capital at satisfactory terms.

Most of our cash is denominated in foreign currencies. We manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences; however, those balances are generally available without legal restrictions to fund ordinary business operations. We have and will continue to transfer cash from those subsidiaries to us and to other international subsidiaries when it is cost effective to do so.

The timing and levels of certain cash flow activities, such as acquisitions, have resulted in the issuance of both long-term and short-term debt. Commercial paper borrowings provide short-term liquidity to supplement operating cash flows and are used for general corporate purposes as well as the potential funding of certain acquisitions. We had $450 million of commercial paper outstanding at December 31, 2006, all of which matured in less than one week.

In May 2006, we issued $1.1 billion of long-term debt, the proceeds of which were used to repay commercial paper borrowings. In April 2005, we issued $2.4 billion of long-term debt, the proceeds of which were used primarily to support the funding of the Kidde acquisition.

Our ability to obtain debt financing at comparable risk-based interest rates is partly a function of our existing debt to capitalization levels as well as our current credit standing. The issuance of $2.4 billion in long-term debt in 2005 increased our level of debt to total capitalization to 33% from 28%. Conversely, the repayment of a significant portion of the commercial paper borrowings in 2006, partially offset by the issuance of $1.1 billion in long-term debt in May 2006, and the funding of second half 2006 debt maturities of $650 million with internal cash flows, reduced our level of debt to total capitalization to 31% as of December 31, 2006. Our credit ratings are reviewed regularly by major debt rating agencies such as Standard and Poor’s and Moody’s Investor Service. In 2006, Standard and Poor’s affirmed our long-term and short-term debt ratings as A and A-1, respectively. Similarly, Moody’s Investor Service also affirmed its corporate rating on our long-term and short-term debt as A2 and P-1, respectively.

We believe our future operating cash flows will be sufficient to meet our future operating cash needs. Further, our ability to obtain debt or equity financing, as well as the availability under committed credit lines, provides additional potential sources of liquidity should they be required.

OPERATING CASH FLOWS. Net cash provided by operating activities in 2006 was $4,803 million compared to $4,334 million in 2005. Net income growth of $663 million, $473 million of benefit from lower 2006 voluntary pension contributions, and a reduction in working capital components of $628 million were the principal contributors to the increase in operating cash flows. These were partially offset by a $283 million payment to the U.S. Department of Defense to settle the commercial engine collaboration program litigation, and an increase in other net operating assets of $611 million. Other operating asset activity principally reflects the elimination of non-cash gains and the foreign exchange impact on intercompany lending. During 2006, inventory levels increased approximately $800 million as a result of the strong organic revenue growth, the ramp up in volume at Sikorsky and the aerospace supply chain capacity issues brought about by the high demand throughout the industry. Additionally, approximately $300 million of the increase pertains to capitalized contract research and development costs on certain aerospace programs which will be subsequently recovered through production aircraft shipments. The increase in inventory was effectively offset by a commensurate increase in accounts payable and accrued liabilities which reflected the volume growth and the timing and amount of additional customer advances. The working capital improvement, therefore, resulted largely from accounts receivable remaining flat compared to the approximately $800 million increase in 2005. The improvement in accounts receivable was attributable to a concerted focus by all businesses on maintaining collection levels and reducing delinquent amounts.

The funded status of our pension plans is dependent upon many factors, including returns on invested assets, level of market interest rates and levels of voluntary contributions to the plans. Better than projected investment returns and additional voluntary pension contributions have improved the funded status of all plans, helping to minimize future funding requirements. As such, we plan to make up to $250 million in voluntary contributions to these defined benefit pension plans in 2007, versus the voluntary cash contributions of $190 million and $663 million, in 2006 and 2005, respectively. We also contributed $150 million in UTC common stock to these plans during 2006. As of December 31, 2006, the total investment by the defined benefit pension plans in our securities is approximately 3% of total plan assets.

INVESTING CASH FLOWS. Cash used in investing activities was $1,261 million in 2006, compared with $4,649 million in 2005. The 2006 activity primarily reflects a net investment in businesses of $460 million and capital expenditures of $954 million. This compares with a net investment in businesses in 2005 of $3,755 million and capital expenditures of $929 million. Acquisitions in 2006 consisted principally of a number of small businesses including Red Hawk Industries by UTC Fire & Security, Page Group by Hamilton Sundstrand and Longville Group and Sensitech by Carrier. Dispositions in 2006 consisted of the sale of certain non-core businesses including CalPeak and Scroll Technologies. The $3.8 billion in

acquisition spending in 2005 largely relates to the acquisitions of Kidde, Rocketdyne, Lenel and the buyout of the remaining minority interest in Otis LG Elevator Company, net of the proceeds from the dispositions of businesses (principally Falk) of $308 million. We purchased our initial interest in Kidde of slightly less than 20% in late 2004 for approximately $450 million. The remaining balance of the approximately $2.6 billion cash purchase price was paid in the second quarter of 2005. The acquisitions of Rocketdyne, Lenel and Otis LG Elevator Company for approximately $700 million, $440 million and $315 million, respectively, comprise the majority of the remaining acquisition spending. We expect total investments in businesses in 2007 to approximate $2 billion, however, actual acquisition spending may vary depending upon the timing, availability and appropriate value of acquisition opportunities.

Capital expenditures increased $25 million in 2006 to $954 million. An approximately $100 million reduction in capital spending at Carrier was offset by increases across all other businesses. Investments by Carrier in production modifications for its new 13 SEER product line were essentially completed in 2005, which led to a substantial decline in Carrier's capital expenditures in 2006 compared to 2005. Capital expenditure increases in the remaining businesses largely related to restructuring and facility changes. Capital expenditure levels are expected to increase in 2007 by approximately $100 million from 2006 levels and approximate depreciation and amortization expense in 2007.

Customer financing activities provided net cash of $68 million in 2006, compared to a use of $70 million in 2005. While we expect that customer financing will be a net use of cash in 2007, actual funding is subject to usage under existing customer financing arrangements. At December 31, 2006, we had financing and rental commitments of $1,126 million related to commercial aircraft, of which as much as $446 million may be required to be disbursed in 2007. We may also arrange for third-party investors to assume a portion of our commitments. Refer to Note 4 to the Consolidated Financial Statements for additional discussion of our commercial aerospace industry assets and commitments.

FINANCING CASH FLOWS. Net cash flows used in financing activities was $3,342 million in 2006 compared to a source of $335 million in 2005. In both 2006 and 2005, cash was primarily used to return value to shareowners through dividends and share repurchases. In May 2006, we issued $1.1 billion of long-term debt, the proceeds of which were used to repay commercial paper borrowings. In April 2005, we issued $2.4 billion of long-term debt, the proceeds of which were used to fund the Kidde and Lenel acquisitions, and for general corporate purposes. In the third quarter of 2005, we issued an additional $700 million of commercial paper primarily to fund the acquisition of Rocketdyne.

At December 31, 2006, we had credit commitments from banks totaling $2.5 billion. We had a credit commitment of $1.5 billion under a revolving credit agreement, which serves as a backup facility for the issuance of commercial paper. This revolving credit agreement was renewed in October 2006 and will expire in October 2011. In November 2006, we entered into a $1.0 billion multi-currency revolving credit agreement that is to be used for general corporate funding purposes, including acquisitions. There were no borrowings under either of these revolving credit agreements at December 31, 2006. In addition, at December 31, 2006, approximately $1.9 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries.

At December 31, 2006, up to approximately $900 million of additional debt and equity securities could be issued under a shelf registration statement on file with the Securities and Exchange Commission.

Financing cash outflows for 2006 and 2005 included the repurchase of 33.3 million and 22.6 million shares of our common stock for $2,068 million and $1,181 million, respectively. Share repurchase continues to be a significant use of our cash flow. In addition to management's view that the repurchase of our common stock is a beneficial investment, we also repurchase to offset the dilutive effect of the issuance of stock and options under the stock-based employee benefit programs. On December 13, 2006, the Board of Directors authorized the renewal of our 60 million common share repurchase program. Authority for repurchase under the previous program lapsed. At December 31, 2006, we had remaining authority to repurchase approximately 58 million shares under the current program. We expect total share repurchases in 2007 to approximate $1.5 billion; however, total repurchases may vary depending upon the level of other investing activities.

On April 13, 2005, the Board of Directors approved a 2-for-1 split of our common stock in the form of a stock dividend which was issued June 10, 2005. In April 2006, the Board of Directors approved a 20% increase in the quarterly dividend payable to $.265 per share. During 2006, $951 million of cash dividends were paid to shareowners.

Critical Accounting Estimates

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the Consolidated Financial Statements describes the significant accounting policies used in preparation of the Consolidated Financial Statements. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily

from the need to make estimates about the effects of matters that are inherently uncertain. The most significant areas involving management judgments and estimates are described below. Actual results in these areas could differ from management's estimates.

LONG-TERM CONTRACT ACCOUNTING. We utilize percentage of completion accounting on certain of our long-term contracts. The percentage of completion method requires estimates of future revenues and costs over the full term of product delivery.

Losses, if any, on long-term contracts are provided for when anticipated. We recognize loss provisions on original equipment contracts to the extent that estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs exceed the projected revenue from the products contemplated under the contractual arrangement. Products contemplated under the contractual arrangement include products purchased under the contract and, in the aerospace businesses, required replacement parts that are purchased separately and subsequently for incorporation into the original equipment. Revenue projections used in determining contract loss provisions are based upon estimates of the quantity, pricing and timing of future product deliveries. We recognize losses on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs exceed revenue realized. We measure the extent of progress toward completion on our long-term commercial aerospace equipment and helicopter contracts using units of delivery. In addition, we use the cost-to-cost method for development contracts in the aerospace businesses and for elevator and escalator sales, installation and modernization contracts in the commercial businesses. For long-term aftermarket contracts, we recognize revenue over the contract period in proportion to the costs expected to be incurred in performing services under the contract. Contract accounting also requires estimates of future costs over the performance period of the contract as well as an estimate of award fees and other sources of revenue.

Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management's judgment. The long-term nature of these contracts, the complexity of the products, and the strict safety and performance standards under which they are regulated can affect our ability to estimate costs precisely. As a result, we review and update our cost estimates on significant contracts on a quarterly basis, and no less than annually for all others, or when circumstances change and warrant a modification to a previous estimate. We record adjustments to contract loss provisions in earnings when identified.

INCOME TAXES. The future tax benefit arising from net deductible temporary differences and tax carryforwards is $3.0 billion at December 31, 2006 and $2.1 billion at December 31, 2005. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided.

In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event we were to determine that we would not be able to realize all or a portion of our deferred tax assets in the future, we would reduce such amounts through a charge to income in the period in which that determination is made. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through an increase to income in the period in which that determination is made. Subsequently recognized tax benefits associated with valuation allowances recorded in a business combination will be recorded as an adjustment to goodwill.

We have exposures related to tax filings in the ordinary course of business. We periodically assess our liabilities and contingencies for all tax years under audit based upon the latest information available. For those matters where it is probable that an adjustment will be asserted, we have recorded our best estimate of the tax liability, including related interest charges, in our Consolidated Financial Statements. See Notes 1 and 9 to the Consolidated Financial Statements for further discussion.

GOODWILL AND INTANGIBLE ASSETS. Our net investments in businesses in 2006 totaled $1.0 billion, including approximately $138 million of debt assumed. The assets and liabilities of acquired businesses are recorded under the purchase method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. We have recorded goodwill of $14.1 billion at December 31, 2006 and $13.0 billion at December 31, 2005.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. The identification and measurement of goodwill impairment involves the estimation of the fair value of reporting units. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment, which primarily incorporate management assumptions about expected future cash flows and contemplate other

valuation techniques. Future cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. Although no goodwill impairment has been recorded to date, there can be no assurances that future goodwill impairments will not occur. See Note 2 to the Consolidated Financial Statements for further discussion.

PRODUCT PERFORMANCE. We extend performance and operating cost guarantees beyond our normal service and warranty policies for extended periods on some of our products, particularly commercial aircraft engines. Liability under such guarantees is based upon future product performance and durability. In addition, we incur discretionary costs to service our products in connection with product performance issues. We accrue for such costs that are probable and can be reasonably estimated. The costs associated with these product performance and operating cost guarantees require estimates over the full terms of the agreements, and require management to consider factors such as the extent of future maintenance requirements and the future cost of material and labor to perform the services. These cost estimates are largely based upon historical experience. See Note 13 to the Consolidated Financial Statements for further discussion.

CONTRACTING WITH THE U.S. GOVERNMENT. Our contracts with the U.S. government are subject to government oversight and audit. Like many defense contractors, we have received audit reports, which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports have involved substantial amounts. We have made voluntary refunds in those cases we believe appropriate. In addition, we accrue for liabilities associated with those government contracting matters that are probable and can be reasonably estimated. The inherent uncertainty related to the outcome of these matters can result in amounts materially different from any provisions made with respect to their resolution. See Note 14 to the Consolidated Financial Statements for further discussion. We recorded sales to the U.S. government of $6.4 billion in 2006 and $5.8 billion in 2005.

EMPLOYEE BENEFIT PLANS. We sponsor domestic and foreign defined benefit pension and other postretirement plans. Major assumptions used in the accounting for these employee benefit plans include the discount rate, expected return on plan assets, rate of increase in employee compensation levels, and health care cost increase projections. Assumptions are determined based on company data and appropriate market indicators, and are evaluated each year as of the plans' measurement date. A change in any of these assumptions would have an effect on net periodic pension and postretirement benefit costs reported in the Consolidated Financial Statements.

The weighted-average discount rate used to measure pension liabilities and costs is set by reference to published high-quality bond indices. However, these indices give only an indication of the appropriate discount rate because the cash flows of the bonds comprising the indices do not match the projected benefit payment stream of the plan precisely. For this reason, we also consider the individual characteristics of the plan, such as projected cash flow patterns and payment durations, when setting the discount rate. Market interest rates were essentially flat in 2006 as compared with 2005 and, as a result, the weighted-average discount rate used to measure pension liabilities and costs essentially remained flat at 5.4%. Pension expense in 2007 is expected to decline as the amortization of prior investment losses begins to be replaced with the amortization of prior investment gains. See Note 10 to the Consolidated Financial Statements for further discussion.

Off-Balance Sheet Arrangements and Contractual Obligations

We extend a variety of financial guarantees to third parties in support of unconsolidated affiliates and for potential financing requirements of commercial aerospace customers. We also have obligations arising from sales of certain businesses and assets, including representations and warranties and related indemnities for environmental, health and safety, tax, and employment matters. Circumstances that could cause the contingent obligations and liabilities arising from these arrangements to come to fruition are changes in an underlying transaction (e.g., hazardous waste discoveries, adverse tax audit, etc.), nonperformance under a contract, customer requests for financing, or deterioration in the financial condition of the guaranteed party.

A summary of our consolidated contractual obligations and commitments as of December 31, 2006 is as follows:

		Payments Due by Period			
(in millions of dollars)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt *	$ 7,074	$ 37	$ 998	$1,639	$ 4,400
Operating leases	1,382	372	504	256	250
Purchase obligations	11,388	6,558	3,059	807	964
Other long-term liabilities	3,450	774	814	673	1,189
Total contractual obligations	$23,294	$7,741	$5,375	$3,375	$ 6,803

* Principal only; excludes associated interest payments

Purchase obligations include amounts committed under legally enforceable contracts or purchase orders for goods and services with defined terms as to price, quantity, delivery and termination liability. Approximately 23% of the purchase obligations disclosed above represent purchase orders for products to be delivered under firm contracts with the U.S. government for which we have full recourse under normal contract termination clauses.

Other long-term liabilities primarily include those amounts on our December 31, 2006 balance sheet representing obligations under product service and warranty policies, performance and operating cost guarantees, estimated environmental remediation costs and payments under employee benefit programs. The timing of expected cash flows associated with these obligations is based upon management's estimates over the terms of these agreements and is largely based upon historical experience.

Commercial Commitments

		Amount of Commitment Expiration per Period			
(in millions of dollars)	Committed	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Commercial aerospace financing and rental commitments	$ 1,126	$ 446	$ 436	$ 43	$ 201
IAE financing arrangements	1,208	291	586	97	234
Unconsolidated subsidiary debt guarantees	191	81	20	36	54
Commercial aerospace financing arrangements	194	37	23	32	102
Commercial customer financing arrangements	123	123	—	—	—
Performance guarantees	73	—	59	14	—
Total commercial commitments	$ 2,915	$ 978	$ 1,124	$ 222	$ 591

Refer to Notes 4, 8, 13 and 14 to the Consolidated Financial Statements for additional discussion on contractual and commercial commitments.

Market Risk and Risk Management

We are exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices. To manage certain of those exposures, we use derivative instruments, including swaps, forward contracts and options. Derivative instruments utilized by us in our hedging activities are viewed as risk management tools, involve little complexity and are not used for trading or speculative purposes. We diversify the counterparties used and monitor the concentration of risk to limit our counterparty exposure.

We have evaluated our exposure to changes in foreign currency exchange rates, interest rates and commodity prices in our market risk sensitive instruments, which are primarily cash, debt and derivative instruments, using a value at risk analysis. Based on a 95% confidence level and a one-day holding period, at December 31, 2006, the potential loss in fair value on our market risk sensitive instruments was not material in relation to our financial position, results of operations or cash flows. Our calculated value at risk exposure represents an estimate of reasonably possible net losses based on volatilities and correlations and is not necessarily indicative of actual results. Refer to Notes 1, 8 and 12 to the Consolidated Financial Statements for additional discussion of foreign currency exchange, interest rates and financial instruments.

FOREIGN CURRENCY EXPOSURES. We have a large volume of foreign currency exposures that result from our international sales, purchases, investments, borrowings and other international transactions. International segment revenues, including U.S. export sales, averaged approximately $26 billion over the last three years. We actively manage foreign currency exposures that are associated with committed foreign currency purchases and sales and other assets and liabilities created in the normal course of business at the operating unit level. Exposures that cannot be naturally offset within an operating unit to an insignificant amount are hedged with foreign currency derivatives. We also have a significant amount of foreign currency net asset exposures. Currently, we do not hold any derivative contracts that hedge our foreign currency net asset exposures but may consider such strategies in the future.

INTEREST RATE EXPOSURES. Our long-term debt portfolio consists mostly of fixed-rate instruments. From time-to-time, we may hedge to floating rates using 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. We issue commercial paper, which exposes us to changes in interest rates.

COMMODITY PRICE EXPOSURES. We are exposed to volatility in the prices of raw materials used in some of our products and use forward contracts in limited circumstances to manage some of those exposures. The forward contracts are designated

as hedges of the cash flow variability that results from the forecasted purchases. Gains and losses on those derivatives are deferred in other comprehensive income to the extent they are effective as hedges and reclassified into cost of products sold in the period in which the hedged transaction affects earnings.

Environmental Matters

Our operations are subject to environmental regulation by federal, state and local authorities in the U.S. and regulatory authorities with jurisdiction over our foreign operations. As a result, we have established, and continually update, policies relating to environmental standards of performance for our operations worldwide. We believe that expenditures necessary to comply with the present regulations governing environmental protection will not have a material effect upon our competitive position, consolidated financial position, results of operations or cash flows.

We have identified approximately 556 locations, mostly in the United States, at which we may have some liability for remediating contamination. We do not believe that any individual location's exposure will have a material effect on our results of operations. Sites in the investigation, remediation or operation and maintenance stage represent approximately 93% of our accrued environmental liability.

We have been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund) at approximately 106 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 our share of responsibility varies from sole responsibility to very little responsibility. In estimating our liability for remediation, we consider our likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations.

At December 31, 2006, we had $539 million reserved for environmental remediation. Cash outflows for environmental remediation were $79 million in 2006, $43 million in 2005 and $49 million in 2004. We estimate that ongoing environmental remediation expenditures in each of the next two years will approximate $75 million.

Government Matters

As described in the "Critical Accounting Estimates – Contracting with the U.S. government," our contracts with the U.S. government are subject to audits. Such audits may recommend that certain contract prices should be reduced to comply with various government regulations. We are also the subject of one or more investigations and legal proceedings initiated by the U.S. government with respect to government contract matters.

As previously disclosed and described in Note 14 to the Consolidated Financial Statements, we were in litigation with the Department of Defense (DoD) as to whether Pratt & Whitney's government cost accounting practices for engine parts produced by foreign companies under commercial collaboration programs since 1984 were acceptable. In 2001, the U.S. Armed Services Board of Contract Appeals (ASBCA) ruled in our favor, but the U.S. Court of Appeals for the Federal Circuit reversed in 2003 and remanded the case to the ASBCA to determine the appropriate accounting. The U.S. Supreme Court declined to review that decision. In November 2003, the DoD supplemented its claim to add damages and interest for the period after 1996, bringing the DoD's claim to approximately $367 million in damages through 2002 and approximately $388 million in interest through 2001. Our appeal of this supplemental claim was consolidated with the original matter. On June 5, 2006, we entered into an agreement with the DoD to pay $283 million in settlement of this litigation and paid the entire settlement amount in July 2006.

In addition and as previously disclosed, the U.S. Department of Justice (DoJ) sued us in 1999 under the civil False Claims Act and other theories related to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and GE's F110 engine. The DoJ alleges that the government overpaid for engines because Pratt & Whitney inflated certain costs and withheld data. The government claims damages of $624 million. We believe this estimate is substantially overstated, deny any liability and are vigorously defending the matter. Trial of this matter was completed in December 2004, and a decision is pending. This matter is described in Note 14 to the Consolidated Financial Statements. Should the U.S. government ultimately prevail with respect to the foregoing government contracting matter, the outcome could result in a material effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid. However, we believe that the resolution of this matter will not have a material adverse effect on our results of operations, competitive position, cash flows or financial condition.

As previously reported, the European Commission's Competition Directorate (EU Commission) conducted inspections in early 2004 at offices of our Otis subsidiary in Berlin, Brussels, Luxembourg and Paris relating to an investigation of possible unlawful collusive arrangements involving the European elevator and escalator industry. Based on the result of our own internal investigation, we believe that some Otis employees engaged in activities at a local level in Belgium,

Luxembourg, the Netherlands and Germany in violation of Otis and UTC policies and European competition law. On October 13, 2005, we received a Statement of Objections (SO) from the EU Commission relating to this investigation. The SO, an administrative complaint, alleges infringements of EU competition rules by certain elevator companies, including Otis, in Belgium, Luxembourg, the Netherlands and Germany. We responded to the SO on February 21, 2006 and have cooperated fully with the EU Commission. We expect the EU Commission to issue a decision in the near term, but cannot reasonably estimate the range of civil fines to which we or Otis would likely be subject. The aggregate amount of such fines could be material to our operating results for the period in which the liability would be recognized or cash flows for the period in which the fines would be paid. We do not believe that any such fines would have a material adverse effect on our financial condition, or that resolution of this matter would have a material adverse effect on Otis' competitive position.

Since the EU Commission's investigation became public, class action lawsuits were filed in various federal district courts in the United States alleging that we, Otis and other elevator manufacturers engaged in violations of Sections 1 and 2 of the Sherman Act. Those lawsuits were transferred to and consolidated in the U.S. District Court for the Southern District of New York. On June 6, 2006, the district court judge granted our motion to dismiss without leave to replead. On June 30, 2006, the plaintiffs appealed this decision to the U.S. Court of Appeals for the Second Circuit. We expect a decision in the second or third quarter of 2007. We continue to believe that this litigation is without merit.

Additional discussion of our environmental, U.S. Government contract matters, product performance and other contingent liabilities is included in "Critical Accounting Estimates" and Notes 1, 13 and 14 to the Consolidated Financial Statements. For additional discussion of our legal proceedings, see Item 3, "Legal Proceedings," in our 2006 Form 10-K.

New Accounting Pronouncements

In September 2005, the Financial Accounting Standards Board (FASB) issued a Proposed Statement of Financial Accounting Standards which amends FASB Statement No. 128, "Earnings per Share". The proposed statement is intended to clarify guidance on the computation of earnings per share for certain items such as mandatorily convertible instruments, the treasury stock method, and contingently issuable shares. We have evaluated the proposed statement as presently drafted and have determined that if adopted in its current form it would not have a significant impact on the computation of our earnings per share.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. We have evaluated the new statement and have determined that it will not have a significant impact on the determination or reporting of our financial results.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158). This statement requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under SFAS 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in Accumulated Other Non-Shareowners' Changes in Equity, net of tax effects, until they are amortized as a component of net periodic benefit cost. In addition, the measurement date (the date at which plan assets and the benefit obligation are measured) is required to be the Company's fiscal year end. Presently, we use a November 30 measurement date for a majority of our pension and postretirement benefit plans. We adopted the recognition provisions of SFAS 158 effective December 31, 2006, except for the measurement date provisions, which are not effective until fiscal years ending after December 15, 2008. However, we have early-adopted the measurement date provisions effective January 1, 2007. The non-cash effect of the adoption resulted in a decrease to total assets of approximately $2.4 billion, an increase to total liabilities of approximately $549 million and a reduction to total shareowners' equity of approximately $1.8 billion, net of tax. The adoption of SFAS 158 did not affect our results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" which is effective for fiscal years beginning after December 15, 2006. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We are evaluating our tax positions and anticipate that the Interpretation will not have a significant impact on our results of operations.

Cautionary Note Concerning Factors That May Affect Future Results

This annual report contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance, 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,” “target,” “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 measures 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 availability and cost of materials, components, services and supplies
- The scope, nature or impact of acquisition activity and integration into our businesses
- The development, production and support of advanced technologies and new products and services
- New business opportunities
- Restructuring costs and savings
- The effective negotiation of collective bargaining agreements
- The outcome of contingencies
- Future repurchases of common stock
- Future levels of indebtedness and capital spending
- Pension plan assumptions and future contributions

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission from time to time. Our Annual Report on Form 10-K for 2006 includes important information as to these factors in the “Business” section under the headings “General”, “Description of Business by Segment” and “Other Matters Relating to our Business as a Whole” and in the “Risk Factors” and “Legal Proceedings” sections.

Management's Report on Internal Control Over Financial Reporting

The management of UTC is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of UTC's internal control over financial reporting as of December 31, 2006. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in *Internal Control – Integrated Framework*. Management concluded that based on its assessment, UTC's internal control over financial reporting was effective as of December 31, 2006. UTC management's assessment of the effectiveness of UTC's internal control over financial reporting, as of December 31, 2006, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page 21.

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

/s/ James E. Geisler
James E. Geisler
Vice President, Finance

/s/ Louis R. Chênevert
Louis R. Chênevert
President and Chief Operating Officer

/s/ Gregory J. Hayes
Gregory J. Hayes
Vice President, Accounting & Finance

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of United Technologies Corporation:

We have completed integrated audits of United Technologies Corporation's consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

<u>Consolidated financial statements</u>

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of changes in shareowners' equity present fairly, in all material respects, the financial position of United Technologies Corporation and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 of the consolidated financial statements, the Corporation has recognized conditional asset retirement obligations to conform with the provisions of FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* as of December 31, 2005, and recognized the funded status of its benefit plans in accordance with the provisions of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, as of December 31, 2006.

<u>Internal control over financial reporting</u>

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Corporation maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Corporation's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the corporation are being made only in accordance with authorizations of management and directors of the corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

Hartford, Connecticut
February 8, 2007

CONSOLIDATED STATEMENT OF OPERATIONS

(in millions of dollars, except per share amounts)	2006	2005	2004
Revenues			
Product sales	**$34,271**	$30,641	$26,209
Service sales	**12,847**	11,637	10,491
Financing revenues and other income, net	**711**	447	745
	47,829	42,725	37,445
Costs and Expenses			
Cost of products sold	**26,089**	23,320	20,404
Cost of services sold	**8,651**	7,615	6,838
Research and development	**1,529**	1,367	1,267
Selling, general and administrative	**5,462**	5,241	4,635
Operating Profit	**6,098**	5,182	4,301
Interest	**606**	498	363
Income before income taxes and minority interests	**5,492**	4,684	3,938
Income taxes	**1,494**	1,253	1,031
Minority interests in subsidiaries' earnings	**266**	267	234
Income before cumulative effect of a change in accounting principle	**3,732**	3,164	2,673
Cumulative effect of a change in accounting principle, net of tax (Note 1)	**—**	95	—
Net Income	**$ 3,732**	$ 3,069	$ 2,673
Earnings per Share of Common Stock			
Basic:			
Income before cumulative effect of a change in accounting principle	**$ 3.81**	$ 3.19	$ 2.69
Cumulative effect of a change in accounting principle	**$ —**	$ 0.09	$ —
Net income	**$ 3.81**	$ 3.10	$ 2.69
Diluted:			
Income before cumulative effect of a change in accounting principle	**$ 3.71**	$ 3.12	$ 2.64
Cumulative effect of a change in accounting principle	**$ —**	$ 0.09	$ —
Net income	**$ 3.71**	$ 3.03	$ 2.64

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

(in millions of dollars, except per share amounts— shares in thousands)	2006	2005
Assets		
Cash and cash equivalents	**$ 2,546**	$ 2,247
Accounts receivable (net of allowance for doubtful accounts of $324 and $318)	**7,679**	7,240
Inventories and contracts in progress	**6,657**	5,659
Future income tax benefits	**1,261**	1,427
Other current assets	**701**	633
Total Current Assets	**18,844**	17,206
Customer financing assets	**1,073**	1,152
Future income tax benefits	**1,690**	719
Fixed assets	**5,725**	5,623
Goodwill	**14,146**	13,007
Intangible assets	**3,216**	3,059
Other assets	**2,447**	5,159
Total Assets	**$47,141**	$45,925
Liabilities and Shareowners' Equity		
Short-term borrowings	**$ 857**	$ 1,612
Accounts payable	**4,263**	3,820
Accrued liabilities	**10,051**	9,220
Long-term debt currently due	**37**	693
Total Current Liabilities	**15,208**	15,345
Long-term debt	**7,037**	5,935
Future pension and postretirement benefit obligations	**2,926**	2,813
Other long-term liabilities	**3,837**	4,063
Total Liabilities	**29,008**	28,156
Commitments and Contingent Liabilities (Notes 4 and 14)		
Minority interests in subsidiary companies	**836**	778
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value; Authorized—250,000 shares; None issued or outstanding	**—**	—
Common Stock, $1 par value; Authorized—4,000,000 shares; Issued 1,351,471 and 1,339,444 shares	**9,622**	8,793
Treasury Stock 355,771 and 325,591 common shares at cost	**(9,413)**	(7,418)
Retained earnings	**18,754**	16,051
Unearned ESOP shares	**(227)**	(241)
Accumulated other non-shareowners' changes in equity:		
Foreign currency translation	**633**	20
Minimum pension liability	**—**	(344)
Other	**(2,072)**	130
Total Accumulated Other Non-Shareowners' Changes in Equity	**(1,439)**	(194)
Total Shareowners' Equity	**17,297**	16,991
Total Liabilities and Shareowners' Equity	**$47,141**	$45,925

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of dollars)	2006	2005	2004
Operating Activities			
Net income	**$ 3,732**	$ 3,069	$ 2,673
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	**1,033**	984	978
Deferred income tax (benefit) provision	**(214)**	262	196
Minority interests in subsidiaries' earnings	**266**	267	234
Stock compensation cost	**180**	153	169
Change in:			
Accounts receivable	**(35)**	(830)	(368)
Inventories and contracts in progress	**(789)**	(430)	(106)
Other current assets	**25**	(39)	15
Accounts payable and accrued liabilities	**990**	862	372
Voluntary contributions to global pension plans	**(190)**	(663)	(906)
Other, net	**(195)**	699	339
Net Cash Provided by Operating Activities	**4,803**	4,334	3,596
Investing Activities			
Capital expenditures	**(954)**	(929)	(795)
Increase in customer financing assets	**(314)**	(285)	(309)
Decrease in customer financing assets	**382**	215	258
Business acquisitions	**(911)**	(4,063)	(1,075)
Dispositions of businesses	**451**	308	27
Other, net	**85**	105	132
Net Cash Used in Investing Activities	**(1,261)**	(4,649)	(1,762)
Financing Activities			
Issuance of long-term debt	**1,109**	2,373	—
Repayment of long-term debt	**(825)**	(504)	(535)
(Decrease) increase in short-term borrowings	**(817)**	237	577
Common Stock issued under employee stock plans	**346**	282	343
Dividends paid on Common Stock	**(951)**	(832)	(660)
Repurchase of Common Stock	**(2,068)**	(1,181)	(992)
Dividends to minority interests and other	**(136)**	(40)	(32)
Net Cash (Used in) Provided by Financing Activities	**(3,342)**	335	(1,299)
Effect of foreign exchange rate changes on Cash and cash equivalents	**99**	(38)	107
Net increase (decrease) in Cash and cash equivalents	**299**	(18)	642
Cash and cash equivalents, beginning of year	**2,247**	2,265	1,623
Cash and cash equivalents, end of year	**$ 2,546**	$ 2,247	$ 2,265
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	**$ 575**	$ 509	$ 522
Income taxes paid, net of refunds	**$ 1,347**	$ 932	$ 758
Non-cash investing and financing activities include:			
Contributions of UTC common stock of $150 and $157 in 2006 and 2005, respectively, to domestic defined benefit pension plans			

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	Unearned ESOP Shares	Accumulated Other Non-Shareowners' Changes in Equity	Non-Shareowners' Changes in Equity for the Period
December 31, 2003	$ 7,407	$(5,335)	$11,953	$ (273)	$ (1,799)	$ 3,414
Common Stock issued under employee plans (15.8 million shares), including tax benefit of $141	699	15	(51)	17		
Common Stock repurchased (21.8 million shares)		(992)				
Dividends on Common Stock ($0.70 per share)			(660)			
Dividends on ESOP Common Stock ($0.70 per share)			(35)			
Non-Shareowners' Changes in Equity:						
Net income			2,673			2,673
Foreign currency translation adjustments					514	514
Minimum pension liability adjustments, net of income taxes of $46					32	32
Unrealized holding gain on marketable equity securities, net of income taxes of $57					91	91
Unrealized cash flow hedging gain, net of income taxes of $7					10	10
December 31, 2004	$ 8,106	$(6,312)	$13,880	$ (256)	$ (1,152)	$ 3,320
Common Stock issued under employee plans (11.2 million shares), including tax benefit of $59	592	13	(25)	15		
Common Stock contributed to defined benefit pension plans (3.0 million shares)	95	62				
Common Stock repurchased (22.6 million shares)		(1,181)				
Dividends on Common Stock ($0.88 per share)			(832)			
Dividends on ESOP Common Stock ($0.88 per share)			(41)			
Non-Shareowners' Changes in Equity:						
Net income			3,069			3,069
Foreign currency translation adjustments					(190)	(190)
Minimum pension liability adjustments, net of income taxes of $711					1,205	1,205
Unrealized holding loss on marketable equity securities, including tax benefit of $32					(49)	(49)
Unrealized cash flow hedging loss, including tax benefit of $2					(8)	(8)
December 31, 2005	$ 8,793	$(7,418)	$16,051	$ (241)	$ (194)	$ 4,027
Common Stock issued under employee plans (12.6 million shares), including tax benefit of $101	738	14	(34)	14		
Common Stock contributed to defined benefit pension plans (2.5 million shares)	91	59				
Common Stock repurchased (33.3 million shares)		(2,068)				
Dividends on Common Stock ($1.02 per share)			(951)			
Dividends on ESOP Common Stock ($1.02 per share)			(44)			
Adjustment to initially apply SFAS No. 158, including tax benefit of $1,145					(1,831)	
Non-Shareowners' Changes in Equity:						
Net income			3,732			3,732
Foreign currency translation adjustments					613	613
Minimum pension liability adjustment, net of income taxes of $8					20	20
Unrealized holding gain on marketable equity securities, net of income taxes of $4					6	6
Unrealized cash flow hedging loss, including tax benefit of $28					(53)	(53)
December 31, 2006	$ 9,622	$(9,413)	$18,754	$ (227)	$ (1,439)	$ 4,318

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

[note 1] Summary of Accounting Principles

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

CONSOLIDATION. The Consolidated Financial Statements include the accounts of UTC and our controlled subsidiaries. Intercompany transactions have been eliminated.

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

ACCOUNTS RECEIVABLE. Current and long-term accounts receivable include retainage of $108 million and $117 million in 2006 and 2005, respectively, and unbilled receivables of $487 million and $537 million in 2006 and 2005, respectively.

Retainage represents amounts that, pursuant to the contract, are not due until project completion and acceptance by the customer. Unbilled receivables represent revenues that are not currently billable to the customer under the terms of the contract. These items are expected to be collected in the normal course of business. Long-term accounts receivable are included in other assets in the Consolidated Balance Sheet.

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

INVENTORIES AND CONTRACTS IN PROGRESS. Inventories and contracts in progress are stated at the lower of cost or estimated realizable value and are primarily based on first-in, first-out (FIFO) or average cost methods; however, certain subsidiaries use the last-in, first-out (LIFO) method. If inventories that were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $170 million and $137 million at December 31, 2006 and 2005, respectively.

Costs accumulated against specific contracts or orders are at actual cost. Materials in excess of requirements for contracts and current or anticipated orders have been reserved as appropriate. Manufacturing costs are allocated to current production and firm contracts.

FIXED ASSETS. Fixed assets are stated at cost. Depreciation is computed over the assets' useful lives using the straight-line method, except for aerospace assets acquired prior to January 1, 1999, which are depreciated using accelerated methods.

GOODWILL AND OTHER INTANGIBLE ASSETS. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized. All other intangible assets are amortized over their estimated useful lives. Goodwill and indefinite-lived intangible assets are subject to annual impairment testing using the guidance and criteria described in Statement of Financial Accounting Standard No. 142, “Goodwill and Other Intangible Assets.” This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. During 2006, we were not required to record any impairment on goodwill or indefinite-lived intangibles.

OTHER LONG-LIVED ASSETS. We evaluate the potential impairment of other long-lived assets when appropriate. If the carrying value of assets exceeds the sum of the undiscounted expected future cash flows, the carrying value of the asset is written down to fair value.

INCOME TAXES. We have exposures related to tax filings in the ordinary course of business. We periodically assess our liabilities and contingencies for all tax years under audit based upon the latest information available. For those matters where it is probable that an adjustment will be asserted, we have recorded our best estimate of tax liability, including related interest charges, in our Consolidated Financial Statements.

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.

Sales under elevator and escalator sales, installation and modernization contracts are accounted for under the percentage-of-completion method.

Losses, if any, on contracts are provided for when anticipated. Loss provisions on original equipment contracts are recognized to the extent that estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs exceed the projected revenue from the products contemplated under the contractual arrangement. Products contemplated under the contractual arrangement include products purchased under the contract and, in the aerospace business, required replacement parts that are purchased separately and subsequently for incorporation into the original equipment. Revenue projections used in determining contract loss provisions are based upon estimates of the quantity, pricing and timing of future product deliveries. Losses are recognized on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs exceed revenue realized. Contract accounting requires estimates of future costs over the performance period of the contract as well as estimates of award fees and other sources of revenue. These estimates are subject to change and result in adjustments to margins on contracts in progress. The extent of progress toward completion on our long-term commercial aerospace equipment and helicopter contracts is measured using units of delivery. In addition, we use the cost-to-cost method for development contracts in the aerospace businesses and for elevator and escalator sales, installation and modernization contracts. For long-term aftermarket contracts, revenue is recognized over the contract period in proportion to the costs expected to be incurred in performing services under the contract. We review our cost estimates on significant contracts on a quarterly basis, and for others, no less frequently than annually or when circumstances change and warrant a modification to a previous estimate. Adjustments to contract loss provisions are recorded in earnings upon identification.

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

Revenues from engine programs under collaboration agreements are recorded as earned and the collaborator share of revenue is recorded as a reduction of revenue at that time. The collaborator share of revenues under Pratt & Whitney's engine programs was approximately $795 million, $664 million and $583 million for 2006, 2005 and 2004, respectively. Costs associated with engine programs under collaboration agreements are expensed as incurred. The collaborator share of program costs is recorded as a reduction of the related expense item at that time.

RESEARCH AND DEVELOPMENT. Research and development costs not specifically covered by contracts and those related to the company sponsored share of research and development activity in connection with cost-sharing arrangements are charged to expense as incurred. Government research and development support, not associated with specific contracts, is recorded as a reduction to research and development expense in the period earned. Repayment, if any, is in the form of future royalties and is conditioned upon the achievement of certain financial targets.

Research and development costs incurred under contracts with customers are expensed as incurred and are reported as a component of cost of products sold. Revenue from such contracts is recognized as product sales when earned.

FOREIGN EXCHANGE AND HEDGING ACTIVITY. We conduct business in many different currencies and, accordingly, are subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of our foreign subsidiaries are measured using the local currency as the functional currency. Foreign currency denominated assets and liabilities are translated into U.S. dollars at the exchange rates existing at the respective balance sheet dates, and income and expense items are translated at the average exchange rates during the respective periods. The aggregate effects of translating the balance sheets of these subsidiaries are deferred as a separate component of Shareowners' Equity.

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

All derivative instruments are recorded on the balance sheet at fair value. Derivatives used to hedge foreign-currency-denominated balance sheet items are reported directly in earnings along with offsetting transaction gains and losses on the items being hedged. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases are accounted for as cash flow hedges. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in earnings.

ENVIRONMENTAL. Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, we consider our 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.

ASSET RETIREMENT OBLIGATIONS. Financial Accounting Standards Board (FASB) Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB Statement No. 143)" was issued in March 2005. This Interpretation provides clarification with respect to the timing of liability recognition for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. This Interpretation requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made. We have determined that conditional legal obligations exist for certain of our worldwide owned and leased facilities related primarily to building materials. We adopted this Interpretation on December 31, 2005 and recorded a non-cash transition impact of $95 million, net of taxes, which was reported as a Cumulative Effect of a Change in Accounting Principle, Net of Tax in the Statement of Operations, and a liability for conditional asset retirement obligations of approximately $160 million. As of December 31, 2006, the outstanding liability for asset retirement obligation was $188 million.

PENSION AND POSTRETIREMENT OBLIGATIONS. In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158). This statement requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under SFAS 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in Accumulated Other Non-Shareowners' Changes in Equity, net of tax effects, until they are amortized as a component of net periodic benefit cost. In addition, the measurement date (the date at which plan assets and the benefit obligation are measured) is required to be the company's fiscal year end. Presently, we use a November 30 measurement date for a majority of our pension and postretirement benefit plans. SFAS 158 is effective for publicly-held companies for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. However, we early-adopted the measurement date provisions of SFAS 158 effective January 1, 2007. Based on the funded status of our plans as of December 31, 2006, the adoption of SFAS 158 decreased total assets by approximately $2.4 billion, decreased total liabilities by approximately $549 million and reduced total shareowners' equity by approximately $1.8 billion, net of taxes. The adoption of SFAS 158 did not affect our results of operations.

[note 2] Business Acquisitions, Goodwill and Intangible Assets

BUSINESS ACQUISITIONS. Our investments in businesses in 2006, 2005 and 2004 totaled $1.0 billion, $4.6 billion and $1.3 billion, including debt assumed of $138 million, $520 million and $220 million, respectively.

The 2006 investments in businesses consisted principally of a number of smaller acquisitions including Red Hawk Industries by UTC Fire & Security, Page Group Ltd. by Hamilton Sundstrand and Longville Group Ltd. and Sensitech, Inc. by Carrier.

The 2005 investments in businesses included Kidde plc for $2.6 billion, Rocketdyne Power & Propulsion for approximately $700 million, Lenel Systems International, Inc. for $440 million and acquisition of the remaining minority interest in Otis LG Elevator Company for $315 million.

On April 1, 2005, we completed the acquisition of Kidde, a global provider of fire and safety products and services, including aircraft fire protection systems to commercial, industrial, aerospace and retail customers. The purchase price of $3.1 billion included approximately $520 million of debt assumed net of approximately $150 million of cash acquired. In December 2004, we announced our offer to purchase 100% of the outstanding shares of Kidde. We purchased an initial interest of slightly less than 20% of the outstanding shares of Kidde in 2004 for approximately $450 million. Payment for the remaining outstanding shares of Kidde was completed in the second quarter of 2005, and we assumed control. The following table summarizes the estimated fair values of assets acquired and liabilities assumed from Kidde as of April 1, 2005, the effective date of the acquisition:

(in millions of dollars)	
Current assets	$ 942
Property, plant and equipment	201
Intangible assets	966
Goodwill	2,046
Other assets	56
Total assets acquired	$4,211
Accounts payable and accrued liabilities	$ 465
Long-term debt and short-term borrowings	523
Deferred taxes	389
Pension and postretirement obligations	100
Other liabilities	43
Total liabilities assumed	$1,520
Net assets acquired	$2,691

In connection with the acquisition of Kidde, we recorded $966 million of identifiable intangible assets. The Kidde trademark, valued at $132 million, was assigned an indefinite life. The amortized intangible assets and the weighted-average amortization periods are as follows: trademarks - $73 million (15 years), customer relationships - $696 million (3-32 years) and completed technology - $65 million (10 years).

Beginning in the second quarter of 2005, Kidde's aircraft fire protection systems business was included in our Hamilton Sundstrand segment, while Kidde's industrial fire protection and residential and commercial fire safety businesses were consolidated with Chubb creating the UTC Fire & Security segment.

Rocketdyne was acquired on August 2, 2005 for a purchase price of approximately $700 million in cash. Rocketdyne is a leader in sophisticated aerospace propulsion systems including the space shuttle main engine and engines used on the Delta rocket programs. We recorded approximately $439 million of goodwill and $87 million of intangible assets in connection with this acquisition. The addition of Rocketdyne strengthens our core space propulsion, power and exploration business by increasing product breadth and leveraging complementary technologies. The Rocketdyne business has been integrated into our existing space propulsion, space power and energy businesses within the Pratt & Whitney and Hamilton Sundstrand segments.

In May 2005, we completed the acquisition of Lenel for approximately $440 million. Lenel provides software and integrated systems for the corporate and government security markets and will provide us with high-end technological access to these markets as part of UTC's Fire & Security segment. We recorded approximately $380 million of goodwill and $80 million of intangible assets in connection with this acquisition.

In October 2005, we acquired the remaining 19.9% minority interest in our joint venture, Otis LG Elevator Company for $315 million and renamed the company Otis Elevator Korea. As part of the acquisition, we recorded $168 million of goodwill and $27 million of other identifiable intangible assets.

The 2004 investments in businesses include the purchase of slightly less than 20% of Kidde shares for $450 million and Carrier's acquisition of Linde AG's refrigeration division for $324 million, including assumed debt of $162 million.

The assets and liabilities of the acquired businesses are accounted for under the purchase method of accounting and recorded at their fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded as an increase in goodwill of $646 million in 2006, $3.3 billion in 2005, and $471 million in 2004. The results of operations of acquired businesses have been included in the Consolidated Statement of Operations beginning as of the effective date of acquisition. The final purchase price allocation for acquisitions is subject to the finalization of the valuation of certain assets and liabilities, plans for consolidation of facilities and relocation of employees and other integration activities. As a result, preliminary amounts assigned to assets and liabilities will be subject to revision in future periods.

GOODWILL. The changes in the carrying amount of goodwill, by segment, are as follows:

(in millions of dollars)	Balance as of January 1, 2006	Goodwill resulting from business combinations	Foreign currency translation and other	Balance as of December 31, 2006
Otis	$ 1,165	$ 28	$ 112	**$ 1,305**
Carrier	2,384	166	54	**2,604**
UTC Fire & Security	3,920	232	278	**4,430**
Pratt & Whitney	928	76	(2)	**1,002**
Hamilton Sundstrand	4,361	113	51	**4,525**
Sikorsky	161	31	—	**192**
Total Segments	12,919	646	493	**14,058**
Eliminations & Other	88	—	—	**88**
Total	$ 13,007	$ 646	$ 493	**$ 14,146**

Contributing to the $1,139 million increase in goodwill during 2006, are the impacts of changes in foreign currency exchange rates and the finalization of purchase accounting, which includes approximately $100 million of Kidde restructuring costs.

INTANGIBLE ASSETS. Identifiable intangible assets are comprised of the following:

	2006		2005	
(in millions of dollars)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized:				
Service portfolios	**$1,304**	**$ (507)**	$1,126	$ (392)
Patents and trademarks	**362**	**(79)**	315	(58)
Other, principally customer relationships	**1,845**	**(421)**	1,631	(248)
	$3,511	**$ (1,007)**	$3,072	$ (698)
Unamortized:				
Trademarks and other	**$ 712**	**$ —**	$ 685	$ —

Amortization of intangible assets for the year ended December 31, 2006 was $250 million. Amortization of these intangible assets for 2007 through 2011 is expected to approximate $225 million per year.

[note 3] Earnings Per Share

(in millions, except per share amounts)	Income	Average Shares	Per Share Amount
December 31, 2006			
Net income	**$3,732**		
Net income – basic	**3,732**	**980.0**	**$ 3.81**
Stock awards	**—**	**25.7**	
Net income – diluted	**$3,732**	**1,005.7**	**$ 3.71**
December 31, 2005			
Income before cumulative effect of a change in accounting principle	$3,164	991.2	$ 3.19
Cumulative effect of a change in accounting principle, net	(95)	991.2	(.09)
Net income – basic	3,069	991.2	3.10
Income before cumulative effect of a change in accounting principle	3,164	991.2	
Stock awards	—	23.3	
Diluted - Income before cumulative effect of a change in accounting principle	3,164	1,014.5	3.12
Cumulative effect of a change in accounting principle, net	(95)	1,014.5	(.09)
Net income – diluted	$3,069	1,014.5	$ 3.03
December 31, 2004			
Net income	$2,673		
Net income - basic	2,673	992.8	$ 2.69
Stock awards	—	18.0	
Net income - diluted	$2,673	1,010.8	$ 2.64

[note 4] Commercial Aerospace Industry Assets and Commitments

We have receivables and other financing assets with commercial aerospace industry customers totaling $2,437 million and $2,697 million at December 31, 2006 and 2005, respectively.

Customer financing assets related to commercial aerospace industry customers consist of products under lease of $640 million and notes and leases receivable of $351 million. The notes and leases receivable are scheduled to mature as follows: $36 million in 2007, $26 million in 2008, $10 million in 2009, $10 million in 2010, $10 million in 2011, and $259 million thereafter.

Financing commitments, in the form of secured debt, guarantees or lease financing, are provided to commercial aerospace customers. The extent to which the financing commitments will be utilized is not currently known, since customers may be able to obtain more favorable terms from other financing sources. We may also arrange for third-party investors to assume a portion of these 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. We also may lease aircraft and subsequently sublease the aircraft to customers under long-term noncancelable operating leases. In some instances, customers may have minimum lease terms, which result in sublease periods shorter than our lease obligation. Lastly, we have made residual value and other guarantees related to various commercial aerospace 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.

Our commercial aerospace financing and rental commitments as of December 31, 2006 were $1,126 million and are exercisable as follows: $446 million in 2007, $305 million in 2008, $131 million in 2009, $22 million in 2010, $21 million in 2011 and $201 million thereafter. Our financing obligations with customers are contingent upon maintenance of certain levels of financial condition by the customers.

In addition, we have residual value and other guarantees of $194 million as of December 31, 2006.

We have a 33% interest in International Aero Engines AG (IAE), an international consortium of four shareholders organized to support the V2500 commercial aircraft engine program. Our interest in IAE is accounted for under the equity method of accounting. IAE may offer customer financing in the form of guarantees, secured debt or lease financing in

connection with V2500 engine sales. At December 31, 2006, IAE had financing commitments of $815 million and asset value guarantees of $45 million. Our share of IAE's financing commitments and asset value guarantees was approximately $280 million at December 31, 2006. In addition, IAE had lease obligations under long-term noncancelable leases of approximately $348 million, on an undiscounted basis, through 2020 related to aircraft, which are subleased to customers under long-term leases. These aircraft have fair market values, which approximate the financed amounts, net of reserves. The shareholders of IAE have guaranteed IAE's financing arrangements to the extent of their respective ownership interests. In the event of default by a shareholder on certain of these financing arrangements, the other shareholders would be proportionately responsible.

Total reserves related to receivables and financing assets, financing commitments and guarantees were $287 million at December 31, 2006 and 2005.

[note 5] Inventories and Contracts in Progress

(in millions of dollars)	2006	2005
Inventories consist of the following:		
Raw material	**$ 1,082**	$ 1,000
Work-in-process	**2,409**	1,752
Finished goods	**2,956**	2,640
Contracts in progress	**3,603**	2,971
	10,050	8,363
Less:		
Progress payments, secured by lien, on U.S. Government contracts	**(259)**	(133)
Billings on contracts in progress	**(3,134)**	(2,571)
	$ 6,657	$ 5,659

Raw materials, work-in-process and finished goods are net of valuation reserves of $422 million and $391 million as of December 31, 2006 and 2005, respectively.

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.

Our sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. At December 31, 2006 and 2005, approximately 63% and 57%, respectively, of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts, a portion of which is not scheduled for delivery within the next twelve months.

[note 6] Fixed Assets

(in millions of dollars)	Estimated Useful Lives	2006	2005
Land		**$ 344**	$ 356
Buildings and improvements	20-40 years	**4,306**	4,331
Machinery, tools and equipment	3-20 years	**8,561**	8,060
Other, including under construction		**527**	581
		13,738	13,328
Accumulated depreciation		**(8,013)**	(7,705)
		$ 5,725	$ 5,623

Depreciation expense was $724 million in 2006, $709 million in 2005 and $793 million in 2004.

[note 7] Accrued Liabilities

(in millions of dollars)	2006	2005
Advances on sales contracts and service billings	**$ 3,552**	$2,642
Accrued salaries, wages and employee benefits	**1,626**	1,623
Litigation and contract matters	**560**	862
Service and warranty	**508**	478
Income taxes payable	**748**	545
Interest payable	**228**	197
Accrued property, sales and use taxes	**191**	169
Accrued restructuring costs	**178**	269
Accrued workers compensation	**156**	118
Other	**2,304**	2,317
	$10,051	$9,220

[note 8] Borrowings and Lines of Credit

Short-term borrowings consist of the following:

(in millions of dollars)	2006	2005
Domestic borrowings	**$ 6**	$ 5
Foreign bank borrowings	**401**	548
Commercial paper	**450**	1,059
	$857	$1,612

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 2006 and 2005 were 5.9% and 5.2%, respectively. At December 31, 2006, approximately $1.9 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries.

At December 31, 2006, we had credit commitments from banks totaling $2.5 billion. We had a credit commitment of $1.5 billion under a revolving credit agreement, which serves as a backup facility for the issuance of commercial paper. This revolving credit agreement was renewed in October 2006 and will expire in October 2011. In November 2006, we entered into a $1.0 billion multi-currency revolving credit agreement that is to be used for general corporate funding purposes, including acquisitions. There were no borrowings under either of these revolving credit agreements at December 31, 2006.

In May 2006, we issued $1.1 billion of long-term debt, the proceeds of which were used to repay commercial paper borrowings. We generally use our commercial paper borrowings for general corporate purposes including financing acquisitions and the repurchase of our stock. The long-term debt issued in May 2006 is comprised of two series of notes as follows:

(in millions of dollars)

Principal	Rate	Maturity
$ 600	6.05%	June 1, 2036
$ 500	LIBOR + .07%	June 1, 2009

We may redeem the notes due in 2009, in whole or in part, at any time after June 1, 2007 at a redemption price in U.S. dollars equal to 100% of the principal amount, plus interest accrued.

In April 2005, we issued $2.4 billion of long-term debt, the proceeds of which were used primarily to support the funding of the Kidde acquisition. The long-term debt is comprised of three series of notes as follows:

(in millions of dollars)

Principal	Rate	Maturity
$ 600	4.375%	May 1, 2010
$ 1,200	4.875%	May 1, 2015
$ 600	5.400%	May 1, 2035

Total long-term debt consists of the following:

(in millions of dollars)	Weighted-Average Interest Rate	Maturity	2006	2005
Notes and other debt denominated in:				
U.S. dollars	6.1%	2007-2036	**$6,947**	$6,455
Foreign currency	5.7%	2007-2019	**29**	42
ESOP debt	7.7%	2008-2009	**98**	131
			7,074	6,628
Less: Long-term debt currently due			**37**	693
			$7,037	$5,935

Principal payments required on long-term debt for the next five years are: $37 million in 2007, $48 million in 2008, $950 million in 2009, $1,104 million in 2010, and $535 million in 2011.

At December 31, 2006, up to approximately $900 million of additional debt and equity securities could be issued under a shelf registration statement on file with the Securities and Exchange Commission.

The percentage of total debt at floating interest rates was 17% and 26% at December 31, 2006 and 2005, respectively.

[note 9] Taxes on Income

(in millions of dollars)	2006	2005	2004
Current:			
United States:			
Federal	**$ 667**	$ 230	$ 149
State	**11**	64	48
Foreign	**1,030**	697	638
	1,708	991	835
Future:			
United States:			
Federal	**(82)**	135	283
State	**38**	6	(40)
Foreign	**(170)**	121	(47)
	(214)	262	196
Income tax expense	**$1,494**	$1,253	$1,031
Attributable to items credited (charged) to equity and goodwill	**$1,287**	$ (597)	$ 109

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. Pursuant to SFAS 109, “Accounting for Income Taxes”, 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.

The tax effects of net temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 2006 and 2005 are as follows:

(in millions of dollars)	2006	2005
Future income tax benefits:		
Insurance and employee benefits	**$1,279**	$ 576
Other asset basis differences	**(303)**	420
Other liability basis differences	**1,339**	780
Tax loss carryforwards	**523**	444
Tax credit carryforwards	**638**	422
Valuation allowance	**(525)**	(496)
	$2,951	$2,146
Future income taxes payable:		
Fixed assets	**$ 330**	$ 472
Other items, net	**272**	678
	$ 602	$1,150

Valuation allowances have been established primarily for tax credit, tax loss carryforwards, and certain foreign temporary differences to reduce the future income tax benefits to expected realizable amounts. Of the total valuation allowance amount of $542 million, $307 million was established in purchase accounting, relating primarily to the purchase of Chubb. Subsequently recognized tax benefits associated with a valuation allowance recorded in a business combination will be recorded as an adjustment to goodwill.

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

(in millions of dollars)	2006	2005	2004
United States	**$2,410**	$1,936	$1,808
Foreign	**3,082**	2,748	2,130
	$5,492	$4,684	$3,938

United States income taxes have not been provided on undistributed earnings of international subsidiaries. It is not practicable to estimate the amount of tax that might be payable. Our intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do so. Accordingly, we believe that any U.S. tax on repatriated earnings would be substantially offset by U.S. foreign tax credits.

The American Jobs Creation Act, signed into law in October of 2004, provided an opportunity in 2005 to repatriate up to $500 million of reinvested foreign earnings and to claim an 85% dividend received deduction against the repatriated amount. We evaluated the potential effects of the repatriation provision and determined not to repatriate earnings under this provision.

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

	2006	2005	2004
Statutory U.S. federal income tax rate	**35.0%**	35.0%	35.0%
Tax on international activities including exports	**(7.8)**	(4.9)	(7.9)
Benefit of prior period foreign tax credits	**—**	(2.9)	—
Impact of noncore business transactions	**—**	(0.4)	—
Tax audit settlements	**(0.6)**	(1.4)	(1.9)
Other	**0.6**	1.4	1.0
Effective income tax rate	**27.2%**	26.8%	26.2%

The effective tax rate for 2006, 2005 and 2004 reflects the tax benefit associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States.

In the normal course of business, various tax authorities examine us, including the Internal Revenue Service (IRS). The 2005 effective tax rate reflects an approximately $66 million reduction in tax expense primarily as a result of the reevaluation of our liabilities and contingencies in light of the completion and commencement of exam cycles. In 2006, a residual disputed issue related to the 1999 disposition of a business segment was settled with the Appeals Division of the IRS and was

reviewed by the U.S. Congress Joint Committee on Taxation. The settlement resulted in an approximately $35 million reduction in tax expense. The 2004 effective tax rate reflects an approximately $80 million reduction in tax expense as a result of a settlement with the IRS with respect to claims and other disputed items related to the 1986 to 1993 tax years. In 2007, we expect that the IRS will complete the examination phase of the 2000 through 2003 audit and commence examination of 2004 and 2005. Although the outcome of these matters cannot currently be determined, we believe adequate provision has been made for any potential unfavorable financial statement impact.

The 2005 effective tax rate also reflects a benefit of approximately $135 million related to an amended return filed in 2005, which claimed credits for 2003 foreign taxes previously recognized as deductions. The 2005 effective tax rate further reflects a tax benefit of approximately $19 million associated with noncore business divestitures. We recognized a tax cost related to the tax gain from the sale of a Hamilton Sundstrand division and tax benefits related to tax losses from the sale of a Carrier refrigeration operation and from the sale and liquidation of a Pratt & Whitney subsidiary. The third-party sales did not result in significant pre-tax gains or losses for financial reporting purposes.

Tax credit carryforwards, principally state and federal, at December 31, 2006 were $638 million, of which $314 million expire as follows: $21 million expire from 2007–2011, $195 million from 2012–2016, and $98 million from 2017–2026.

Tax loss carryforwards, principally state and foreign, at December 31, 2006 were $2,229 million, of which $1,114 million expire as follows: $374 million from 2007-2011, $100 million from 2012-2016, and $640 million from 2017-2026.

[note 10] Employee Benefit Plans

We sponsor numerous domestic and foreign employee benefit plans, which are discussed below.

As discussed in Note 1, we have adopted the balance sheet recognition requirements of SFAS 158 on December 31, 2006 and will early adopt the measurement date requirements effective January 1, 2007.

EMPLOYEE SAVINGS PLANS. We sponsor various employee savings plans. Our contributions to employer sponsored defined contribution plans were $205 million, $165 million and $145 million for 2006, 2005 and 2004, respectively.

Our non-union domestic employee savings plan uses an Employee Stock Ownership Plan (ESOP) for employer contributions. External borrowings, guaranteed by us and reported as debt in the Consolidated Balance Sheet, were used by the ESOP to fund a portion of its purchase of ESOP Convertible Preferred Stock (ESOP Preferred Stock) from us. On November 6, 2003, the Trustee and we effected the conversion of all 10.6 million outstanding shares of ESOP Preferred Stock into 85 million shares of common stock. At the time of the conversion, each share of ESOP Preferred Stock was convertible into four shares of common stock, had a guaranteed minimum value of $65, a $4.80 annual dividend and was redeemable by us at any time for $65 per share. Because of its guaranteed value, the ESOP Preferred Stock was classified outside of Shareowners' Equity. In the December 31, 2003 balance sheet, common stock held by the ESOP and committed to employees is classified as permanent equity because it no longer has a guaranteed value. Common stock held by the ESOP is included in the average number of common shares outstanding for both basic and diluted earnings per share.

Shares of common stock are allocated to employees' ESOP accounts at fair value on the date earned. Cash dividends on common stock held by the ESOP are used for debt service payments. Participants receive additional shares in lieu of cash dividends. As ESOP debt service payments are made, common stock is released from an unreleased shares account. ESOP debt may be prepaid or re-amortized to either increase or decrease the number of shares released so that the value of released shares equals the value of plan benefit. We may also, at our option, contribute additional common stock or cash to the ESOP. At December 31, 2006, 42.8 million common shares had been allocated to employees, leaving 27.8 million unallocated common shares in the ESOP Trust, with an approximate fair value of $1.7 billion.

PENSION PLANS. We sponsor both funded and unfunded domestic and foreign defined benefit pension plans that cover the majority of our employees.

We use a November 30 measurement date for a majority of our pension plans.

(in millions of dollars)	2006	2005
Change in Benefit Obligation:		
Beginning balance	**$20,937**	$18,811
Service cost	**432**	389
Interest cost	**1,128**	1,101
Actuarial loss	**103**	1,238
Total benefits paid	**(1,055)**	(1,059)
Net settlement and curtailment gain	**(51)**	(44)
Acquisitions	**2**	746
Other	**452**	(245)
Ending balance	**$21,948**	$20,937
Change in Plan Assets:		
Beginning balance	**$18,131**	$15,672
Actual return on plan assets	**2,763**	2,090
Employer contributions	**508**	865
Benefits paid from plan assets	**(1,032)**	(992)
Acquisitions	**—**	665
Other	**223**	(169)
Ending balance	**$20,593**	$18,131
Funded status	**$ (1,355)**	$ (2,806)
Unrecognized net actuarial loss	*	4,793
Unrecognized prior service cost	*	242
Unrecognized net transition obligation	*	14
Post-measurement date contributions	**174**	243
Net amount recognized	**$ (1,181)**	$ 2,486
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Noncurrent assets	**$ 641**	$ *
Current liability	**(23)**	*
Noncurrent liability	**(1,799)**	*
Prepaid benefit cost	*	3,152
Accrued benefit cost	*	(1,275)
Intangible assets	*	65
Accumulated other non-shareowners' changes in equity	*	544
Net amount recognized	**$ (1,181)**	$ 2,486
Amounts Recognized in Accumulated Other Comprehensive Income Consist of:		
Net actuarial loss	**$ 3,253**	$ *
Prior service cost	**247**	*
Transition obligation	**14**	*
Net amount recognized	**$ 3,514**	$ *

* Not applicable due to change in accounting standard.

The amounts included in Other in the preceding table reflect the impact of foreign exchange translation, primarily for plans in England and Canada, and amendments to certain domestic plans.

Qualified domestic pension plan benefits comprise approximately 72% of the projected benefit obligation. Benefits for union employees are generally based on a stated amount for each year of service. For non-union employees, benefits are generally based on an employee's years of service and compensation near retirement. A cash balance formula was adopted in 2003 for newly hired non-union employees and for other non-union employees who made a one-time voluntary election to have future benefit accruals determined under this formula. Certain foreign plans, which comprise approximately 26% of the projected benefit obligation, are considered defined benefit plans for accounting purposes. Nonqualified domestic pension plans provide supplementary retirement benefits to certain employees and are not a material component of the projected benefit obligation.

During 2006 and 2005, we voluntarily contributed cash of $190 million and $663 million, respectively, to our defined benefit pension plans. We also contributed $150 million and $157 million of common stock to our defined benefit pension plans in 2006 and 2005, respectively. The decrease in our minimum pension liability included in comprehensive income, net of tax, was $20 million and $1,205 million in 2006 and 2005, respectively.

Information for pension plans with accumulated benefit obligation in excess of plan assets:

(in millions of dollars)	2006	2005
Projected benefit obligation	**$6,002**	$5,664
Accumulated benefit obligation	**5,210**	4,863
Fair value of plan assets	**4,292**	3,653

The accumulated benefit obligation for all defined benefit pension plans was $19.9 billion and $18.9 billion at December 31, 2006 and 2005, respectively.

The components of the Net Periodic Benefit Cost are as follows:

(in millions of dollars)	2006	2005	2004
Pension Benefits:			
Service cost	**$ 432**	$ 389	$ 347
Interest cost	**1,128**	1,101	1,032
Expected return on plan assets	**(1,413)**	(1,349)	(1,261)
Amortization of prior service cost	**36**	31	27
Amortization of unrecognized net transition obligation	**1**	2	3
Recognized actuarial net loss	**325**	240	145
Net settlement and curtailment loss	**10**	3	53
Net periodic pension benefit cost – employer	**$ 519**	$ 417	$ 346

The estimated amount that will be amortized from accumulated other comprehensive income into Net Periodic Benefit Cost in 2007 is as follows:

(in millions of dollars)	
Net actuarial loss	**$301**
Prior service cost	**37**
Transition obligation	**1**
	$339

Contributions to multiemployer plans were $132 million, $126 million and $123 million for 2006, 2005 and 2004, respectively.

Major assumptions used in determining the benefit obligation and net cost for pension plans are presented in the following table as weighted-averages:

	Benefit Obligation		Net Cost		
	2006	2005	2006	2005	2004
Discount rate	**5.4%**	5.5%	**5.5%**	5.9%	6.1%
Salary scale	**4.0%**	4.0%	**4.0%**	4.0%	4.0%
Expected return on plan assets	**—**	—	**8.3%**	8.4%	8.3%

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we may consult with and consider the opinions of financial and other professionals in developing appropriate return benchmarks.

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and providing adequate liquidity to meet immediate and future benefit payment requirements.

The allocation of pension plan assets is as follows:

Asset Category	Target Allocation 2007	Percentage of Plan Assets 2006	Percentage of Plan Assets 2005
Equity securities	62% - 71%	**65%**	71%
Debt securities	12% - 22%	**18%**	21%
Real estate	1% - 9%	**5%**	4%
Other	5% - 15%	**12%**	4%
		100%	100%

Our common stock represents approximately 3% and 4% of total plan assets at December 31, 2006 and 2005, respectively. Assets are rebalanced to the target asset allocation at least once per calendar quarter.

Estimated Future Contributions and Benefit Payments

We expect to make voluntary contributions of up to $250 million to our defined benefit pension plans in 2007. Contributions do not reflect benefits to be paid directly from corporate assets.

Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: $1,093 million in 2007, $1,124 million in 2008, $1,162 million in 2009, $1,201 million in 2010, $1,241 million in 2011, and $6,888 million from 2012 through 2016.

POSTRETIREMENT BENEFIT PLANS. We sponsor a number of postretirement benefit plans that provide health and life benefits to eligible retirees. Such benefits are provided primarily from domestic plans, which comprise approximately 86% of the benefit obligation. The postretirement plans are primarily unfunded. The allocation of assets in funded plans is approximately 31% equity and 69% fixed income.

We use a November 30 measurement date for a majority of our postretirement benefit plans.

(in millions of dollars)	2006	2005
Change in Benefit Obligation:		
Beginning balance	**$ 1,079**	$ 1,001
Service cost	**8**	7
Interest cost	**57**	59
Actuarial loss	**15**	17
Total benefits paid	**(81)**	(102)
Net settlement and curtailment loss	**—**	7
Acquisitions	**—**	91
Other	**(4)**	(1)
Ending balance	**$ 1,074**	$ 1,079
Change in Plan Assets:		
Beginning balance	**$ 58**	$ 59
Actual return on plan assets	**13**	4
Employer contributions	**3**	7
Benefits paid from plan assets	**(12)**	(9)
Other	**3**	(3)
Ending balance	**$ 65**	$ 58
Funded status	**$(1,009)**	$(1,021)
Unrecognized net actuarial gain	*****	(25)
Unrecognized prior service cost	*****	(28)
Postmeasurement date contributions	**15**	10
Net amount recognized	**$ (994)**	$(1,064)
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Current liability	**$ (67)**	$ *
Noncurrent liability	**(927)**	(1,064)
	$ (994)	$(1,064)
Amounts Recognized in the Accumulated Other Comprehensive Income Consist of:		
Net actuarial gain	**$ (26)**	$ *
Prior service cost	**(14)**	*
	$ (40)	$ *

* Not applicable due to change in accounting standard.

(in millions of dollars)	2006	2005	2004
Components of Net Periodic Benefit Cost:			
Other Postretirement Benefits:			
Service cost	**$ 8**	$ 7	$ 7
Interest cost	**57**	59	61
Expected return on plan assets	**(4)**	(4)	(4)
Amortization of prior service cost	**(26)**	(26)	(23)
Net settlement and curtailment gain	**(1)**	(8)	(5)
Net periodic other postretirement benefit cost	**$ 34**	$ 28	$ 36

The estimated amounts that will be amortized from accumulated other comprehensive income into Net Periodic Benefit Cost in 2007 include net actuarial losses of $1 million and prior service credits of $9 million.

Major assumptions used in determining the benefit obligation and net cost for postretirement plans are presented in the following table as weighted-averages:

	Benefit Obligation		Net Cost		
	2006	2005	2006	2005	2004
Discount rate	**5.6%**	5.5%	**5.5%**	6.0%	6.3%
Expected return on plan assets	**—**	—	**6.0%**	7.4%	7.5%

Assumed health care cost trend rates are as follows:

	2006	2005
Health care cost trend rate assumed for next year	**9.5%**	10%
Rate that the cost trend rate gradually declines to	**5%**	5%
Year that the rate reaches the rate it is assumed to remain at	**2016**	2016

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2006 One-Percentage-Point	
(in millions of dollars)	Increase	Decrease
Effect on total service and interest cost	**$ 3**	**$ (2)**
Effect on postretirement benefit obligation	**$ 43**	**$ (41)**

Estimated Future Benefit Payments

Benefit payments, including net amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: $82 million in 2007, $80 million in 2008, $79 million in 2009, $79 million in 2010, $76 million in 2011, and $343 million from 2012 through 2016.

STOCK-BASED COMPENSATION. We have long-term incentive plans authorizing various types of market and performance-based incentive awards that may be granted to officers and employees. Prior to April 13, 2005, our long-term incentive plan provided for the annual grant of awards in an amount not to exceed 2% of the aggregate number of shares of outstanding common stock, treasury shares and potential common stock (as determined by us in the calculation of earnings per share on a diluted basis) for the preceding year. Under the 2005 Long Term Incentive Plan (LTIP), which was approved by shareowners at our annual meeting of shareowners and became effective on April 13, 2005, a maximum of 38 million shares of common stock may be awarded and the LTIP does not contain an annual award limit. We expect that the shares awarded on an annual basis will range from 1% to 1.5% of shares outstanding. The 2005 LTIP will expire after all shares have been awarded or April 30, 2010, whichever is sooner. Upon the approval of the 2005 LTIP on April 13, 2005, we may not grant any new awards under previously existing equity compensation plans. Under all long-term incentive plans, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on that date. Generally, awards have a term of ten years and a minimum three-year vesting schedule. In the event of retirement, awards held for more than one year shall immediately become vested and exercisable. Additionally, under the 2005 LTIP, awards with performance-based vesting will also generally be subject to a three-year performance measurement period. In the event of retirement before completion of the three-year performance measurement period, awards may remain eligible to vest. We have historically repurchased shares in an amount at least equal to the number of shares issued under our equity compensation arrangements and expect to continue this policy.

We adopted SFAS No. 123(R), “Share-Based Payment”, (SFAS No. 123(R)) as of January 1, 2005 using the modified retrospective method described in the standard. This standard requires the cost of all share-based payments, including stock options, to be measured at fair value on the grant date and recognized in the statement of operations. In accordance with the standard, all periods prior to January 1, 2005 were restated to reflect the impact of the standard as if it had been adopted on January 1, 1995, the original effective date of SFAS No. 123, “Accounting for Stock-Based Compensation”. Also in accordance with the standard, the amounts that are reported in the statement of operations for the restated periods are the pro forma amounts previously disclosed under SFAS No. 123.

For the years ended December 31, 2006, 2005 and 2004, $180 million, $153 million and $169 million, respectively, of compensation cost was recognized in operating results. The associated future income tax benefit recognized was $58 million, $49 million and $54 million for the years ended December 31, 2006, 2005 and 2004, respectively.

For the years ended December 31, 2006, 2005 and 2004, the amount of cash received from the exercise of stock options was $346 million, $282 million and $343 million, respectively, with an associated tax benefit realized of $137 million, $90 million and $147 million, respectively. Also, in accordance with SFAS No. 123(R), for the years ended December 31, 2006, 2005 and 2004, $101 million, $61 million and $103 million, respectively, of certain tax benefits have been reported as operating cash outflows with corresponding cash inflows from financing activities.

At December 31, 2006, there was $115 million of total unrecognized compensation cost related to non-vested equity awards granted under long-term incentive plans. This cost is expected to be recognized ratably over a weighted-average period of 1.3 years.

A summary of the transactions under all long-term incentive plans for the three years ended December 31, 2006 follows:

(shares and units in thousands)	Stock Options		Stock Appreciation Rights		Performance Share Units		Other Incentive Shares /Units
	Shares	Average Price*	Shares	Average Price**	Units	Average Price**	
Outstanding at:							
December 31, 2003	90,180	$28.78	—	—	—	—	644
Granted	16,148	46.68	—	—	—	—	774
Exercised/earned	(16,944)	22.05	—	—	—	—	(218
Cancelled	(1,906)	34.53	—	—	—	—	(498
December 31, 2004	87,478	$33.26	—	—	—	—	702
Granted	11,464	51.30	—	—	—	—	128
Exercised/earned	(11,549)	26.75	—	—	—	—	(216
Cancelled	(1,607)	42.36	—	—	—	—	(28
December 31, 2005	85,786	$36.37	—	—	—	—	586
Granted	220	56.46	7,110	$ 56.78	1,185	$56.53	234
Exercised/earned	(13,069)	28.47	—	—	—	—	(234
Cancelled	(961)	47.76	(250)	56.78	(44)	56.53	(37
December 31, 2006	**71,976**	**$37.71**	**6,860**	**$ 56.78**	**1,141**	**$56.53**	**549**

* weighted-average exercise price

** weighted-average grant stock price

The weighted-average grant date fair value of stock options and stock appreciation rights granted during 2006, 2005 and 2004 was $15.84, $14.03 and $15.44, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2006 was $63.96. There were no similar equity awards prior to 2006. The total fair value of options vested during the years ended December 31, 2006, 2005 and 2004 was $121 million, $208 million and $185 million, respectively. The total intrinsic value (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) of options exercised during the years ended December 31, 2006, 2005 and 2004 was $443 million, $298 million and $397 million, respectively.

The following table summarizes information about stock options outstanding that are expected to vest and stock options outstanding that are exercisable at December 31, 2006:

(shares in thousands, aggregate intrinsic value in millions)

Equity Awards Outstanding Expected to Vest				Equity Awards Outstanding That Are Exercisable			
Shares	Average Price*	Aggregate Intrinsic Value	Remaining Term**	Shares	Average Price*	Aggregate Intrinsic Value	Remaining Term**
80,080	$38.63	$ 1,913	5.7	48,473	$ 32.21	$ 1,469	4.2

* weighted-average exercise price per share

** weighted-average contractual remaining term in years

As of January 1, 2005, the fair value of each option award is estimated on the date of grant using a binomial lattice model. Prior to January 1, 2005, the fair value of each option award was estimated on the grant date using a Black-Scholes valuation model. The following table indicates the assumptions used in estimating fair value for the years ended

December 31, 2006, 2005 and 2004. Because lattice-based options models incorporate ranges of assumptions for inputs, those ranges are as follows:

	2006 (Binomial Lattice)	2005 (Binomial Lattice)	2004 (Black-Scholes)
Expected volatility	**21%**	20% to 23%	38%
Weighted-average volatility	**21%**	22%	n/a
Expected term (in years)	**7.6 to 7.9**	7.4 to 8.5	5
Expected dividends	**1.7%**	1.5%	1.5%
Risk-free rate	**4.0% to 4.4%**	2.0% to 4.3%	3.1%

Expected volatilities are based on the returns of our stock, including its historical volatility for the Black-Scholes valuation model and implied volatilities from traded options on our stock for the binomial lattice model. We use historical data to estimate equity award exercise and employee termination behavior within the valuation model. Separate employee groups and equity award characteristics are considered separately for valuation purposes. The expected term represents an estimate of the period of time equity awards are expected to remain outstanding. The range provided in the above table represents expected behavior for certain groups of employees who have historically exhibited different behavior. The risk-free rate is based on the term structure of interest rates at the time of equity award grant.

[note 11] Restructuring

During 2006, we recorded net pre-tax restructuring and related charges totaling $288 million for new and ongoing restructuring actions. We recorded charges in the segments as follows: Otis $46 million, Carrier $69 million, UTC Fire & Security $44 million, Pratt & Whitney $68 million, Hamilton Sundstrand $40 million and Sikorsky $21 million. The charges include $223 million in cost of sales, $64 million in selling, general and administrative expenses and $1 million in other income. As described below, these charges relate to actions initiated during 2006 and 2005 and for certain actions initiated in the fourth quarter of 2004.

2006 Actions. During 2006, we initiated restructuring actions relating to ongoing cost reduction efforts including selling, general and administrative reductions principally at Carrier and UTC Fire & Security; workforce reductions, principally in Korea at Otis and Carrier and voluntary separations at Sikorsky; and the consolidation of manufacturing facilities. We recorded net pre-tax restructuring and related charges totaling $220 million, including $159 million in cost of sales, $60 million in selling, general and administrative expenses and $1 million in other income.

As of December 31, 2006, net workforce reductions of approximately 1,900 employees of an expected 3,800 employees have been completed, and 100,000 net square feet of facilities of an expected 500,000 net square feet have been exited. The remaining workforce and facility reduction actions are targeted for completion during 2007.

The following table summarizes the restructuring accrual balances and utilization by cost type for the 2006 programs:

(in millions of dollars)	Severance	Asset Write-downs	Facility Exit and Lease Termination Costs	Total
Net pre-tax charges	$ 179	$ 12	$ 29	$ 220
Utilization	(130)	(12)	(23)	(165)
Balance at December 31, 2006	**$ 49**	**$ —**	**$ 6**	**$ 55**

The following table summarizes expected, incurred and remaining costs for the 2006 programs by type:

(in millions of dollars)	Severance	Asset Write-downs	Facility Exit and Lease Termination Costs	Total
Expected costs	$ 185	$ 12	$ 76	$ 273
Costs incurred during 2006	(179)	(12)	(29)	(220)
Remaining costs at December 31, 2006	**$ 6**	**$ —**	**$ 47**	**$ 53**

The following table summarizes expected, incurred and remaining costs for the 2006 programs by segment:

(in millions of dollars)	Expected Costs	Costs Incurred during 2006	Remaining Costs at December 31, 2006
Otis	$ 48	**$ (47)**	**$ 1**
Carrier	65	**(61)**	**4**
UTC Fire & Security	54	**(40)**	**14**
Pratt & Whitney	79	**(46)**	**33**
Hamilton Sundstrand	6	**(5)**	**1**
Sikorsky	21	**(21)**	**—**
Total	$ 273	**$ (220)**	**$ 53**

2005 Actions. During 2006, we recorded net pre-tax restructuring and related charges in the business segments totaling $62 million for restructuring actions initiated in 2005, including $58 million in cost of sales and $4 million in selling, general and administrative expenses. The 2005 actions relate to ongoing cost reduction efforts, including global workforce reductions and the consolidation of manufacturing, sales and service facilities. The more significant actions relate to the consolidation of manufacturing operations at Hamilton Sundstrand, including the closure of a portion of Rockford manufacturing, and general overhead reduction efforts principally at Pratt & Whitney and Carrier.

As of December 31, 2006, net workforce reductions of approximately 2,200 employees of an expected 2,900 employees have been completed, and 500,000 net square feet of facilities of an expected 1.2 million square feet have been exited. The remaining facility-related cost reductions will be completed through 2008 as a result of aerospace supply chain issues.

The following table summarizes the restructuring accrual balances and utilization by cost type for the 2005 programs:

(in millions of dollars)	Severance	Asset Write-downs	Facility Exit and Lease Termination Costs	Total
Restructuring accruals at January 1, 2006	$ 72	$ —	$ 7	$ 79
Net pre-tax charges	5	8	49	62
Utilization	(62)	(8)	(39)	(109)
Balance at December 31, 2006	**$ 15**	**$ —**	**$ 17**	**$ 32**

The following table summarizes expected, incurred and remaining costs for the 2005 programs by type:

(in millions of dollars)	Severance	Asset Write-downs	Facility Exit and Lease Termination Costs	Total
Expected costs	$ 141	$ 38	$ 85	$ 264
Costs incurred during 2005	(134)	(30)	(15)	(179)
Costs incurred during 2006	(5)	(8)	(49)	(62)
Remaining costs at December 31, 2006	**$ 2**	**$ —**	**$ 21**	**$ 23**

The following table summarizes expected, incurred and remaining costs for the 2005 programs by segment:

(in millions of dollars)	Expected Costs	Costs Incurred During 2005	Costs Incurred During 2006	Remaining Costs at December 31, 2006
Otis	$ 52	$ (52)	**$ 1**	**$ 1**
Carrier	69	(63)	**(6)**	**—**
UTC Fire & Security	25	(21)	**(4)**	**—**
Pratt & Whitney	36	(9)	**(22)**	**5**
Hamilton Sundstrand	73	(25)	**(31)**	**17**
Sikorsky	3	(3)	**—**	**—**
Eliminations & Other	6	(6)	**—**	**—**
Total	$ 264	$ (179)	**$ (62)**	**$ 23**

2004 Actions. During 2006, we recorded net pre-tax restructuring and related charges in the business segments totaling $6 million for restructuring actions initiated in the fourth quarter of 2004, all of which were in cost of sales. The 2004 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing, sales and service facilities, including Carrier's McMinnville, Tennessee, commercial air conditioning and ventilation product manufacturing facility and Hamilton Sundstrand's Rockford electronics manufacturing facility.

As of December 31, 2006, net workforce reductions of approximately 5,400 employees have been completed, and 5.5 million net square feet of facilities of an expected 5.6 million net square feet of facilities have been exited.

[note 12] Financial Instruments

We operate internationally and, in the normal course of business, are exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. We manage our foreign currency transaction risks and some commodity exposures to acceptable limits through the use of derivatives designated as hedges.

By nature, all financial instruments involve market and credit risks. We enter into derivative and other financial instruments with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. We limit counterparty exposure and concentration of risk by diversifying counterparties. We do not anticipate non-performance by any of these counterparties.

The non-shareowner changes in equity associated with hedging activity for the 12 months ended December 31, 2006 and 2005 were as follows:

(in millions of dollars)	2006	2005
Balance at January 1	**$ 57**	$ 65
Cash flow hedging gain, net	**80**	42
Net gain reclassified to sales or cost of products sold	**(133)**	(50)
Balance at December 31	**$ 4**	$ 57

Of the amount recorded in Shareowners' Equity, a $43 million pre-tax gain 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 or the ineffectiveness of cash flow and fair value hedges were immaterial for the years ended December 31, 2006 and 2005. At December 31, 2006, all derivative contracts accounted for as cash flow hedges mature by December 2010.

All derivative instruments are recorded on the balance sheet at fair value. At December 31, 2006 and 2005, the fair value of derivatives recorded as assets was $93 million and $150 million, respectively, and the fair value of derivatives recorded as liabilities was $98 million and $56 million, respectively. We use derivatives to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases, which are accounted for as cash flow hedges. In addition, from time to time we use derivatives, such as interest rate swaps, which are accounted for as fair value hedges.

The notional amount of foreign exchange contracts hedging foreign currency transactions was $11.3 billion and $8.4 billion at December 31, 2006 and 2005, respectively. The carrying amounts and fair values of financial instruments at December 31 are as follows:

(in millions of dollars)	2006 Carrying Amount	2006 Fair Value	2005 Carrying Amount	2005 Fair Value
Financial Assets and Liabilities				
Marketable equity securities	**$ 323**	**$ 323**	$ 283	$ 283
Long-term receivables	**197**	**194**	178	174
Customer financing notes receivable	**347**	**328**	502	478
Short-term borrowings	**(857)**	**(857)**	(1,612)	(1,612)
Long-term debt	**(7,022)**	**(7,496)**	(6,602)	(7,156)

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

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

We have outstanding financing and rental commitments totaling $1,126 million at December 31, 2006. Risks associated with changes in interest rates on these commitments are mitigated by the fact that interest rates are variable during the commitment term and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financings is expected to equal the amounts funded. The fair value of the commitment itself is not readily determinable and is not considered significant. Additional information pertaining to these commitments is included in Note 4.

[note 13] Guarantees

We extend a variety of financial guarantees to third parties. As of December 31, 2006 and 2005 the following financial guarantees were outstanding:

(in millions of dollars)	2006 Maximum Potential Payment	2006 Carrying Amount of Liability	2005 Maximum Potential Payment	2005 Carrying Amount of Liability
Credit facilities and debt obligations - unconsolidated subsidiaries (expire 2007 to 2034)	**$ 191**	**$ 1**	$ 148	$ 1
IAE's financing arrangements (See Note 4)	**1,208**	**15**	1,186	17
Commercial aerospace financing arrangements (See Note 4)	**194**	**37**	175	40
Commercial customer financing arrangements	**123**	**1**	85	1
Performance guarantees	**73**	**—**	100	—

We also have obligations arising from sales of certain businesses and assets, including representations and warranties and related indemnities for environmental, health and safety, tax and employment matters. The maximum potential payment related to these obligations is not a specified amount as a number of the obligations do not contain financial caps. The carrying amount of liabilities related to these obligations was $171 million and $186 million at December 31, 2006 and 2005, respectively. For additional information regarding the environmental indemnifications, see Note 14.

We accrue for costs associated with guarantees 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, and where no amount within a range of estimates is more likely, the minimum is accrued. In accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," for guarantees issued after December 31, 2002, we record a liability for the fair value of such guarantees in the balance sheet.

We provide service and warranty policies on our products and extend performance and operating cost guarantees beyond our normal service and warranty policies on some of our products, particularly commercial aircraft engines. In addition, we incur discretionary costs to service our products in connection with product performance issues. Liability for performance and operating cost guarantees is based upon future product performance and durability, and is estimated largely based upon historical experience. Adjustments are made to accruals as claim data and historical experience warrant. The changes in the carrying amount of service and product warranties and product performance guarantees for the years ended December 31, 2006 and 2005, are as follows:

(in millions of dollars)	2006	2005
Balance as of January 1	**$1,183**	$1,185
Warranties and guarantees issued	**533**	463
Settlements made	**(396)**	(459)
Adjustments to provision	**1**	(6)
Balance as of December 31	**$1,321**	$1,183

[note 14] Commitments and Contingent Liabilities

LEASES. We occupy space and use certain equipment under lease arrangements. Rental commitments of $1,382 million at December 31, 2006 under long-term noncancelable operating leases are payable as follows: $372 million in 2007, $289 million in 2008, $215 million in 2009, $153 million in 2010, $103 million in 2011 and $250 million thereafter. Rent expense was $373 million in 2006, $299 million in 2005 and $321 million in 2004.

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

ENVIRONMENTAL. Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As described in Note 1, we have accrued for the costs of environmental remediation activities and periodically reassess these amounts. We believe that the likelihood of incurring losses materially in excess of amounts accrued is remote.

GOVERNMENT. We are now, and believe that in light of the current U.S. government contracting environment we will continue to be, the subject of one or more U.S. government investigations. If we or one of our business units were charged with wrongdoing as a result of any of these investigations or other government investigations (including violations of certain environmental or export laws) the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could fine and debar us from new U.S. government contracting for a period generally not to exceed three years. The U.S. government could void any contracts found to be tainted by fraud.

Our contracts with the U.S. government are also subject to audits. Like many defense contractors, we have received audit reports, which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports involved substantial amounts. We have made voluntary refunds in those cases we believe appropriate and continue to litigate certain cases. In addition, we accrue for liabilities associated with those matters that are probable and can be reasonably estimated.

As previously disclosed, we had been in litigation with the Department of Defense (DoD) as to whether Pratt & Whitney's government cost accounting practices for engine parts produced by foreign companies under commercial collaboration programs since 1984 were acceptable. In 2001, the U.S. Armed Services Board of Contract Appeals (ASBCA) ruled in our favor, but the U.S. Court of Appeals for the Federal Circuit reversed in 2003 and remanded the case to the ASBCA to determine the appropriate accounting. The U.S. Supreme Court declined to review that decision. In November 2003, the DoD supplemented its claim to add damages and interest for the period after 1996, bringing the DoD's claim to approximately $367 million in damages through 2002 and approximately $388 million in interest through 2001. Our appeal of this supplemental claim was consolidated with the original matter. On June 5, 2006 we entered into an agreement with the DoD to pay $283 million in settlement of this litigation and paid the entire settlement amount in July 2006.

In addition and as previously disclosed, the U.S. Department of Justice (DoJ) sued us in 1999 under the civil False Claims Act and other theories related to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and GE's F110 engine. The DoJ alleges that the Government overpaid for engines because Pratt & Whitney inflated certain costs and withheld data. The Government claims damages of $624 million. We believe this estimate is substantially overstated, deny any liability and are vigorously defending the matter. Trial of this matter was completed in December 2004 and a decision is pending. Should the U.S. government ultimately prevail with respect to the foregoing government contracting matter, the outcome could result in a material effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid. However, we believe that the resolution of this matter will not have a material adverse effect on our results of operations, competitive position, cash flows or financial condition.

As previously reported, the European Commission's Competition Directorate (EU Commission) conducted inspections in early 2004 at offices of our Otis subsidiary in Berlin, Brussels, Luxembourg and Paris relating to an investigation of possible unlawful collusive arrangements involving the European elevator and escalator industry. Based on the result of our own internal investigation, we believe that some Otis employees engaged in activities at a local level in Belgium, Luxembourg, the Netherlands and Germany in violation of Otis and UTC policies and European competition law. On

October 13, 2005, we received a Statement of Objections (SO) from the EU Commission relating to this investigation. The SO, an administrative complaint, alleges infringements of EU competition rules by certain elevator companies, including Otis, in Belgium, Luxembourg, the Netherlands and Germany. We responded to the SO on February 21, 2006 and have cooperated fully with the EU Commission. We expect the EU Commission to issue a decision in the near term, but cannot reasonably estimate the range of civil fines to which we or Otis would likely be subject. The aggregate amount of such fines could be material to our operating results for the period in which the liability would be recognized or cash flows for the period in which the fines would be paid. We do not believe that any such fines would have a material adverse effect on our financial condition, or that the resolution of this matter would have a material adverse effect on Otis' competitive position.

Since the EU Commission's investigation became public, class action lawsuits were filed in various federal district courts in the United States alleging that we, Otis and other elevator manufacturers engaged in violations of Sections 1 and 2 of the Sherman Act. Those lawsuits were transferred to and consolidated in the U.S. District Court for the Southern District of New York. On June 6, 2006, the district court judge granted our motion to dismiss without leave to replead. On June 30, 2006, the plaintiffs appealed this decision to the U.S. Court of Appeals for the Second Circuit. We expect a decision in the second or third quarter of 2007. We continue to believe this litigation is without merit.

OTHER. As described in Note 13, we extend performance and operating cost guarantees beyond our normal warranty and service policies for extended periods on some of our products. We have accrued our estimate of the liability that may result under these guarantees and for service costs, which are probable and can be reasonably estimated.

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

We also have other commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising out of the normal course of business.

[note 15] Segment Financial Data

Our operations are classified in six principal segments. Our UTC Fire & Security segment was created in the second quarter of 2005 upon the acquisition of Kidde and includes our former Chubb segment and the acquired Kidde business, excluding the aircraft fire protection systems business, which is included in the Hamilton Sundstrand segment. The segments are generally determined based on the management of the businesses and on the basis of separate groups of operating companies, each with general operating autonomy over diversified products and services.

OTIS products include elevators, escalators, moving walkways and service sold to customers in the commercial and residential property industries around the world.

CARRIER products include residential, commercial and industrial heating, ventilating, air conditioning and refrigeration systems and equipment, food service equipment, building automation and controls, HVAC and refrigeration components and installation, retrofit and aftermarket services.

UTC FIRE & SECURITY products include fire and special hazard and suppression systems and fire fighting equipment, electronic security, monitoring and rapid response systems and service and security personnel for a diversified international customer base principally in the industrial, commercial and residential property sectors.

PRATT & WHITNEY products include commercial, general aviation and military aircraft engines, parts and service, industrial gas turbines and space propulsion sold to a diversified customer base, including international and domestic commercial airlines and aircraft leasing companies, aircraft manufacturers, and U.S. and foreign 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.

HAMILTON SUNDSTRAND provides aerospace and industrial products and aftermarket services for diversified industries worldwide. Aerospace products include power generation, management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems. Industrial products include air compressors, metering pumps and fluid handling equipment.

SIKORSKY products include military and commercial helicopters, aftermarket helicopter and aircraft parts and services.

Segment information for the years ended December 31 is as follows:

(in millions of dollars)	Total Revenues			Operating Profits		
	2006	2005	2004	2006	2005	2004
Otis	**$10,290**	$ 9,575	$ 8,937	**$1,888**	$1,712	$1,413
Carrier	**13,481**	12,512	10,620	**1,237**	1,104	830
UTC Fire & Security	**4,747**	4,250	2,879	**301**	235	130
Pratt & Whitney	**11,112**	9,295	8,281	**1,817**	1,449	1,083
Hamilton Sundstrand	**4,995**	4,382	3,921	**832**	675	583
Sikorsky	**3,230**	2,802	2,506	**173**	250	200
Total segment	**47,855**	42,816	37,144	**6,248**	5,425	4,239
Eliminations & Other	**(26)**	(91)	301	**187**	81	368
General corporate expenses	**—**	—	—	**(337)**	(324)	(306)
Consolidated	**$47,829**	$42,725	$37,445	**$6,098**	$5,182	$4,301

(in millions of dollars)	Total Assets			Capital Expenditures			Depreciation & Amortization		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Otis	**$ 6,973**	$ 6,094	$ 5,939	**$ 93**	$ 79	$ 79	**$ 183**	$165	$175
Carrier	**10,127**	9,433	9,166	**148**	243	176	**157**	169	200
UTC Fire & Security	**8,518**	7,595	4,974	**106**	79	69	**176**	150	95
Pratt & Whitney	**9,828**	9,515	7,514	**335**	303	244	**280**	255	273
Hamilton Sundstrand	**9,418**	8,986	7,473	**142**	137	134	**142**	149	129
Sikorsky	**3,145**	2,592	1,965	**66**	49	46	**47**	42	42
Total segment	**48,009**	44,215	37,031	**890**	890	748	**985**	930	914
Eliminations & Other	**(868)**	1,710	3,410	**64**	39	47	**48**	54	64
Consolidated	**$47,141**	$45,925	$40,441	**$954**	$929	$795	**$1,033**	$984	$978

SEGMENT REVENUES AND OPERATING PROFIT. Total revenues by segment include intersegment sales, which are generally made at prices approximating those that the selling entity is able to obtain on external sales.

Geographic Areas

(in millions of dollars)	External Revenues			Operating Profits			Long-Lived Assets		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
United States operations	**$23,524**	$20,505	$18,512	**$3,067**	$2,498	$1,972	**$2,939**	$2,882	$2,540
International operations									
Europe	**12,069**	11,255	9,389	**1,731**	1,457	1,167	**1,130**	1,020	1,036
Asia Pacific	**7,056**	6,525	5,717	**814**	968	781	**717**	733	758
Other	**4,809**	4,137	3,288	**637**	502	401	**698**	646	558
Eliminations & Other	**371**	303	539	**(151)**	(243)	(20)	**241**	342	339
Consolidated	**$47,829**	$42,725	$37,445	**$6,098**	$5,182	$4,301	**$5,725**	$5,623	$5,231

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

Revenues from United States operations include export sales as follows:

(in millions of dollars)	2006	2005	2004
Europe	**$1,448**	$1,273	$1,126
Asia Pacific	**1,629**	1,480	1,309
Other	**1,771**	1,371	1,128
	$4,848	$4,124	$3,563

GEOGRAPHIC LONG-LIVED ASSETS. Long-lived assets are net fixed assets attributed to the specific geographic regions.

MAJOR CUSTOMERS. Revenues include sales under prime contracts and subcontracts to the U.S. government, primarily related to Pratt & Whitney, Hamilton Sundstrand and Sikorsky products, as follows:

(in millions of dollars)	2006	2005	2004
Pratt & Whitney	**$3,652**	$3,278	$2,990
Hamilton Sundstrand	**934**	868	761
Sikorsky	**1,819**	1,546	1,692
Other	**40**	60	62
	$6,445	$5,752	$5,505

Selected Quarterly Financial Data (Unaudited)

(in millions of dollars, except per share amounts)	2006 Quarters				2005 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Sales	**$10,446**	**$12,046**	**$11,972**	**$12,654**	$9,309	$10,974	$10,823	$11,172
Gross margin	**2,796**	**3,271**	**3,178**	**3,133**	2,494	2,984	2,932	2,933
Income before cumulative effect of a change in accounting principle	**768**	**1,103**	**996**	**865**	651	971	821	721
Net income	**768**	**1,103**	**996**	**865**	651	971	821	626
Earnings per share of Common Stock:								
Basic – income before cumulative effect of a change in accounting principle	**$ .78**	**$ 1.12**	**$ 1.02**	**$ .89**	$ .66	$ .98	$ .83	$ .73
Basic – net income	**$ .78**	**$ 1.12**	**$ 1.02**	**$ .89**	$ .66	$ .98	$ .83	$ .64
Diluted – income before cumulative effect of a change in accounting principle	**$ .76**	**$ 1.09**	**$ .99**	**$ .87**	$ .64	$ .95	$ .81	$ .71
Diluted – net income	**$ .76**	**$ 1.09**	**$ .99**	**$ .87**	$ .64	$ .95	$ .81	$ .62

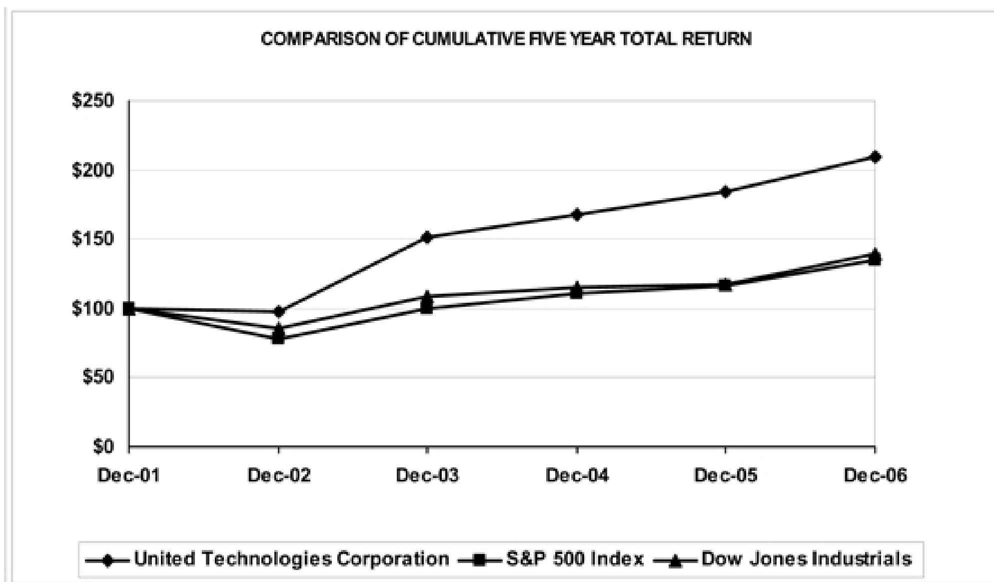
Comparative Stock Data (Unaudited)

Common Stock	2006			2005		
	High	Low	Dividend	High	Low	Dividend
First quarter	**$59.94**	**$54.20**	**$ .220**	$52.35	$49.03	$ .220
Second quarter	**$66.39**	**$56.58**	**$ .265**	$54.00	$48.43	$ .220
Third quarter	**$64.74**	**$57.45**	**$ .265**	$52.60	$49.20	$ .220
Fourth quarter	**$67.47**	**$61.80**	**$ .265**	$58.89	$49.29	$ .220

Our 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 21,000 registered shareholders at December 31, 2006.

Performance Graph (Unaudited)

The following graph presents the cumulative total shareholder return for the five years ending December 31, 2006 for our common stock, as compared to the Standard & Poor’s 500 Stock Index and to the Dow Jones 30 Industrial Average. Our common stock price is a component of both indices. These figures assume that all dividends paid over the five-year period were reinvested, and that the starting value of each index and the investment in common stock was $100.00 on December 31, 2001.



	December					
	2001	2002	2003	2004	2005	2006
United Technologies Corporation	$100.00	$97.28	$151.17	$167.39	$184.21	$209.37
S&P 500 Index	$100.00	$77.90	$100.25	$111.15	$116.61	$135.03
Dow Jones Industrial Average	$100.00	$84.99	$109.05	$115.11	$117.12	$139.41

Board of Directors

Louis R. Chênevert
President and Chief Operating Officer
United Technologies Corporation
(Diversified Manufacturer)

George David
Chairman and Chief Executive Officer
United Technologies Corporation
(Diversified Manufacturer)

John V. Faraci
Chairman and Chief Executive Officer
International Paper
(Paper, Packaging and Wood Products)

Jean-Pierre Garnier
Chief Executive Officer
GlaxoSmithKline plc
(Pharmaceuticals)

Jamie S. Gorelick
Partner
WilmerHale
(Law Firm)

Charles R. Lee
Retired Chairman and
Co-Chief Executive Officer
Verizon Communications
(Telecommunications)

Richard D. McCormick
Retired Chairman, President and
Chief Executive Officer
US West, Inc.
(Telecommunications)

Harold McGraw III
Chairman, President and
Chief Executive Officer
The McGraw-Hill Companies
(Global Information Services)

Richard B. Myers
General, U.S. Air Force (Ret.)
and former Chairman of the
Joint Chiefs of Staff

Frank P. Popoff
Retired Chairman and
Chief Executive Officer
The Dow Chemical Company
(Chemicals and Chemical Products)

H. Patrick Swygert
President
Howard University
(Educational Institution)

André Villeneuve
Non-Executive Chairman
Euronext.liffe
(London Futures and
Derivatives Exchange)

H.A. Wagner
Retired Chairman
Air Products and Chemicals, Inc.
(Industrial Gases and Chemicals)

Christine Todd Whitman
President
The Whitman Strategy Group
(Management Consulting Firm)
Former EPA Administrator
Former Governor of New Jersey

Permanent Committees

Audit Committee
Frank P. Popoff, Chairman
John V. Faraci
Richard D. McCormick
Richard B. Myers
H. Patrick Swygert
André Villeneuve
H.A. Wagner

Committee on Compensation & Executive Development
H.A. Wagner, Chairman
Jean-Pierre Garnier
Charles R. Lee
Richard D. McCormick
Harold McGraw III
Frank P. Popoff

Executive Committee
George David, Chairman
Charles R. Lee
Frank P. Popoff
H.A. Wagner

Finance Committee
Charles R. Lee, Chairman
Louis R. Chênevert
George David
Jamie S. Gorelick
Harold McGraw III
Richard B. Myers
Frank P. Popoff
André Villeneuve

Committee on Nominations and Governance
Richard D. McCormick, Chairman
John V. Faraci
Jean-Pierre Garnier
Charles R. Lee
H. Patrick Swygert
H.A. Wagner
Christine Todd Whitman

Public Issues Review Committee
Jean-Pierre Garnier, Chairman
Jamie S. Gorelick
Harold McGraw III
H. Patrick Swygert
André Villeneuve
Christine Todd Whitman

Leadership

Mario Abajo
President, South Europe and Middle East, Otis

Paul R. Adams
Vice President, Engineering, Pratt & Whitney

David Adler
Senior Vice President, Worldwide Customer Service, Sikorsky

Ted F. Amyuni
President, Refrigeration, Carrier

Alain M. Bellemare
President, Pratt & Whitney Canada

Richard H. Bennett, Jr.
Vice President, Environment, Health & Safety

Todd Bluedorn
President, North and South America, Otis

Ari Bousbib
President, Otis

J. Thomas Bowler, Jr.
Vice President, Human Resources

William M. Brown
President, UTC Fire & Security

William L. Bucknall, Jr.
Senior Vice President, Human Resources and Organization

Tony Chamberlain
President, Security Services Australasia, UTC Fire & Security

Louis R. Chênevert
President and Chief Operating Officer

Jean Colpin
Director, United Technologies Research Center

Halsey M. Cook
President, Residential and Light Commercial North America, Carrier

Geraud Darnis
President, Carrier

George David
Chairman and Chief Executive Officer

John J. Doucette
Vice President and Chief Information Officer

Michael R. Dumais
Vice President and General Manager, Customer Service, Hamilton Sundstrand

Thomas E. Farmer
President, Military Engines, Pratt & Whitney

Stephen N. Finger
President, Pratt & Whitney

James E. Geisler
Vice President, Finance

Bruno Grob
President, North and East Europe, Otis

Gregory J. Hayes
Vice President, Accounting and Finance

David P. Hess
President, Hamilton Sundstrand

Darryl Hughes
President, Security Services Europe, Middle East and Africa, UTC Fire & Security

Todd J. Kallman
President, Commercial Engines, Pratt & Whitney

Alison Kaufman
Senior Vice President, Government & International Affairs

James E. Keenan
Senior Vice President and General Manager, Global Service Partners, Pratt & Whitney

Robert F. Leduc
President, Flight Systems, Hamilton Sundstrand

Patrick L'Hostis
President, Residential and Light Commercial International, Carrier

Nancy T. Lintner
Vice President, Communications

Paul W. Martin
Senior Vice President, U.S. Government & Advanced Development Programs, Sikorsky

J. Michael McQuade
Senior Vice President, Science & Technology

Didier Michaud-Daniel
President, U.K. & Central Europe, Otis

Raymond J. Moncini
Senior Vice President, Operations, Otis

Michael A. Monts
Vice President, Business Practices

Larry O. Moore
Senior Vice President, Module Centers and Operations, Pratt & Whitney

Timothy M. Morris
President, Aerospace Power Systems, Hamilton Sundstrand

Stephen G. Oswald
President, Industrial, Hamilton Sundstrand

Eric Patry
President, Fire Safety Europe, Middle East and Africa, UTC Fire & Security

Jeffrey P. Pino
President, Sikorsky

Jothi Purushotaman
Vice President, Operations

Thomas I. Rogan
Vice President, Treasurer

Kelly Romano
President, Building Systems and Services, Carrier

William H. Trachsel
Senior Vice President and General Counsel

Tobin J. Treichel
Vice President, Tax

Joseph E. Triompo
President, Engine and Control Systems, Hamilton Sundstrand

Debra A. Valentine
Vice President, Secretary and Associate General Counsel

Jan van Dokkum
President, UTC Power

Charles Vo
President, North Asia Pacific, Otis

Randal E. Wilcox
President, South Asia Pacific, Otis

Shareowner Information

Corporate Office
United Technologies Corporation
United Technologies Building
Hartford, Connecticut 06101
Telephone 860.728.7000

This report is made available to shareowners in advance of the annual meeting of shareowners to be held at 2:00 p.m., April 11, 2007, in New York, New York. The proxy statement will be made available to shareowners on or about February 23, 2007, at which time proxies for the meeting will be requested.

Information about UTC, including financial information, can be found at our Web site: www.utc.com

Stock Listing
New York Stock Exchange

Ticker Symbol
UTX

Transfer Agent and Registrar

Computershare Trust Company, N.A., is the transfer agent, registrar and dividend disbursing agent for UTC's Common Stock. Questions and communications regarding transfer of stock, replacement of lost certificates, dividends and address changes, and the Direct Stock Purchase and Dividend Reinvestment Plan should be directed to:

Computershare Trust Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
Telephone:
within the U.S.: 1.800.488.9281
outside the U.S.: 1.781.575.2724
Web site: www.computershare.com/investor

TDD: 1.800.952.9245
Telecommunications device for the hearing impaired.

Certifications

UTC has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2006 filed with the Securities and Exchange Commission certificates of its principal executive officers and principal financial officers certifying, among other things, the information contained in the Form 10-K. Annually UTC submits to the New York Stock Exchange (NYSE) a certificate of UTC's Chief Executive Officer certifying that he was not aware of any violation by UTC of NYSE corporate governance listing standards as of the date of the certification.

Dividends

Dividends are usually paid on the 10th day of March, June, September and December.

Electronic Access

Shareowners of record may sign up at the following Web site for electronic access to future annual reports and proxy materials, rather than receiving mailed copies:
www.computershare.com/us/ecomms

Your enrollment is revocable until each year's record date for the annual meeting. Beneficial shareowners may be able to request electronic access by contacting their broker or bank, or ADP at:
www.utc.com/investors/econsent/ics.htm

Additional Information

Shareowners may obtain a copy of the UTC Annual Report on Form 10-K for 2006 filed with the Securities and Exchange Commission by writing to:

Corporate Secretary
United Technologies Corporation
United Technologies Building
Hartford, Connecticut 06101

For additional information about UTC please contact Investor Relations at the above corporate office address, or visit our Web site at www.utc.com

Shareowner Information Services

Our Internet and telephone services give shareowners fast access to UTC financial results. The 24-hour-a-day, toll-free telephone service includes recorded summaries of UTC's quarterly earnings information and other company news. Callers also may request copies of our quarterly earnings and news releases, by either fax or mail, and obtain copies of the UTC Annual Report and Form 10-K.

To access the service, dial 1.800.881.1914 from any touchtone phone and follow the recorded instructions.

Direct Registration System

If your shares are held in street name through a broker and you are interested in participating in the Direct Registration System, you may have your broker transfer the shares to Computershare Trust Company, N.A., electronically through the Direct Registration System. Interested investors can request a description of this book-entry form of registration by calling Shareowner Information Services at 1.800.881.1914.

Environmentally Friendly Report

This annual report is printed on recycled and recyclable paper.

www.utc.com
www.carrier.com
www.hamiltonsundstrand.com
www.otis.com
www.pratt-whitney.com
www.sikorsky.com
www.utcfireandsecurity.com
www.utcpower.com

Exhibit 21

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2006

Entity Name	State/Country of Incorporation
Albatre-Servicos de Consultadoria e Marketing, Sociedade Unipessoal Lda	Portugal
Anoxina-Servicos de Consultadoria, Sociedade Unipessoal Lda	Portugal
Australia Holdings Inc.	Delaware
Beesail Limited	England
Carlyle Scroll Holdings Inc.	Delaware
Carrier Air Conditioning Pty. Limited	Australia
Carrier Air Conditioning Sales and Service (Shanghai) Co., Ltd.	China
Carrier Asia Limited	Hong Kong
Carrier Commercial Refrigeration, Inc.	Delaware
Carrier Corporation	Delaware
Carrier Espana, SL	Spain
Carrier HVACR Investments B.V.	Netherlands
Carrier Ltd.	Korea
Carrier Mexico S.A. de C.V.	Mexico
Carrier Sales and Distribution, LLC	Delaware
Carrier S.C.S	France
Carrier Singapore (PTE) Limited	Singapore
Carrier SpA	Italy
Carrier Transicold Europe S.C.S.	France
Carrier Transicold Pte. Ltd	Singapore
CEAM – Costruzioni Elettromeccaniche Ascensori e Montacarichi S.r.l.	Italy
Ceesail Limited	England
China Tianjin Otis Elevator Company, Ltd.	China
Chubb Securite	France
Chubb Security Australia Pty Ltd	Australia
Claverham Group Limited	England
Counterforce USA L.P.	Texas
Derco Aerospace, Inc.	Wisconsin
Eagle Services Asia Private Limited	Singapore
Elevadores Otis Ltda.	Brazil
Empresas Carrier, S.A. De C.V.	Mexico
Fyrnetics (Hong Kong) Limited	Hong Kong
Hamilton Sundstrand Corporation	Delaware
Hamilton Sundstrand de Puerto Rico, Inc.	Delaware
Hamilton Sundstrand Holdings, Inc.	Delaware
Hamilton Sundstrand International Holdings Ltd.	Cayman Islands
Hamilton Sundstrand Pacific Aerospace PTE Ltd.	Singapore
Hamilton Sundstrand Power Systems, Inc.	Delaware
Helicopter Support, Inc.	Connecticut
Ie Pe Ge B.V.	Netherlands
InfoTech Enterprises, Ltd.	India
International Comfort Products, LLC	Delaware
Kaysail Limited	England
Keystone Helicopter Corporation	Pennsylvania
Kidde Finance Limited	England
Kidde Finance NOK	England
Kidde Graviner Limited	England
Kidde Holdings Limited	England
Kidde International Limited	England
Kidde Investments US 1 Limited	England
Kidde Investments US 1 LLC	Delaware
Kidde Investments US 2	England
Kidde Ireland Finance	Ireland
Kidde Luxembourg UK 2	England
Kidde Technologies Inc. (*)	Delaware
Kidde UK Holdings Limited	England
KNA Inc.	Delaware
Latin American Holding, Inc.	Delaware

Linde Frigera Spol. s.r.o.	**Czech Republic**
Linde Kältetechnik GmbH	**Germany**
Microtecnica Srl	**Italy**
Milton Roy Company	**Pennsylvania**
Nippon Otis Elevator Company	**Japan**
Otis Canada, Inc.	**Canada**
Otis Elevator (China) Investment Company Limited	**China**
Otis Elevator Company [NJ]	**New Jersey**
Otis Elevator Company (India) Limited	**India**
Otis Elevator Company Pty. Ltd.	**Australia**
Otis Elevator Korea	**Korea**
Otis Far East Holdings Limited	**Hong Kong**
Otis GmbH & Co. OHG	**Germany**
Otis Holdings GmbH & Co. OHG	**Germany**
Otis International Holdings UK Limited	**England**
Otis Investments Plc	**England**
Otis Limited	**England**
Otis Pacific Holdings B.V.	**Netherlands**
Otis S.C.S.	**France**
Otis S.p.A.	**Italy**
Otis Srl	**Italy**
Otis U.K. Holdings, Ltd.	**England**
Pacific Coast Elevator Corporation	**Delaware**
Parkview Participations LLC	**Delaware**
Pratt & Whitney Canada Corp.	**Canada**
Pratt & Whitney Canada Holdings Corp.	**Canada**
Pratt & Whitney Engine Leasing, LLC	**Delaware**
Pratt & Whitney Holdings LLC	**Cayman Islands**
Pratt & Whitney Military Aftermarket Services, Inc.	**Delaware**
Pratt & Whitney Norway Engine Center AS	**Norway**
Pratt & Whitney Power Systems, Inc.	**Delaware**
Pratt & Whitney Rocketdyne, Inc.	**Delaware**
Pratt & Whitney Services, Inc.	**Delaware**
Pratt Aero Limited Partnership	**Canada**
Ratier-Figeac, SAS	**France**
Schweizer Aircraft Corporation	**Delaware**
Shanghai Yileng Carrier Air Conditioning Equipment Company Limited	**China**
Sikorsky Aircraft Corporation	**Delaware**
Sikorsky Export Corporation	**Delaware**
Sikorsky International Operations, Inc.	**Delaware**
Sirius Korea Limited	**England**
Springer Carrier Ltda.	**Brazil**
Sullair Corporation	**Indiana**
Sundyne Corporation	**Delaware**
Turbine Overhaul Services Pte Ltd	**Singapore**
United Technologies Australia Holdings Limited	**Australia**
United Technologies Canada, Limited	**Canada**
United Technologies Cortran, Inc.	**Delaware**
United Technologies Electronic Controls, Inc.	**Delaware**
United Technologies Far East Limited	**Hong Kong**
United Technologies Finance (U.K.) Limited	**England**
United Technologies France SAS	**France**
United Technologies Holding GmbH	**Germany**
United Technologies Holdings Italy Srl	**Italy**
United Technologies Holdings Limited	**England**
United Technologies Holdings S.A.	**France**
United Technologies International Corporation-Asia Private Limited	**Singapore**
United Technologies International Operations, Inc.	**Delaware**
United Technologies International SAS	**France**

United Technologies Luxembourg S.a.r.l.	**Luxembourg**
United Technologies Paris SNC	**France**
United Technologies Treasury Center, Inc.	**Delaware**
UT Finance Corporation	**Delaware**
UT Holdings (U.K.) LLC	**Delaware**
UT Insurance (Vermont) Inc.	**Vermont**
UT Luxembourg Holding II S.a.r.l.	**Luxembourg**
UT Park View, Inc.	**Delaware**
UT Treasury Services L.P.	**Canada**
UTC Canada Corporation	**Canada**
UTC Fuel Cells, LLC	**Delaware**
UTC Power, LLC	**Delaware**
UTCL Holdings, Limited	**Canada**
UTCL Investments B.V.	**Netherlands**
UTX Holdings S.C.S.	**France**
Walter Kidde Portable Equipment Inc.	**Delaware**
Wytwornia Sprzetu Komunikacyjnego “PZL-Rzeszow” S.A.	**Poland**
Xizi Otis Elevator Company Limited	**China**
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.

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* Kidde Technologies, Inc. also conducts business as Kidde Aerospace & Defense, Fenwal Safety Systems and Kidde Dual Spectrum.

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 DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ John V. Faraci

John V. Faraci

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 DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/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 DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ Jamie S. Gorelick

Jamie S. Gorelick

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ Charles R. Lee

Charles R. Lee

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ Richard D. McCormick

Richard D. McCormick

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ Harold McGraw III

Harold McGraw III

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 DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ Richard B. Myers

Richard B. Myers

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 5th day of February, 2007.

/s/ Frank P. Popoff

Frank P. Popoff

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ H. Patrick Swygert

H. Patrick Swygert

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ André Villeneuve

André Villeneuve

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ H. A. Wagner

H. 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 DEBRA A. VALENTINE, JAMES E. GEISLER and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2006, 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 5th day of February, 2007.

/s/ Christine Todd Whitman

Christine Todd Whitman

Exhibit 31.1

CERTIFICATION

I, George David, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2007

/s/ George David

George David
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Louis R. Chênevert, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2007

/s/ Louis R. Chênevert
Louis R. Chênevert
President and Chief Operating Officer

Exhibit 31.3

CERTIFICATION

I, James E. Geisler, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2007

/s/ James E. Geisler

James E. Geisler
Vice President, Finance

Exhibit 31.4

CERTIFICATION

I, Gregory J. Hayes, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2007

/s/ Gregory J. Hayes

Gregory J. Hayes
Vice President, Accounting and Finance; Controller

Exhibit 32

Section 1350 Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of United Technologies Corporation, a Delaware corporation (the "Corporation"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2006 (the "Form 10-K") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: February 8, 2007

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

/s/ Louis R. Chênevert
Louis R. Chênevert
President and Chief Operating Officer

/s/ James E. Geisler
James E. Geisler
Vice President, Finance

/s/ Gregory J. Hayes
Gregory J. Hayes
Vice President, Accounting and Finance; Controller