

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C.
20549

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

For the quarterly period ended September 30, 1996

OR

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

For the transition period
from _____ to _____

Commission file number 1-812

UNITED TECHNOLOGIES CORPORATION

DELAWARE

06-0570975

One Financial Plaza, Hartford, Connecticut 06101

(860) 728-7000

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

At September 30, 1996 there were 120,204,799 shares of Common Stock outstanding, which does not reflect a two-for-one stock split of the Registrant's Common Stock payable on December 10, 1996 in the form of a stock dividend to shareholders of record at the close of business on November 22, 1996.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONTENTS OF QUARTERLY REPORT ON FORM 10-Q

Quarter Ended September 30, 1996

	Page
Part I - Financial Information	
Item 1. Financial Statements:	
Condensed Consolidated Statement of Operations for the quarter ended September 30, 1996 and 1995	1
Condensed Consolidated Statement of Operations for the nine months ended September 30, 1996 and 1995	2
Condensed Consolidated Balance Sheet at September 30, 1996 and December 31, 1995	3
Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 1996 and 1995	4
Notes to Condensed Consolidated Financial Statements	5
Report of Independent Accountants	8
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Position	9
Part II - Other Information	
Item 1. Legal Proceedings	16
Item 6. Exhibits and Reports on Form 8-K	17
Signatures	18
Exhibit Index	

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

In Millions of Dollars (except per share amounts)	Quarter Ended September 30,	
	1996	1995
Revenues:		
Product sales	\$ 4,634	\$ 4,420
Service sales	1,274	1,184
Financing revenues and other income, net	31	47
	5,939	5,651
Costs and expenses:		
Cost of products sold	3,685	3,610
Cost of services sold	791	715
Research and development	270	251
Selling, general and administrative	708	642
Interest	54	57
	5,508	5,275
Income before income taxes and minority interests	431	376
Income taxes	144	131
Minority interests	33	35
Net Income	\$ 254	\$ 210
Earnings per share of common stock and common stock equivalents*		
	\$.97	\$.80
Dividends per share of common stock*	\$.275	\$.25
Average common and equivalent shares outstanding (in thousands) *		
	260,730	261,626

See Accompanying Notes to Condensed Consolidated Financial Statements

*Reflects two-for-one stock split as described in Notes to Condensed Consolidated Financial Statements.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

In Millions of Dollars (except per share amounts)	Nine Months Ended September 30,	
	1996	1995
Revenues:		
Product sales	\$ 13,566	\$ 13,285
Service sales	3,692	3,411
Financing revenues and other income, net	116	139
	17,374	16,835
Costs and expenses:		
Cost of products sold	10,882	10,944
Cost of services sold	2,260	2,050
Research and development	794	702
Selling, general and administrative	2,100	1,943
Interest	168	186
	16,204	15,825
Income before income taxes and minority interests	1,170	1,010
Income taxes	394	351
Minority interests	99	96
Net Income	\$ 677	\$ 563
Earnings per share of common stock and common stock equivalents*		
	\$ 2.57	\$ 2.14
Dividends per share of common stock*	\$.825	\$.75
Average common and equivalent shares outstanding*		
(in thousands)	261,600	260,828

See Accompanying Notes to Condensed Consolidated Financial Statements

*Reflects two-for-one stock split as described in Notes to Condensed Consolidated Financial Statements.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

In Millions of Dollars	September 30, 1996 (Unaudited)	December 31, 1995
Assets		
Cash and cash equivalents	\$ 1,259	\$ 900
Accounts receivable, net	3,853	3,682
Inventories and contracts in progress, net	3,154	2,954
Future income tax benefits	830	950
Other current assets	222	466
Total Current Assets	9,318	8,952
Fixed assets	10,603	10,326
Less - accumulated depreciation	(6,323)	(5,906)
Other assets	4,280	4,420
	2,816	2,586
Total Assets	\$ 16,414	\$ 15,958
Liabilities and Shareowners' Equity		
Short-term borrowings	\$ 283	\$ 294
Accounts payable	1,991	2,084
Accrued liabilities	4,639	4,183
Long-term debt currently due	91	98
Total Current Liabilities	7,004	6,659
Long-term debt	1,469	1,649
Future pension and postretirement benefit obligations	1,393	1,399
Other long-term liabilities	1,862	1,832
Series A ESOP Convertible Preferred Stock	883	892
ESOP deferred compensation	(457)	(494)
	426	398
Shareowners' Equity:		
Common Stock	2,307	2,249
Treasury Stock	(1,440)	(1,168)
Retained earnings	3,699	3,252
Currency translation and pension liability adjustments	(306)	(312)
	4,260	4,021
Total Liabilities and Shareowners' Equity	\$ 16,414	\$ 15,958

See Accompanying Notes to Condensed Consolidated Financial Statements

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

In Millions of Dollars	Nine Months Ended September 30,	
	1996	1995
Cash flows from operating activities:		
Net income	\$ 677	\$ 563
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	635	621
Change in:		
Accounts receivable	(134)	26
Inventories and contracts in progress	(176)	(28)
Accounts payable and accrued liabilities	289	73
Other, net	258	259
Net Cash Flows from Operating Activities	1,549	1,514
Cash flows from investing activities:		
Capital expenditures	(474)	(486)
Acquisitions of business units	(193)	(151)
Dispositions of business units	37	103
Decrease in customer financing assets, net	59	276
Other, net	107	50
Net Cash Flows from Investing Activities	(464)	(208)
Cash flows from financing activities:		
Issuance of long-term debt	28	1
Repayments of long-term debt	(224)	(250)
Decrease in short-term borrowings, net	(43)	(136)
Dividends paid on Common Stock	(199)	(185)
Common Stock repurchase	(274)	(215)
Other, net	(8)	(4)
Net Cash Flows from Financing Activities	(720)	(789)
Effect of foreign exchange rate changes on cash and cash equivalents	(6)	1
Net Increase in Cash and Cash Equivalents	359	518
Cash and Cash Equivalents, Beginning of year	900	386
Cash and Cash Equivalents, End of period	\$ 1,259	\$ 904

See Accompanying Notes to Condensed Consolidated Financial Statements

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIESNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The condensed consolidated financial statements at September 30, 1996 and for the quarter and nine-month period ended September 30, 1996 and 1995 are unaudited, but in the opinion of the Corporation include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods.

In the 1996 second quarter, the Corporation changed its classification of sales associated with Pratt & Whitney's strategic alliances and related collaborative arrangements on its engine programs. Collaboration participants' share of revenue, previously included in cost of sales, has been reclassified as a reduction of sales in the accompanying income statements for the quarter and nine-month period ended September 30, 1996. This reclassification was made to more clearly present Pratt & Whitney's production costs and operating activities.

This reclassification does not affect net income or assets. While 1995 amounts have not been reclassified, the impact would have been a reduction of revenues and cost of sales for the third quarter and nine-month period of 1995 of approximately \$100 million and \$300 million, respectively.

On September 30, 1996, the Corporation announced a two-for-one stock split payable on December 10, 1996 in the form of a stock dividend to Shareowners of record at the close of business on November 22, 1996. The average number of common shares outstanding and all per share information in the Condensed Consolidated Financial Statements reflect the stock split.

Contingent Liabilities

While there has been no significant change in the Corporation's material contingencies during 1996, the matters previously described in Note 15 of Notes to Financial Statements in the Corporation's Annual Report on Form 10-K for calendar year 1995 are summarized below.

Environmental

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

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

Where the Corporation is not the only party responsible for the remediation of a site, the Corporation considers its likely proportionate share of the anticipated remediation expense in establishing a provision for those costs. Included within the sites known to the Corporation are those sites at which the Corporation has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA")

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

or Superfund). Under the provisions of this statute, the Corporation may be held liable for all costs of environmental remediation without regard to the legality of the Corporation's actions resulting in the contamination. In estimating its liability for remediation, the Corporation considers its likely proportionate share of the anticipated remediation expense and the ability of the other potentially responsible parties to fulfill their obligations.

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

The Corporation has had liability and property insurance in force over its history with a number of insurance companies, and the Corporation has commenced litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. Settlements to date, which have not been material, have been recorded upon receipt. While the litigation against the Corporation's historic liability insurers has concluded, it is expected that the case against the Corporation's property insurers will last several years. Environmental liabilities are not reduced by potential insurance reimbursements.

U.S. Government

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

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

Other

The Corporation extends performance and operating cost guarantees, which are beyond its normal warranty and service policies, for extended periods on some of its products, particularly commercial aircraft engines. Liability under such guarantees is contingent upon future product performance and durability. The Corporation has accrued its estimated liability that may result under these guarantees.

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

The Corporation has accrued its liability for environmental investigation and remediation, performance guarantees, product liability, and other litigation and claims based on management's estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, management believes that resolution of these matters will

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

not have a material adverse effect upon either results of operations, cash flows, or financial position of the Corporation.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

With respect to the unaudited condensed consolidated financial information of United Technologies Corporation for the three and nine-month periods ended September 30, 1996 and 1995, Price Waterhouse LLP ("Price Waterhouse") reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated October 25, 1996 appearing below, states that they did not audit and they do not express an opinion on that unaudited condensed consolidated financial information. Price Waterhouse has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Price Waterhouse is not subject to the liability provisions of section 11 of the Securities Act of 1933 for their report on the unaudited condensed consolidated financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by Price Waterhouse within the meaning of sections 7 and 11 of the Act.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
United Technologies Corporation

We have reviewed the accompanying condensed consolidated statement of operations of United Technologies Corporation and consolidated subsidiaries for the three and nine-month periods ended September 30, 1996 and 1995, the condensed consolidated statement of cash flows for the nine months ended September 30, 1996 and 1995, and the condensed consolidated balance sheet as of September 30, 1996. This financial information is the responsibility of the company's management.

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

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

We previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1995, and the related consolidated statements of operations and cash flows for the year then ended (not presented herein), and in our report dated January 24, 1996, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1995, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Price Waterhouse LLP
Hartford, Connecticut
October 25, 1996

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

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

BUSINESS ENVIRONMENT

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

U.S. residential housing starts increased in the third quarter and nine-month period of 1996 compared to the same periods in 1995, while commercial construction starts in the U.S. decreased in the 1996 third quarter and nine-month period compared to the same periods in 1995. U.S. commercial vacancy rates have made modest improvements from the 1992 peak.

North American car and light truck production was higher in the 1996 third quarter but was lower for the nine-month period as compared to the 1995 periods, while European car sales were higher in the third quarter and the nine-month period of 1996.

Worldwide airline profits continue to improve as a result of increased load factors. U.S. airlines remain disciplined with moderate expansion plans as near term profitability is used to improve financial condition from historically weak levels. Strong economic growth continues to drive new aircraft orders from the Asia Pacific region while European airline financial results and resources remain constrained near term by increasing competition, higher cost structures and privatization initiatives.

The defense portion of the Corporation's aerospace businesses continues to respond to a changing global political environment. The U.S. defense industry is continuing its downsizing in response to the reductions in the U.S. defense budget. International orders for defense programs have also declined and some important foreign orders have been delayed. As a result, the Corporation has continued to reduce its reliance on U.S. defense contracts.

The Corporation continues to reduce manufacturing costs and floor space to remain competitive.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

RESULTS OF OPERATIONS

Consolidated revenues and margin percentages were as follows:

In Millions of Dollars	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
Product sales	\$ 4,634	\$ 4,420	\$ 13,566	\$ 13,285
Service sales	1,274	1,184	3,692	3,411
Financing revenues and other income, net	31	47	116	139
Product margin %	20.5%	18.3%	19.8%	17.6%
Service margin %	37.9%	39.6%	38.8%	39.9%

Consolidated revenues increased 5% and 3% for the third quarter and nine-month period of 1996, respectively, over the comparable periods of 1995. Foreign currency translation had an unfavorable effect on revenue; excluding this effect, consolidated revenues would have increased 7% and 4% for the third quarter and nine-month period of 1996 over the comparable 1995 periods. All segments, excluding Flight Systems, reported increased revenues in the third quarter and the nine-month period of 1996. UTC's commercial and industrial revenues increased 7% for the third quarter and nine-month period of 1996. The aerospace revenues increased 2% in the third quarter and decreased 3% for the nine-month period of 1996.

Financing revenues and other income decreased in the third quarter of 1996 from the comparable period in the prior year, in part due to lower royalties in 1996. In addition, a gain was realized in the third quarter of 1995 on the sale of customer financing assets. Financing revenues and other income for the nine-month period of 1996 decreased from 1995 as a result of lower financing revenues in 1996 partially offset by higher interest income and joint venture income. In addition, during the second quarter of 1995, Carrier realized a gain on the sale of a 49% joint venture interest in its Arkadelphia scroll compressor plant.

Product margin as a percentage of sales increased 2.2 percentage points in the third quarter of 1996, compared to the same period of 1995, with all segments experiencing improvements. Service margins as a percentage of sales decreased 1.7 percentage points in the third quarter of 1996, compared to the same period of 1995, with Otis, Carrier, Pratt & Whitney and Flight Systems experiencing declines. Product margin as a percentage of sales increased 2.2 percentage points in the nine-month period compared to last year primarily as a result of improved margin percentages at Pratt & Whitney, Carrier, and Flight Systems. Service margins as a percentage of sales decreased 1.1 percentage points in the nine-month period compared to last year with Otis, Carrier, Pratt & Whitney and Flight Systems all experiencing declines.

Research and development expenses increased \$19 million (8%) and \$92 million (13%) in the third quarter and nine-month period of 1996, respectively, compared to 1995. The increase for the nine-month period occurred in all segments, but principally in Pratt & Whitney's general aviation, government, and power generation businesses. As a percentage of sales, research and development was 4.6% in the third quarter and nine-month period of 1996 compared to 4.5% and 4.2% in the corresponding periods of 1995. Research and development expenses in

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

1996 are expected to increase from the spending level of 1995, but should remain between 4% and 5% of sales.

Selling, general and administrative expenses in the third quarter and nine-month period of 1996 increased \$66 million (10%) and \$157 million (8%) over the 1995 comparable periods. As a percentage of sales, these expenses increased to 12.0% from 11.5% in the third quarter primarily due to higher expenses in all segments and higher expenses for incentive based compensation plans. For the nine-month period these expenses increased to 12.2% from 11.6% for the same reasons as in the third quarter as well as lower sales at Flight Systems.

Revenues and operating profits of the Corporation's principal business segments for the third quarter and nine-month period ended September 30, 1996 and 1995 are as follows (in millions of dollars):

	Revenues		Operating Profits		Operating Profit Margin	
	1996	1995	1996	1995	1996	1995
Third Quarter Ended						
September 30,						
Otis	\$ 1,382	\$ 1,323	\$ 132	\$ 130	9.6%	9.8%
Carrier	1,588	1,462	159	144	10.0%	9.8%
Automotive	738	687	42	35	5.7%	5.1%
Pratt & Whitney	1,582	1,521	164	131	10.4%	8.6%
Flight Systems	682	688	51	40	7.5%	5.8%
Nine Months Ended						
September 30,						
Otis	\$ 4,086	\$ 3,858	\$ 378	\$ 364	9.3%	9.4%
Carrier	4,547	4,122	369	303	8.1%	7.4%
Automotive	2,343	2,234	143	148	6.1%	6.6%
Pratt & Whitney	4,531	4,507	464	383	10.2%	8.5%
Flight Systems	1,966	2,204	161	144	8.2%	6.5%

Otis segment revenues for the third quarter and nine-month period of 1996 were 4% and 6% higher than the comparable periods of 1995. Excluding the unfavorable impact of foreign currency translation, 1996 revenues would have increased 9% for the third quarter and nine-month period of 1996 over 1995 with all geographic regions showing an increase.

Operating profits at Otis increased \$2 million (2%) and \$14 million (4%) in the third quarter and nine-month period of 1996 compared to 1995. Excluding the effect of foreign currency translation, Otis' operating profits would have increased 6% and 7% for the third quarter and nine-month period of 1996. North American, Latin American and Asian regions showed an increase in the third quarter and nine-month period of 1996 compared to last year.

Carrier segment revenues for the third quarter and nine-month period of 1996 were 9% and 10% higher than the comparable periods of 1995. There was minimal foreign currency translation impact in either period. Revenues for the third quarter and nine-month period increased in all geographic regions with particular strength in the North American and Asia Pacific regions. Carrier Transicold revenues declined in the third quarter of 1996 compared to 1995 due to softness in the transport refrigeration market.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

Operating profits at Carrier increased \$15 million and \$66 million in the third quarter and nine-month period of 1996 compared to 1995, with foreign currency translation having little effect. Improvements were driven by strong demand for residential and commercial air conditioning in North America and continued growth in the Asia Pacific region. Carrier Transicold operating profit declined in the third quarter of 1996 compared to 1995.

Automotive segment revenues increased 7% and 5% in the third quarter and nine-month period of 1996 as compared to 1995. The increase in revenues was principally the result of higher UTA vehicle content in North America and higher volumes in Europe.

Operating profits at the Automotive segment increased \$7 million in the third quarter, despite a weakness in the Interiors business due to continuing manufacturing problems and higher costs to implement turn around actions. Operating profits decreased \$5 million for the nine-month period of 1996 compared to the same period in 1995. Excluding the costs associated with the agreement reached with Ford Motor Company regarding UT Automotive's participation in the costs of a Ford recall program in the second quarter of 1996, operating profits for the nine-month period of 1996 would have been higher as compared to 1995.

Pratt & Whitney revenues increased 4%, and 1% in the third quarter and nine-month period of 1996 as compared to 1995. Revenues for the 1996 third quarter and nine-month period reflect the impact of the change in classification of sales associated with Pratt & Whitney's strategic alliances and related collaborative arrangements on its engine programs as described in the accompanying Notes to Condensed Consolidated Financial Statements. This reclassification does not affect operating profits or assets. While 1995 amounts have not been reclassified, the impact would have been a reduction of revenues and cost of sales for the third quarter and nine-month period of 1995 of approximately \$100 million and \$300 million, respectively. The third quarter and nine-month period of 1996 benefited from increases in the commercial after-market, general aviation and government businesses.

Operating profits for Pratt & Whitney for the third quarter and nine-month period of 1996 increased \$33 million and \$81 million over the comparable periods of 1995. The increase reflects continued margin improvements in the commercial, general aviation and government businesses, more than offsetting planned increases in research and development spending and higher selling, general and administrative expenses.

Flight Systems revenues decreased 1% and 11% in the third quarter and nine-month period of 1996 compared to 1995. Revenue decline in the nine-month period of 1996 was the result of fewer helicopter shipments as compared to 1995.

Operating profits for Flight Systems increased \$11 million and \$17 million in the third quarter and nine-month period of 1996 compared to 1995. Third quarter results reflect improved operating profit at both Hamilton Standard and Sikorsky. Nine-month results reflect continuing operating profit at Hamilton Standard partially offset by lower 1996 helicopter volume at Sikorsky. In addition, 1995 results include costs associated with selling the wafer fabrication facility of Hamilton Standard's Microelectronics Center.

Interest expense decreased \$3 million and \$18 million in the third quarter and nine-month period of 1996, to \$54 million and \$168 million, respectively. This decrease is mainly due to a reduced average borrowing level during the nine-month period compared to last year as the Corporation continues to retire or extinguish debt with its improved cash flow.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

The effective tax rate for the nine month period of 1996 was 33.7%, compared to an effective tax rate of 34.8% for the nine-month period of 1995. The Corporation has continued to reduce its effective income tax rate by implementing tax reduction strategies.

FINANCIAL POSITION AND LIQUIDITY

Management assesses the Corporation's liquidity in terms of its overall ability to generate cash to fund its operating and investing activities. Significant factors affecting the management of liquidity are cash flows generated from operating activities, capital expenditures, customer financing requirements, adequate bank lines of credit, and financial flexibility to attract long-term capital on satisfactory terms.

Set forth below is selected key cash flow data:

In Millions of Dollars	Nine Months Ended September 30,	
	1996	1995
Operating Activities		
Net Cash Flows from Operating Activities	\$ 1,549	\$ 1,514
Investing Activities		
Capital expenditures	(474)	(486)
Acquisitions of business units	(193)	(151)
Dispositions of business units	37	103
Decrease in customer financing assets, net	59	276
Financing Activities		
Common Stock repurchase	(274)	(215)
Decrease in total debt	(198)	(379)
Decrease in net debt	(557)	(897)

Cash flows from operating activities were \$1,549 million during the first nine months of 1996 compared to \$1,514 million for the corresponding period of 1995. The improvement resulted primarily from improved operating performance.

Cash flows from investing activities were a use of funds of \$464 million during the first nine months of 1996 compared to a use of \$208 million in the corresponding period of 1995. Capital expenditures in the nine-month period of 1996 were \$474 million, a \$12 million decrease from the corresponding period of 1995. The Corporation expects 1996 full year capital spending to be comparable to 1995. During the first nine months of 1996, the Corporation invested \$193 million for the acquisition of business units, including the purchase of a United Kingdom elevator company by Otis and UT Automotive's ownership increase in a European subsidiary in the second quarter and the purchase of a European transportation air conditioning company by Carrier in the third quarter. Cash flows from customer financing activities are lower in the nine-month period of 1996, compared to 1995, due to the sale of customer financing assets which occurred in 1995. While the Corporation expects that changes in customer financing assets in 1996 will be a net source of funds, actual funding is subject to usage under existing customer financing commitments during the remainder of the year. The Corporation's total commitments to finance or arrange financing of commercial aircraft at September 30, 1996 was \$1.3 billion.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

The Corporation repurchased \$274 million of common stock, representing 2.6 million shares, in the first nine months of 1996 under previously announced stock repurchase programs. Share repurchase continues to be a significant use of the Corporation's strong cash flows and serves to offset the dilutive effect resulting from the issuance of stock under stock-based employee benefit programs.

In September, the Corporation executed an in-substance defeasance of \$67 million of its 8.25% and 8.3% Medium-Term Notes due in December 1999. The Corporation deposited U.S. Government securities into an irrevocable trust to cover the interest and principal payments on the debt. For financial reporting purposes, the debt has been considered extinguished and the loss on these transactions, which was immaterial, is included in Financing revenues and other income, net. The total of in-substance defeasances and repurchases of debt is \$214 million for the nine-month period.

Other selected financial data is as follows:

In Millions of Dollars	September 30, 1996	December 31, 1995	September 30, 1995
Cash and cash equivalents	\$ 1,259	\$ 900	\$ 904
Total debt	1,843	2,041	2,064
Net debt (total debt less cash)	584	1,141	1,160
Shareowners' equity	4,260	4,021	3,952
Debt-to-total capitalization	30.2%	33.7%	34.3%
Net debt-to-total capitalization	12.1%	22.1%	22.7%

The Corporation manages its worldwide cash requirements with consideration of available funds among the many subsidiaries through which it conducts its business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of the Corporation's subsidiaries could have adverse tax consequences; however, those balances are generally available without legal restrictions to fund ordinary business operations. The Corporation has and will continue to transfer cash from those subsidiaries to the parent and to other international subsidiaries as it is cost effective to do so.

Management believes that its existing cash position and other available sources of liquidity are sufficient to meet current and anticipated requirements for the foreseeable future.

On October, 25 1996, the Corporation sold UT Automotive's steering wheels business for \$140.5 million. A pre-tax gain of approximately \$78 million will be recognized in the fourth quarter of this year.

Management is currently evaluating a number of cost reduction and other actions which are intended to enhance the competitiveness and profitability of the company. These actions may include the consolidation of certain production facilities and other fourth quarter charges.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

SAFE HARBOR STATEMENT

This Report on Form 10-Q contains statements which, to the extent they are not historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward looking statements involve risks and uncertainties. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E.

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward looking statements, such as the economic, political, climatic, currency, regulatory, technological and competitive changes which may affect the Corporation's operations, products, and markets, see the Corporation's Securities and Exchange Commission filings, including, but not limited to, the Corporation's 1995 Annual Report on Form 10-K. See particularly Form 10-K Item I - Business, the sections entitled "Description of Business by Industry Segment" and "Other Matters Relating to the Corporation's Business as a Whole," and Form 10-K Item 7 - Management's Discussion and Analysis of Results of Operations and Financial Position, which also may be found at pages 20 through 27 of the Corporation's 1995 Annual Report to Shareowners.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

Part II - Other Information

Item 1. Legal Proceedings

The Corporation's Report on Form 10Q for the quarter ended June 30, 1996 disclosed Texas state court litigation (Chromalloy Gas Turbine Corporation v. United Technologies Corporation, 95 CI-12541), which case was then in expert discovery and scheduled for jury trial. The jury trial in this matter commenced on August 26, 1996 and remains in progress.

Other than the matter discussed above, there have been no material changes in legal proceedings during the third quarter of 1996. (For a description of previously reported legal proceedings, refer to Part I, Item 3 - Legal Proceedings of the Corporation's Annual Report on Form 10K for calendar year 1995 and to Part II, Item 1 - Legal Proceedings of the Corporation's Reports on Form 10Q for the quarters ended March 31, 1996 and June 30, 1996.)

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- (11) Computation of per share earnings
- (12) Computation of ratio of earnings to fixed charges
- (15) Letter re unaudited interim financial information

(b) No reports on Form 8-K were filed during the quarter ended September 30, 1996.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED TECHNOLOGIES CORPORATION

Dated: November 8, 1996 By: /s/ STEPHEN F. PAGE
Stephen F. Page
Executive Vice President and
Chief Financial Officer

Dated: November 8, 1996 By: /s/ JAY L. HABERLAND
Jay L. Haberland
Vice President and Controller

Dated: November 8, 1996 By: /s/ WILLIAM H. TRACHSEL
William H. Trachsel
Vice President and Secretary

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit 11 - Computation of per share earnings

Exhibit 12 - Computation of ratio of earnings to fixed charges

Exhibit 15 - Letter re unaudited interim financial information

Exhibit 27 - Financial data schedule (submitted electronically herewith)

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

In Millions of Dollars (except per share amounts)	Quarter Ended September 30,	
	1996	1995
Net Income	\$ 254	\$ 210
ESOP Convertible Preferred Stock Dividend requirement	7	7
Earnings applicable to Common Stock	247	203
ESOP Convertible Preferred Stock adjustment	5	6
Net earnings for calculation of primary and fully diluted earnings per share	\$ 252	\$ 209
Average number of common shares and common stock equivalents outstanding during the period (four month-end average) (Note 1)	260,729,812	261,626,278
Fully diluted average number of common shares and common stock equivalents outstanding during the period (four month-end average) (Note 1)	261,343,976	262,378,352
Primary earnings per common share (Note 1)	\$.97	\$.80
Fully diluted earnings per common share (Note 1 and 2)	\$.97	\$.80

Note 1 - Reflects two-for-one stock split as described in Notes to Condensed Consolidated Financial Statements.

Note 2 - Fully diluted earnings per common share is less than 3% dilutive and is not shown separately on the Condensed Consolidated Statement of Operations.

/TABLE

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

In Millions of Dollars (except per share amounts)	Nine Months Ended September 30,	
	1996	1995
Net Income	\$ 677	\$ 563
ESOP Convertible Preferred Stock Dividend requirement	22	20
Earnings applicable to Common Stock	655	543
ESOP Convertible Preferred Stock adjustment	17	16
Net earnings for calculation of primary and fully diluted earnings per share	\$ 672	\$ 559
Average number of common shares and common stock equivalents outstanding during the period (ten month-end average) (Note 1)	261,600,184	260,827,618
Fully diluted average number of common shares and common stock equivalents outstanding during the period (ten month-end average) (Note 1)	262,677,450	262,837,616
Primary earnings per common share (Note 1)	\$ 2.57	\$ 2.14
Fully diluted earnings per common share (Note 1 and 2)	\$ 2.56	\$ 2.12

Note 1 - Reflects two-for-one stock split as described in Notes to Condensed Consolidated Financial Statements.

Note 2 - Fully diluted earnings per common share is less than 3% dilutive and is not shown separately on the Condensed Consolidated Statement of Operations.

/TABLE

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

In Millions of Dollars	Nine Months Ended September 30,	
	1996	1995
Fixed Charges:		
Interest on indebtedness	\$ 168	\$ 186
Interest capitalized	13	15
One-third of rents*	64	57
 Total Fixed Charges	 \$ 245	 \$ 258
Earnings:		
Income before income taxes and minority interests	\$ 1,170	\$ 1,010
 Fixed charges per above	 245	 258
Less: interest capitalized	(13)	(15)
	232	243
 Amortization of interest capitalized	 29	 31
 Total Earnings	 \$ 1,431	 \$ 1,284
 Ratio of Earnings to Fixed Charges	 5.84	 4.98

* Reasonable approximation of the interest factor.
/TABLE

November 8, 1996

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

Dear Sirs:

We are aware that United Technologies Corporation has incorporated by reference our report dated October 23, 1996 (issued pursuant to the provisions of Statement on Auditing Standards No. 71) in the Prospectus constituting part of its Registration Statements on Form S-3 (Nos. 33-46916, 33-40163, 33-34320, 33-31514, 33-29687, and 33-6452) and in the Registration Statements on Form S-8 (Nos. 33-57769, 33-45440, 33-11255, 33-26580, 33-26627, 33-28974, 33-51385, 33-58937 and 2-87322). We are also aware of our responsibilities under the Securities Act of 1933.

Yours very truly,

Price Waterhouse LLP

The schedule contains summary financial information extracted from the Condensed Consolidated Balance Sheet at September 30, 1996 (Unaudited) and the Condensed Consolidated Statement of Operations for the nine months ended September 30, 1996 (Unaudited) and is qualified in its entirety by reference to such financial statements.

1,000,000

9-MOS	DEC-31-1996	JAN-01-1996	SEP-30-1996
			1,259
			0
		4,170	
		317	
		3,154	
	9,318		
			10,603
	6,323		
	16,414		
7,004			
			1,469
426			
			0
			2,307
			1,953
16,414			
			13,566
	17,374		
			10,882
		13,142	
		794	
		0	
	168		
	1,170		
		394	
677			
		0	
		0	
			0
		677	
		2.57	
		2.57	