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

FORM 10-K

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

For the fiscal year ended December 31, 1998

Commission file number 1-812

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

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

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

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

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

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

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

At January 29, 1999, there were 225,139,866 shares of Common Stock outstanding; the aggregate market value of the voting Common Stock held by non-affiliates at January 29, 1999 was approximately $26,890,142,745.

List hereunder documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) United Technologies Corporation 1998 Annual Report to Shareowners, Parts I, II and IV; and (2) United Technologies Corporation Proxy Statement for the 1999 Annual Meeting of Shareowners, Part III.

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

UNITED TECHNOLOGIES CORPORATION

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on Form 10-K for
Year Ended December 31, 1998

Item 1. Business

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

Management's Discussion and Analysis of the Corporation's Results of Operations for 1998 compared to 1997 and for 1997 compared to 1996, and its Financial Position at December 31, 1998 and 1997, as well as Selected Financial Data for each year in the five year period ended December 31, 1998 are set forth on pages 2 through 9 of the Corporation's 1998 Annual Report to Shareowners. Whenever reference is made in this Form 10-K to specific pages in the 1998 Annual Report to Shareowners, such pages are incorporated herein by reference.

Operating Segments

The Corporation conducts its business through five principal operating segments. The Corporation's operating segments are divisions or groups of operating companies, each with general operating autonomy over diversified products and services. The operating segments and their respective principal products are as follows:

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

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

Segment financial data for the years 1996 through 1998, including financial information about foreign and domestic operations and export sales, is included in Note 15 of Notes to Consolidated Financial Statements on pages 23 through 25 of the Corporation's 1998 Annual Report to Shareowners.

Description of Business by Operating Segment

The following description of the Corporation's business by operating segment should be read in conjunction with Management's Discussion and Analysis of Results of Operations and Financial Position appearing in the Corporation's 1998 Annual Report to Shareowners, especially the information contained therein under the heading "Business Environment."

Otis

Otis is the world's leader in production, installation and service in the elevator industry, defined as elevators, escalators and automated people movers. Otis designs, manufactures, sells and installs a wide range of passenger and freight elevators, including hydraulic and geared elevators for low- and medium-speed applications and gearless elevators for high-speed passenger operations in high-rise buildings. Otis also produces a broad line of escalators, automated people movers and shuttle systems for horizontal transportation. In addition to new equipment, Otis provides modernization products and services to upgrade elevators and escalators.

Otis provides maintenance services for a substantial portion of the elevators and escalators which it sells and also services elevators and escalators of other manufacturers. Otis conducts its business principally through various subsidiaries and affiliated companies worldwide. In some cases, consolidated subsidiaries and affiliates have significant minority interests. In addition, as part of its global growth strategies, Otis has made investments and continues to invest in emerging markets worldwide, including those in Central and Eastern Europe (such as Russia and Ukraine) and Asia (such as the People's Republic of China). Otis' investments in emerging markets carry a higher level of currency, political and economic risk than investments in developed markets.

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

Revenues generated by Otis' international operations were 81 percent and 83 percent of total Otis segment revenues in 1998 and 1997, respectively. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying currency, political and economic risks.

At December 31, 1998, the Otis business backlog amounted to $3,459 million as compared to $3,429 million at December 31, 1997. Substantially all of the business backlog at December 31, 1998 is expected to be realized as sales in 1999.

Carrier

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

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

As part of its global growth strategies, Carrier has made investments and continues to invest in emerging markets worldwide, including those in Asia (such as the People's Republic of China) and Latin America. Carrier's investments in emerging markets carry a higher level of currency, political and economic risk than investments in developed markets. Carrier's business is subject to changes in economic, industrial, international and climate conditions, including possible changes in interest rates, which could affect the demand for its products; changes in legislation and government regulations, including those relating to refrigerants and their effect on global environmental conditions; changes in technology; changes in the level of construction activity;

and competition from a large number of companies, including other major domestic and foreign manufacturers. The principal methods of competition are product performance (including quality and reliability), delivery schedule, price, service and other terms and conditions of sale.

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

Revenues generated by Carrier's international operations, including U.S. export sales, were 52 percent and 58 percent of total Carrier segment revenues in 1998 and 1997, respectively. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying currency, political and economic risks.

At December 31, 1998, the Carrier business backlog amounted to $1,007 million, as compared to $1,021 million at December 31, 1997. Substantially all of the business backlog at December 31, 1998 is expected to be realized as sales in 1999.

UT Automotive

The Corporation's automotive business is conducted through a number of subsidiaries reporting to UT Automotive, Inc. (collectively "UTA"). UTA is a large independent supplier of automotive electrical distribution systems and related components (terminals and connectors, body electronics, junction boxes and switches). UTA has established administrative, engineering and manufacturing facilities in the Americas, Europe and Asia to better serve its worldwide customer base. UTA is also a large independent supplier in North America of headliners and headliner substrates, instrument panels, door trim assemblies, vehicle remote entry systems and fractional horsepower DC electric motors used in automotive, commercial and industrial applications.

UTA also produces other automotive products such as interior trim (armrests, consoles and sun visors), mirrors, thermal and acoustical barriers, electronic controls and modules, engine cooling fan modules, interior lighting systems, windshield wiper systems and electrical starters for commercial applications. UTA is developing integrated trim modules which combine various electrical and other products as part of the headliner, instrument panel or door panel.

UTA competes worldwide to sell systems and products to automotive manufacturers. Sales to the major automotive manufacturers are made against periodic short-term releases issued by the automotive manufacturers under contracts generally awarded for a particular car or light truck model.

Ford Motor Company is UTA's largest customer. In 1998, sales to Ford Motor Company were $986 million, or 33 percent of total UTA revenues. In 1997 and 1996, sales to Ford Motor Company were $1,125 million (38 percent of total UTA revenues) and $1,224 million (38 percent of total UTA revenues), respectively.

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

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

Revenues generated by UTA's international operations, including U.S. export sales (excluding revenues from certain non-U.S. operations which manufacture exclusively for the U.S. market), were 43 percent and 39 percent of total UTA segment revenues in 1998 and 1997, respectively. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying currency, political and economic risks.

UTA's customers issue order releases against production contracts authorizing UTA to produce, deliver and invoice specific quantities of product to satisfy short-term vehicle production requirements. These releases are generally issued and satisfied within a one-to-three week time frame. At December 31, 1998 and 1997, UTA's backlog amounted to $751 million and $682 million, representing both open releases at those dates and forecasts of anticipated releases for the following ninety days. Accordingly, substantially all of UTA's backlog is expected to be realized in sales in 1999.

In view of the recent consolidation in the automotive supply industry, the Corporation has retained an investment banking firm to study strategic alternatives for the Corporation's automotive business. The Corporation intends to consider the available options, including possibly selling all or portions of the business.

Pratt & Whitney and Flight Systems

The Corporation's Pratt & Whitney and Flight Systems operating segments produce aerospace and defense products. These businesses are subject to rapid changes in technology; lengthy and costly development cycles; the effects of the continuing consolidation within the aerospace and defense industry; heavy dependence on a small number of products and programs; changes in legislation and in government procurement and other regulations and procurement practices; procurement preferences and policies of some foreign customers which require in-country manufacture through co-production, offset programs (where in-country purchases and financial support projects are required as a condition to obtaining orders), joint ventures and production sharing, licensing or other arrangements; substantial competition from major domestic manufacturers and from foreign manufacturers whose governments sometimes give them direct and indirect research and development assistance, marketing subsidies and other assistance for their commercial products; and changes in economic, industrial and international conditions. In addition, the financial performance of these two segments can be affected in a number of respects by the performance of the commercial airline industry and the aviation industry.

The principal methods of competition in the Corporation's aerospace and defense businesses are price, product performance, service, delivery schedule and other terms and conditions of sale, including fleet introductory allowances and performance and operating cost guarantees, and the participation by the Corporation and its finance subsidiaries in customer financing arrangements in connection with sales of commercial jet engines and helicopters. Fleet introductory allowances are discounts and other financial incentives offered by the Corporation to encourage airline and other customers to purchase engines. These engine purchases are expected to lead to the purchase of parts and services to support the engines.

Sales of military products are affected by defense budgets (both in the U.S. and, to some extent, abroad), U.S. foreign policy and the presence of competition. Military spare parts sales are also affected to some extent by the policies of the U.S. and certain foreign governments of purchasing certain parts from suppliers other than the original equipment manufacturers.

Pratt & Whitney

Pratt & Whitney is one of the world's leading producers of large turbofan (jet) engines for commercial and military aircraft and small gas turbine engines for business and regional/commuter aircraft. Pratt & Whitney provides overhaul and repair services and spare and replacement parts for the engines it produces, as well as overhaul and repair services and fleet management services for many models of commercial and military jet and gas turbine engines. In addition, Pratt & Whitney produces propulsion systems and solid rocket boosters for the United States Air Force ("USAF") and the National Aeronautics and Space Administration ("NASA").

Pratt & Whitney products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies and the U.S. and foreign governments. Pratt & Whitney sales in the U.S. and Canada are made directly to the customer and, to a limited extent, through independent distributors. Other export sales are made with the assistance of an overseas network of independent foreign representatives. Sales to the Boeing Company ("Boeing") and Airbus Industrie ("Airbus"), consisting primarily of commercial aircraft jet engines, amounted to 30 percent of total Pratt & Whitney revenues in 1998. Pratt & Whitney's major competitors are the aircraft engine businesses of General Electric Company ("GE") and Rolls-Royce plc.

Pratt & Whitney currently produces three families of large commercial jet engines; the JT8D-200, the PW2000 series and the PW4000 series. Pratt & Whitney's JT8D-200 series engines power the Boeing MD-80 aircraft. Applications for the PW2000 series include the Boeing 757-200/PF aircraft. Pratt & Whitney's PW4000 engine family powers the Airbus A310-300, A300-600 and A330-200/300 series; the Boeing 747-400, 767-200/300 and 777-200/300 series of aircraft; and the Boeing MD-11 aircraft. Boeing has announced that its Douglas Products Division will phase-out the MD-80 aircraft program with final delivery scheduled for January 2000. Boeing has also announced that MD-11 aircraft production will be phased-out with the delivery of orders on hand. The last delivery is scheduled for February 2000.

Pratt & Whitney has entered into a Memorandum of Understanding with Airbus to develop, certify, market and sell PW6000 series engines for installation on the Airbus A318 aircraft under development.

IAE International Aero Engines AG, a Swiss corporation in which Pratt & Whitney has a 33 percent interest, markets and supports the V2500 engine. Applications for the V2500 engine include Airbus' A319, A320 and A321 aircraft and Boeing's MD-90. Boeing has announced that its Douglas Products Division will continue to produce MD-90 aircraft until current production commitments end in 1999. Boeing and the Chinese government agency in charge of the MD-90 production commitments in China have reduced the production program from a minimum of twenty (20) MD-90 aircraft to two (2) MD-90 aircraft.

In the case of many commercial aircraft today, aircraft manufacturers offer their customers a choice of engines, giving rise to competition among engine manufacturers at the time of the sale of aircraft. This competition is intense, particularly where new commercial airframe/engine combinations are first introduced to the market and into the fleets of individual airlines. Financial incentives granted by engine suppliers, and performance and operating cost guarantees on their part, are frequently important factors in such sales and can be substantial. (For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, see Notes 1, 4, 13 and 14 of Notes to Consolidated Financial Statements at pages 15 to 17 and 22 to 23 of the Corporation's 1998 Annual Report to Shareowners.)

In view of the global nature of the commercial aircraft industry and the risk and cost associated with launching new engine development programs, Pratt & Whitney has developed strategic alliances and collaboration arrangements on commercial engine programs in which costs, revenues and risks are shared. At December 31, 1998, the percentages of these items shared by other participants in these alliances were approximately as follows: 24 percent of the JT8D-200 series engine program, 29 percent of the PW2000 series engine program, 14 percent of the 94 and 100 inch fan models of the PW4000, 26 percent of the PW4084 and PW4090 models and 24 percent of the PW4098 model.

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

In 1997, as part of its plans to increase its overhaul and repair business, Pratt & Whitney purchased the aero engine repair operations of Howmet Corporation and N.V. Interturbine. In 1998, Pratt & Whitney and SIA Engineering Company Private Limited established Eagle Services Asia Private Limited, an engine overhaul and repair facility in Singapore.

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

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

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

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

Revenues from Pratt & Whitney's international operations, including U.S. export sales, were 52 percent and 51 percent of total Pratt & Whitney segment revenues in 1998 and 1997, respectively. Such operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings) as well as to varying political and economic risks.

At December 31, 1998, the business backlog for Pratt & Whitney amounted to $8,415 million, including $1,808 million of U.S. Government funded contracts and subcontracts, as compared to $8,258 million and $1,852 million, respectively, at December 31, 1997. Of the total Pratt & Whitney business backlog at December 31, 1998, approximately $4,202 million is expected to be realized as sales in 1999. Significant elements of Pratt & Whitney's business, such as spare parts sales for engines in service, generally have short lead times. Therefore, backlog may not be indicative of future demand. Also, since a substantial portion of the backlog for commercial customers is scheduled for delivery beyond 1999, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled.

Flight Systems

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

Sikorsky is one of the world's leading manufacturers of military and commercial helicopters and the primary supplier of transport helicopters to the U.S. Army. All branches of the U.S. military operate Sikorsky helicopters. Sikorsky also supplies helicopters to foreign governments and the worldwide commercial market. Sikorsky produces helicopters for a variety of uses, including passenger, utility/transport, cargo, anti-submarine warfare, search and rescue and heavy-lift operations. In addition to sales of new helicopters, Sikorsky's business base encompasses spare parts for past and current helicopters produced by Sikorsky, the repair and retrofit of helicopters and service contracts. In 1998, to help increase its presence in the aftermarket business, Sikorsky acquired Helicopter Support, Inc., a major distributor of helicopter parts. Other major helicopter manufacturers include Bell Helicopter Textron, Eurocopter, Boeing Helicopters, Agusta, GKN Westland Helicopters, Kazan Helicopter and Rost Vertol.

Current production programs at Sikorsky include the Black Hawk medium-transport helicopter for the U.S. and foreign governments; the international Naval Hawk, a derivative of the U.S. Navy's Seahawk medium-sized helicopter for multiple naval missions for foreign governments; the CH-53E Super Stallion heavy-lift helicopter for the U.S. Marine Corps; and the S-76 intermediate-sized helicopter for executive transport, offshore oil platform support, search and rescue, emergency medical service and other utility operations.

In July 1997, Sikorsky signed a multi-year contract with the U.S. Government to deliver 108 Black Hawk helicopters from July 1997 through June 2002. Under the contract as it has been amended through December 1998, the firm purchase commitment has been increased to 127 and the Government currently has the right to cancel 19 helicopters scheduled for delivery from December 2000 through June 2002. As of December 31, 1998, 76 Black Hawk helicopters have been delivered under the contract. Declining Defense Department budgets make Sikorsky increasingly dependent upon expanding its international market position. Such sales sometimes require the development of in-country co-production programs.

Sikorsky is engaged in full-scale development of the S-92 aircraft, a large cabin derivative of the Black Hawk helicopter, for commercial and military markets. A significant portion of the development is being carried out by companies in Brazil, the People's Republic of China, Japan, Spain and Taiwan under collaborative arrangements. This aircraft made its first flight in December 1998. Certification of the first S-92 is expected in the year 2001. Management cannot predict with certainty whether, when, and in what quantities the S-92 will be produced.

Sikorsky has a 50% interest in a joint venture with Boeing Helicopters for the development of the U.S. Army's next generation light helicopter, the RAH-66 Comanche. The Boeing Sikorsky Team is performing under a cost reimbursement contract awarded in 1991. The first prototype aircraft is undergoing flight testing. Management cannot predict with certainty whether, when, and in what quantities the Comanche will go into production.

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

In July 1998, the Corporation reorganized its fuel cell business to include fuel cell systems for the transportation market in addition to the existing stationary power plant market. While oversight of this business continues to be provided by Hamilton Standard executives, it is no longer part of the Flight Systems segment for management reporting. The results are included in the Other category for financial segment reporting and prior periods have been restated.

Revenues generated by Flight Systems' international operations, including export sales, were 40 percent and 39 percent of total Flight Systems segment revenues in 1998 and 1997, respectively. Such operations are subject to local government regulations (including regulations relating to capital conditions, currency conversion and repatriation of earnings) as well as to various political and economic risks.

At December 31, 1998, the Flight Systems business backlog amounted to $2,013 million, including $1,030 million under funded contracts and subcontracts with the U.S. Government, as compared to $2,353 million and $1,225 million, respectively, at December 31, 1997. Of the total Flight Systems business backlog at December 31, 1998, approximately $1,417 million is expected to be realized as sales in 1999.

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

Research and Development

To maintain its competitive position, the Corporation spends substantial amounts of its own funds on research and development. Such expenditures, which are charged to income as incurred, were $1,315 million or 5.1 percent of total sales in 1998, as compared with $1,187 million or 4.9 percent of total sales in 1997 and $1,122 million or 4.9 percent of total sales in 1996. The Corporation also performs research and development work under contracts funded by the U.S. Government and other customers. Such contract research and development, which is performed principally in the Pratt & Whitney segment and to a lesser extent in the Flight Systems segment, amounted to $1,065 million in 1998, as compared with $974 million in 1997 and $870 million in 1996.

Contracts, Other Risk Factors, Environmental and Other Matters

Government contracts are subject to termination for the convenience of the Government, in which event the Corporation normally would be entitled to reimbursement for its allowable costs incurred plus a reasonable profit. Most of the Corporation's sales are made under fixed-price type contracts; only 5.1 percent of the Corporation's total sales for 1998 were made under cost-reimbursement type contracts.

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

The Corporation is now and believes that, in light of the current Government contracting environment, it will be the subject of one or more Government investigations. See Item 3 - Legal Proceedings at pages 16 through 18 of this Form 10-K for further discussion.

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

Like other users in the U.S., the Corporation is largely dependent upon foreign sources for certain of its raw materials requirements such as cobalt (Africa) and chromium (Africa, Eastern and Central Europe and the countries of the former Soviet Union). To alleviate this dependence and accompanying risk, the Corporation has a number of on-going programs which include the development of new suppliers; the increased use of more readily available materials through material substitutions and the development of new alloys; and conservation of materials through scrap reclamation and new manufacturing processes such as net shape forging.

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

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

The Corporation does not anticipate that compliance with current federal, state and local provisions relating to the protection of the environment will have a material adverse effect upon its cash flows, competitive position, financial position or results of operations. (Environmental matters are the subject of certain of the Legal Proceedings described in Item 3 - Legal Proceedings at pages 16 through 18 of this Form 10-K, and are further addressed in Management's Discussion and Analysis of Results of Operations and Financial Position at page 8 and Notes 1 and 14 of Notes to Consolidated Financial Statements at pages 16 and 23 of the Corporation's 1998 Annual Report to Shareowners.)

Most of the laws governing environmental matters include criminal provisions. If the Corporation were convicted of a violation of the federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation would be listed on the Environmental Protection Agency's (EPA) List of Violating Facilities. The listing would continue until the EPA concluded that the cause of the violation had been cured. Any listed facility cannot be used in performing any U.S. Government contract awarded to the Corporation during any period of listing by the EPA.

While the Corporation's patents, trademarks, licenses and franchises are cumulatively important to its business, the Corporation does not believe that the loss of any one or group of related patents, trademarks, licenses or franchises would have a material adverse effect on the overall business of the Corporation or on any of its operating segments.

A discussion of the potential exposure to the Corporation arising from the need to modify computer systems for the transition to the year 2000, and the steps being taken by the Corporation to address these matters, is included in Management's Discussion and Analysis of Results of Operations and Financial Position under the heading "Year 2000" on page 9 of the Corporation's 1998 Annual Report to Shareowners.

A discussion of the potential impact on the Corporation of the introduction of the "euro" as a common currency of the member countries of the European Economic and Monetary Union is included in Management's Discussion and Analysis of Results of Operations and Financial Position under the heading "Euro Conversion" on page 9 of the Corporation's 1998 Annual Report to Shareowners.

Cautionary Note Concerning Factors That May Affect Future Results

This report on 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 the future operating and financial performance of the Corporation, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe", "expect", "plans", "strategy", "prospects", "estimate", "project", "anticipate" and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- Future earnings and other measurements of financial performance
- Future cash flow and uses of cash
- The effect of economic downturns or growth in particular regions
- The effect of changes in the level of activity in particular industries or markets
- Prospective product developments
- Cost reduction efforts
- The outcome of contingencies
- The impact of Year 2000 conversion efforts
- The transition to the use of the euro as a currency.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. This Annual Report on Form 10-K for 1998 includes important information as to risk factors in the "Business" section under the headings "Description of Business by Operating Segment" and "Other Matters Relating to the Corporation's Business as a Whole". Additional important information as to risk factors is included in the Corporation's 1998 Annual Report to Shareowners in the section titled "Management's Discussion and Analysis of Results of Operations and Financial Position" under the headings "Business Environment", "Year 2000" and "Euro Conversion", which is incorporated by reference in this Form 10-K. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see the Corporation's reports on Forms 10-Q and 8-K filed with the Securities and Exchange Commission from time to time.

Employees

At December 31, 1998, the Corporation's total employment was approximately 178,800.

Item 2. Properties

The Corporation's fixed assets include the plants and warehouses described below and a substantial quantity of machinery and equipment, most of which is general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The Corporation's plants, warehouses, machinery and equipment are in good operating condition, are well maintained, and substantially all of its facilities are in regular use. The Corporation considers the present level of fixed assets capitalized as of December 31, 1998, suitable and adequate for the operations of each operating segment in the current business environment.

The following square footage numbers are approximations. At December 31, 1998, the Corporation operated (a) plants in the U.S. which had 32.7 million square feet, of which 5.2 million square feet were leased; (b) plants outside the U.S. which had 21.9 million square feet, of which 3.0 million square feet were leased; (c) warehouses in the U.S. which had 5.7 million square feet, of which 3.9 million square feet were leased; and (d) warehouses outside the U.S. which had 5.8 million square feet, of which 3.8 million square feet were leased.

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

Item 3. Legal Proceedings

As previously reported, in June 1992, the Department of Justice filed a civil False Claims Act complaint in the United States District Court for the District of Connecticut, No. 592CV375, against Sikorsky Aircraft alleging that the Government was overcharged by nearly $4 million in connection with the pricing of parts supplied for the reconditioning of the Navy's Sea King helicopter. The Complaint seeks treble damages plus a $10,000 penalty for each false claim submitted. The bench trial in this matter concluded in August 1997. Post-trial papers have been submitted to the judge and the parties are awaiting the court's decision.

As previously reported, the Department of Defense and the Corporation are litigating whether Pratt & Whitney's accounting practices for certain engine parts are acceptable. The litigation, filed with the Armed Services Board of Contract Appeals (ASBCA), No. 47416 et al., relates to the accounting for engine parts produced by foreign companies under commercial engine collaboration programs from 1984 through 1995. The Government initially claimed damages of $260.3 million, of which $102.7 million was interest. Pratt & Whitney believes its accounting practices are proper and has not modified them. If the Government prevails, damages could be larger than initially claimed because interest continues to accrue and the complaint could be amended to include the period after 1995. In March and April 1998, the matter was tried before an ASBCA judge. A decision is not expected for a number of months.

As previously reported, a jury in Chromalloy Gas Turbine Corporation v. United Technologies Corporation, No. 95-CI-12541, a Texas state action, found that Pratt & Whitney did not monopolize any relevant market but did willfully attempt to monopolize an unspecified market. In May 1997, the court entered a Final Judgment denying Chromalloy's request for damages, injunctive relief and declaratory relief. In October 1998, the Texas Fourth Court of Appeals affirmed the decision of the trial court, declining to grant injunctive relief to Chromalloy. Chromalloy has filed motions for rehearing and for rehearing en banc. The Corporation has filed its responses. The parties are awaiting the court's decision.

In December 1998, the Corporation was served with a qui tam complaint under the civil False Claims Act that had been previously filed under seal in the United States District Court for the District of Connecticut in October, 1996 (U.S. ex rel. Waldron v. UTC, No. 396CV02038). The complaint seeks unspecified damages (trebled) and penalties arising out of an alleged failure by Pratt & Whitney to estimate properly the costs of performing a cost-type development contract. The Government has declined to take over the action which is being pursued by the qui tam relator.

As previously reported, the Corporation has been served with a number of other qui tam complaints under the civil False Claims Act in the United States District Court for the District of Connecticut: U.S. ex rel. Drake v. Norden Systems, Inc. and UTC, No.394CV00963 (filed July 1997, and involving allegations of improper accounting for fixed assets); U.S. ex rel. Capella v. UTC and Norden Systems Inc., No. 394CV02063 (filed December 1994, and involving allegations of improper accounting for insurance costs); and U.S. ex rel. Maloni v. UTC, No. 395CV02431 (filed in November 1995 and involving allegations of failing to implement an "Inspection Method Sheet Inspection System"). The qui tam relator in each case has claimed unspecified damages (trebled) and penalties, and the Department of Justice in each case has declined to take over the litigation. The civil False Claims Act provides for penalties in a civil case of up to $10,000 per false claim submitted. The number of false claims implicated by the foregoing qui tam complaints cannot currently be ascertained; however, if determined adversely to the Corporation the number could result in significant penalties.

As previously reported in the Corporation's Reports on Form 10-K for 1992 and Form 10-Q for the Third Quarter of 1993, the Corporation entered into a Consent Decree in August of 1993 with the Environmental Protection Agency ("EPA") and the Department of Justice ("DOJ") in Docket Number H-90-715 (JAC) in the U.S. District Court for the District of Connecticut. Under the Consent Decree, the Corporation agreed to adopt programs to enhance the effectiveness of its environmental management systems, conduct an audit of 19 of its facilities, and pay civil penalties for any non-compliance with environmental laws and regulations discovered during the audit. An independent third party recently completed this audit and forwarded the results to the EPA. The EPA has informed the Corporation that it intends to issue a report evaluating the audit results and that it expects to propose penalties. The Consent Decree establishes procedures for the EPA and the Corporation to resolve any disagreements over compliance and the amount of penalties.

The Corporation believes the Department of Justice is contemplating the filing of a civil False Claims Act complaint against Pratt & Whitney. The contemplated action is related to the "Fighter Engine Competition" contracts awarded by the US Air Force between 1984 and 1989. As understood, the Department of Justice will allege that disclosures in Pratt's best and final offer, submitted in December 1983, were inaccurate with respect to costs of certain subcontracts.

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

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

The Corporation has incurred and will likely continue to incur liabilities under various state and federal statutes for the cleanup of pollutants previously released into the environment. The Corporation believes that any payments it may be required to make as a result of these claims will not have a material effect upon the cash flows, competitive or financial position, or results of operations of the Corporation. The Corporation has had liability and property insurance in force over its history with a number of insurance companies, and the Corporation has commenced litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. Settlements to date, which have not been material, have been recorded upon receipt. While the litigation against the Corporation's historic liability insurers has concluded, the case against the Corporation's property insurers is continuing. (For information regarding the matters discussed in this paragraph, see "Environmental Matters" in Management's Discussion and Analysis of Results of Operations and Financial Position at page 8 and Notes 1 and 14 of the Notes to Consolidated Financial Statements at pages 16 and 23 of the Corporation's 1998 Annual Report to Shareowners.)

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

No matters were submitted to security holders for a vote during the fourth quarter ended December 31, 1998.

- ----- Executive Officers of the Registrant

The executive officers of United Technologies Corporation, together with the offices in United Technologies Corporation presently held by them, their business experience since January 1, 1994, and their ages, are as follows:

Name	Title	Other Business Experience Since 1/1/94	Age 2/1/99
Ari Bousbib	Vice President Strategic Planning (since 1997)	Managing Director, The Strategic Partners Group; Partner, Booz, Allen & Hamilton.	37
Eugene Buckley	Chairman and Chief Executive Officer, Sikorsky Aircraft (since 1998)	President, Sikorsky Aircraft Corporation; President and Chief Executive Officer, Sikorsky Aircraft Division; and President, Sikorsky Aircraft Division	68
William L. Bucknall, Jr.	Senior Vice President, Human Resources & Organization (since 1992)	-------	56
John F. Cassidy, Jr.	Senior Vice President - Science and Technology (since 1998)	Vice President, United Technologies Research Center	55
Kevin Conway	Vice President, Taxes (since 1995)	Director of Taxes, United Technologies Corporation	50
George David	Chairman (since 1997), President and Chief Executive Officer (since 1994)	President and Chief Operating Officer	56
David J. FitzPatrick	Senior Vice President and Chief Financial Officer (since 1998)	Vice President and Controller, Eastman Kodak Co.; Finance Director-Cadillac Luxury Car Division, Chief Accounting Officer, General Motors Corp.	44
C. Scott Greer	President, UT Automotive (since 1997)	President, Chief Operating Officer, Echlin, Inc.	48

Name	Title	Other Business Experience Since 1/1/94	Age 2/1/99
Jay L. Haberland	Vice President-Controller (since 1996)	Acting Chief Financial Officer, Director of Internal Auditing, United Technologies Corporation; Vice President, Finance, Commercial & Industrial Group, The Black & Decker Corporation	48
Ruth R. Harkin	Senior Vice President, International Affairs and Government Relations (since 1997)	President and Chief Executive Officer, Overseas Private Investment Corporation	54
Karl J. Krapek	Executive Vice President (since 1997) and President, Pratt & Whitney (since 1992)	---------	50
Raymond P. Kurlak	President, Hamilton Standard (since 1995)	Executive Vice President, Sikorsky Aircraft Division	55
John R. Lord	President, Carrier Corporation (since 1995)	President, Carrier NAO	55
Angelo J. Messina	Vice President, Financial Planning and Analysis (since 1998)	Director, Financial Planning and Analysis, United Technologies Corporation; Vice President, Strategic Planning, Pratt & Whitney; Director, Investor Relations, United Technologies Corporation	45
Stephen F. Page	Executive Vice President and President and Chief Executive Officer, Otis Elevator (since 1997)	Executive Vice President and Chief Financial Officer, United Technologies Corporation	59
Gilles A. H. Renaud	Vice President _ Treasurer (since 1996)	Vice President and Chief Financial Officer, Carrier Corporation	52
William H. Trachsel	Senior Vice President, General Counsel and Secretary (since 1998)	Vice President, Secretary and Deputy General Counsel	55

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

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

See Comparative Stock Data appearing on page 25 of the Corporation's 1998 Annual Report to Shareowners containing the following data relating to the Corporation's Common Stock: principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends. All such data are incorporated by reference in this Report.

Item 6. Selected Financial Data

See the Five Year Summary appearing on page 2 of the Corporation's 1998 Annual Report to Shareowners containing the following data: revenues, net income, basic and diluted earnings per share, cash dividends on Common Stock, total assets and long-term debt. All such data are incorporated by reference in this Report. See Notes to Consolidated Financial Statements appearing on pages 15 through 25 of the Corporation's 1998 Annual Report to Shareowners for a description of any accounting changes and acquisitions or dispositions of businesses materially affecting the comparability of the information reflected in such Five Year Summary.

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

See Management's Discussion and Analysis of Results of Operations and Financial Position appearing on pages 3 through 9 of the Corporation's 1998 Annual Report to Shareowners; such discussion and analysis is incorporated by reference in this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See discussion under the headings "Derivative and Other Financial Instruments" on page 8 and "Hedging Activity" on pages 15 and 16 and Note 13 on page 22 of the Corporation's 1998 Annual Report to Shareowners for information concerning market risk sensitive instruments. Such information is incorporated by reference in this Form 10-K.

Item 8. Financial Statements and Supplementary Data

The 1998 and 1997 Consolidated Balance Sheet, and other financial statements for the years 1998, 1997 and 1996, together with the report thereon of PricewaterhouseCoopers LLP dated January 21, 1999, appearing on pages 10 through 14 in the Corporation's 1998 Annual Report to Shareowners are incorporated by reference in this Form 10-K.

The 1998 and 1997 Selected Quarterly Financial Data appearing on page 25 in the Corporation's 1998 Annual Report to Shareowners are incorporated by reference in this Form 10-K.

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

None.

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 10 with respect to directors is incorporated herein by reference from pages 7 through 10 of the Corporation's Proxy Statement for the 1999 Annual Meeting of Shareowners. Information regarding executive officers is contained in Part I of this Form 10-K at pages 19 through 20. Information concerning Section 16(a) compliance is contained in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" at page 21 of the 1999 Proxy Statement.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference from pages 12 through 13 and 15 through 23 of the Corporation's Proxy Statement for the 1999 Annual Meeting of Shareowners. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is incorporated herein by reference from page 5 and pages 14 and 15 of the Corporation's Proxy Statement for the 1999 Annual Meeting of Shareowners.

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is incorporated herein by reference from pages 21 and 22 of the Corporation's Proxy Statement for the 1999 Annual Meeting of Shareowners.

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

(a) Financial Statements, Financial Statement Schedules and Exhibits	Page Number in Annual Report
(1) Financial Statements (incorporated by reference from the 1998 Annual Report to Shareowners):	
Report of Independent Accountants	10
Consolidated Statement of Operations for the Three Years ended December 31, 1998 ...	11
Consolidated Balance Sheet--December 31, 1998 and 1997	12
Consolidated Statement of Cash Flows for the Three Years ended December 31, 1998 ...	13
Consolidated Statement of Changes in Shareowners' Equity for the Three Years ended December 31, 1998	14
Notes to Consolidated Financial Statements	15
Selected Quarterly Financial Data (Unaudited)	25

	Page Number in Form 10-K
(2) Financial Statement Schedule For the Three Years ended December 31, 1998:	
Report of Independent Accountants on Financial Statement	S-I
Schedule II Valuation and Qualifying Accounts	S-II
Consent of Independent Accountants	F-1

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

(3) Exhibits:

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

Exhibit Number

3(i) Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(i) to United Technologies Corporation Quarterly Report on Form 10-Q (Commission File number 1-812) for quarterly period ended June 30, 1997.

3(ii) Bylaws as amended and restated effective February 8, 1999.**

4 The Corporation hereby agrees to furnish to the Commission upon request a copy of each instrument defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries and any unconsolidated subsidiaries.

10.1 United Technologies Corporation 1979 Long Term Incentive Plan, incorporated by reference to Exhibit 10(i) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.2 United Technologies Corporation Annual Executive Incentive Compensation Plan, as amended. *

10.3 United Technologies Corporation Disability Insurance Benefits for Executive Control Group, incorporated by reference to Exhibit 10 (iii) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.4 United Technologies Corporation Executive Estate Preservation Program, incorporated by reference to Exhibit 10(iv) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.5 United Technologies Corporation Pension Preservation Plan, incorporated by reference to Exhibit 10(v) for United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

Exhibit Number

10.6 United Technologies Corporation Senior Executive Severance Plan, incorporated by reference to Exhibit 10(vi) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.7 United Technologies Corporation Deferred Compensation Plan, as amended. *

10.8 Otis Elevator Company Incentive Compensation Plan, incorporated by reference to Exhibit 10(viii) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.9 United Technologies Corporation Directors Retirement Plan, as amended. *

10.10 United Technologies Corporation Deferred Compensation Plan for Non-Employee Directors, incorporated by reference to Exhibit 10(x) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.11 United Technologies Corporation Long Term Incentive Plan, as amended. *

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

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

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

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

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

10.17 United Technologies Corporation Nonemployee Director Stock Option Plan. *

Exhibit Number

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

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

13 Annual Report to Shareowners for year ended December 31, 1998 (except for the pages and information thereof expressly incorporated by reference in this Form 10-K, the Annual Report to Shareowners is provided solely for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K). **

21 Subsidiaries of the Registrant. **

23 Consent of PricewaterhouseCoopers LLP, included as page F-1 of this Form 10-K.

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

27 Financial Data Schedule. **

27.1 Restated Prior Periods' Financial Data Schedule.**

27.2 Restated Prior Periods' Financial Data Schedule.**

Notes to Exhibits List:

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

** Submitted electronically herewith.

Exhibits 10.1 through 10.17 are management contracts or compensatory plans required to be filed as exhibits pursuant to Item 14(c) of the requirements for Form 10-K reports.

(b) A report on Form 8-K dated December 1, 1998 was filed by the Corporation on December 2, 1998. The Report includes information under Items 5 and 7 concerning amendments to the Bylaws of the Corporation.

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/ David J. FitzPatrick
David J. FitzPatrick
Senior Vice President and
Chief Financial Officer

Date: February 16, 1999

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, President and Chief Executive Officer	February 16, 1999
/s/ David J. FitzPatrick David J. FitzPatrick	Senior Vice President and Chief Financial Officer	February 16, 1999
/s/ Jay L. Haberland Jay L. Haberland	Vice President-Controller	February 16, 1999
ANTONIA HANDLER CHAYES * (Antonia Handler Chayes)	Director)	
CHARLES W. DUNCAN, JR. * (Charles W. Duncan, Jr.)	Director)	*By: /s/William H. Trachsel William H. Trachsel Attorney-in-Fact Date: February 16, 1999
JEAN-PIERRE GARNIER * (Jean-Pierre Garnier)	Director)	
PEHR G. GYLLENHAMMAR * (Pehr G. Gyllenhammar)	Director)	
KARL J. KRAPEK * (Karl J. Krapek)	Director)	

Signature	Title		Date
CHARLES R. LEE * (Charles R. Lee)	Director	)	
ROBERT H. MALOTT * (Robert H. Malott)	Director	)	
WILLIAM J. PERRY* (William J. Perry)	Director	)	
FRANK P. POPOFF * (Frank P. Popoff)	Director	)	*By: /s/ William H. Trachsel William H. Trachsel Attorney-in-Fact Date: February 16, 1999
ANDRE VILLENEUVE * (Andre Villeneuve)	Director	)	
HAROLD A. WAGNER * (Harold A. Wagner)	Director	)	
JACQUELINE G. WEXLER * (Jacqueline G. Wexler)	Director	)	

REPORT OF INDEPENDENT ACCOUNTANTS ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of United Technologies Corporation

Our audits of the consolidated financial statements referred to in our report dated January 21, 1999 appearing on page 10 of the 1998 Annual Report to Shareowners of United Technologies Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Hartford, Connecticut
January 21, 1999

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Schedule II - Valuation and Qualifying Accounts
Three Years Ended December 31, 1998
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 1995	$	411
Provision charged to income		38
Doubtful accounts written off (net)		(57)
Other adjustments		(1)
Balance December 31, 1996		391
Provision charged to income		34
Doubtful accounts written off (net)		(28)
Other adjustments		(14)
Balance December 31, 1997		383
Provision charged to income		71
Doubtful accounts written off (net)		(32)
Other adjustments		(22)
Balance December 31, 1998	$	400

Future Income Tax Benefits - Valuation allowance:

Balance December 31, 1995	$	349
Additions charged to income tax expense		27
Reductions credited to income tax expense		(48)
Balance December 31, 1996		328
Additions charged to income tax expense		52
Reductions credited to income tax expense		(92)
Balance December 31, 1997		288
Additions charged to income tax expense		37
Reductions credited to income tax expense		(95)
Balance December 31, 1998	$	230

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (Nos. 333-26331 and 33-46916) and in the Registration Statements on Form S-8 (Nos. 333-21853, 333-18743, 333-21851, 33-57769, 33-45440, 33-11255, 33-26580, 33-26627, 33-28974, 33-51385, 33-58937, and 2-87322) of United Technologies Corporation of our report dated January 21, 1999 appearing on page 10 of the 1998 Annual Report to Shareowners which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-I of this Form 10-K.

PricewaterhouseCoopers LLP
Hartford, Connecticut
February 16, 1999

Exhibit 3(ii)

UNITED TECHNOLOGIES CORPORATION

BYLAWS

As Amended and Restated Effective February 8, 1999

BYLAWS
OF
UNITED TECHNOLOGIES CORPORATION

SECTION 1 - Meetings Of Shareholders

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

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

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

SECTION 1.4 Notice of Meetings.
A written notice of each meeting of shareholders, stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given either personally or by mail to each shareholder entitled to vote at the meeting. Unless otherwise provided by statute, the notice shall be given not less than 10 nor more than 60 days before the date of the meeting and, if mailed, shall be deposited in the United States mail, postage prepaid, directed to the shareholder at his address as it appears on the records of the Corporation. No notice need be given to any person with whom communication is unlawful, nor shall there be any duty to apply for any permit or license to give notice to any such person. If the time and place of an adjourned meeting of shareholders are announced at the meeting at which the adjournment is taken, no notice need be given of the adjourned meeting unless that adjournment is for more than 30 days or unless, after the adjournment, a new record date is fixed for the adjourned meeting.

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

SECTION 1.6 Quorum and Manner of Acting.
Subject to the provisions of these Bylaws, the certificate of incorporation and statute as to the vote that is required for a specified action, the presence in person or by proxy of the holders of a majority of the outstanding shares of the Corporation entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business, and the vote in person or by proxy of the holders of a majority of the shares constituting such quorum shall be binding on all shareholders of the Corporation. A majority of the shares present in person or by proxy and entitled to vote may, regardless of whether or not they constitute a quorum, adjourn the meeting to another time and place. Any business which might have been transacted at the original meeting may be transacted at any adjourned meeting at which a quorum is present.

SECTION 1.7 Voting.
Shareholders shall be entitled to cumulative voting at all elections of directors to the extent provided in or pursuant to the certificate of incorporation. A shareholder may authorize another person or persons to vote for him as proxy by: (a) executing a writing authorizing such other person or persons to act for him as proxy, where execution of the writing is accomplished by the shareholder or his authorized officer, director, employee or agent signing such writing or causing his signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature; or (b) transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided, that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the shareholder. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

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

SECTION 1.9 List of Shareholders.
A complete list of the shareholders entitled to vote at each meeting of shareholders, arranged in alphabetical order, and showing the address and number of shares registered in the name of each shareholder, shall be prepared and made available for examination during regular business hours by any shareholder for any purpose germane to the meeting. The list shall be available for such examination at the place where the meeting is to be held for a period of not less than 10 days prior to the meeting and during the whole time of the meeting.

SECTION 1.10 Notice of Shareholder Business and Nominations.

(A) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Section 1.10, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.10.

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of paragraph (A)(1) of this Section 1.10, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as

described above. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 1.10 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Shareholders.

Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 1.10, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (A)(2) of this Section 1.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a shareholder's notice as described above.

(C) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance with this Section 1.10, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 1.10, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.10. Nothing in this Section 1.10 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 1.11

(A) Consents to Corporate Action.
Any action which is required to be or may be taken at any annual or special meeting of shareholders of the Corporation, subject to the provisions of Subsections (B) and (C) of this Section 1.11, may be taken without a meeting, without prior notice and without a vote if consents in writing, setting forth the action so taken, shall have been signed by the holders of the outstanding stock having not less than the minimum number of votes

that would be necessary to authorize or to take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided, however, that prompt notice of the taking of the corporate action without a meeting and by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

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

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

SECTION 2 - Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3 - Committees of the Board of Directors

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

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

SECTION 3.3 Powers Reserved to the Board.
No Committee of the Board shall take any action to amend the certificate of incorporation or these Bylaws, adopt any agreement to merge or consolidate the Corporation, declare any dividend or recommend to the shareholders a sale, lease or exchange of all or substantially all of the assets and property of the Corporation, a dissolution of the Corporation or a revocation of a dissolution of the Corporation. No Committee of the Board shall take any action which is required in these Bylaws, in the certificate of incorporation or by statute to be taken by a vote of a specified proportion of the whole Board of Directors.

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

created by death, resignation or removal may be filled by an affirmative vote of a majority of the whole Board of Directors.

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

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

SECTION 4 - Officers

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

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

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

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

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

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

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

SECTION 5 - Shares and Transfer of Shares

SECTION 5.1 Certificates.

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

SECTION 5.2 Transfer Agents and Registrars.

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

SECTION 5.3 Transfers of Shares.

Shares of the Corporation may be transferred upon authorization by the record holder thereof, or by an attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a Transfer Agent and Registrar, and by the delivery of the certificates therefor, provided such shares are represented by certificates, accompanied either by an assignment in writing on the back of the certificates or by written power of attorney to sell, assign or transfer the same, signed by the record holder thereof, but no transfer shall affect the right of the Corporation to pay any dividend upon the shares to the holder of record thereof, or to treat the holder of record as the holder in fact thereof for all purposes; and no transfer shall be valid, except between the parties thereto, until such transfer shall have been made upon the books of the Corporation.

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

SECTION 5.5 Record Dates.
In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or to consent to action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date which shall be not more than 60 nor less than 10 days before the date of any meeting of shareholders, and not more than 60 days prior to any other action. In such case, those shareholders, and only those shareholders, who are shareholders of record on the date fixed by the Board of Directors shall, notwithstanding any subsequent transfer of shares on the books of the Corporation, be entitled to notice of and to vote at such meeting of shareholders, or any adjournment thereof, or to consent to such corporate action in writing without a meeting, or be entitled to receive payment of such dividend or other distribution or allotment of rights, or be entitled to exercise rights in respect of any such change, conversion or exchange of shares or to participate in any such other lawful action.

SECTION 6 - Miscellaneous

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

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

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

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

SECTION 6.5 Indemnification of Officers, Directors, Employees, Agents and Fiduciaries; Insurance.

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

(B) By action of the Board of Directors notwithstanding any interest of the directors in such action, the Corporation may purchase and maintain insurance in such amounts as the Board of Directors deems appropriate on behalf of any person who is or was a director, officer, employee, agent or fiduciary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation shall have the power to indemnify him against such liability under the provisions of this Section 6.5.

SECTION 7 - Bylaws Amendments

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

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

EXHIBIT 11

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

For the Five Years Ended December 31, 1998
(Millions of Dollars, except per share amounts)

	1998	1997	1996	1995	1994 (1)
Net Income	$ 1,255	$ 1,072	$ 906	$ 750	$ 585
ESOP Convertible Preferred Stock dividend	(33)	(32)	(30)	(27)	(22)
Basic earnings for period	$ 1,222	$ 1,040	$ 876	$ 723	$ 563
ESOP Convertible Preferred Stock adjustment	28	27	24	21	17
Diluted earnings for period	$ 1,250	$ 1,067	$ 900	$ 744	$ 580
Basic average number of shares outstanding during the period (thousands)	227,767	234,443	241,454	245,642	251,077
Stock awards (thousands)	5,972	5,878	4,877	2,975	2,630
ESOP Convertible Preferred Stock (thousands)	13,641	13,234	12,275	10,889	9,285
Diluted average number of shares outstanding during the period (thousands)	247,380	253,555	258,606	259,506	262,992
Basic earnings per common share	$ 5.36	$ 4.44	$ 3.63	$ 2.94	$ 2.24
Diluted earnings per common share	$ 5.05	$ 4.21	$ 3.48	$ 2.87	$ 2.20

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

EXHIBIT 12

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

	Years Ended December 31,				
	1998	1997	1996	1995	1994
Fixed Charges:					
Interest on indebtedness	$ 204	$ 191	$ 217	$ 244	$ 275
Interest capitalized	13	11	16	16	19
One-third of rents*	84	87	87	88	101
Total Fixed Charges	$ 301	$ 289	$ 320	$ 348	$ 395
Earnings:					
Income (loss) before income taxes and minority interests	$ 1,963	$ 1,736	$ 1,501	$ 1,344	$ 1,076
Fixed charges per above	301	289	320	348	395
Less: interest capitalized	(13)	(11)	(16)	(16)	(19)
	288	278	304	332	376
Amortization of interest capitalized	34	37	38	41	43
Total Earnings	$ 2,285	$ 2,051	$ 1,843	$ 1,717	$ 1,495
Ratio of Earnings to Fixed Charges	7.59	7.10	5.76	4.93	3.78

* Reasonable approximation of the interest factor.

FIVE-YEAR SUMMARY

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	1998	1997	1996	1995	1994
FOR THE YEAR					
Revenues	$ 25,715	$ 24,222	$ 23,051	$ 22,428	$ 20,934
Research and development	1,315	1,187	1,122	963	978
Segment operating profit margin	9.6%	8.9%	8.6%	7.8%	7.3%
Net income	1,255	1,072	906	750	585
Earnings per share:					
Basic	5.36	4.44	3.63	2.94	2.24
Diluted	5.05	4.21	3.48	2.87	2.20
Cash dividends per common share	1.39	1.24	1.10	1.025	.95
Average number of shares of Common Stock outstanding (thousands):					
Basic	227,767	234,443	241,454	245,642	251,077
Diluted	247,380	253,555	258,606	259,506	262,992
Return on average common shareowners' equity, after tax	28.6%	24.5%	21.1%	18.6%	15.4%
AT YEAR END					
Working capital	$ 1,620	$ 1,905	$ 2,287	$ 2,282	$ 1,701
Total assets	18,375	16,440	16,412	15,596	15,403
Long-term debt, including current portion	1,675	1,398	1,534	1,747	2,041
Total debt	2,187	1,587	1,750	2,012	2,439
Debt to total capitalization	33%	28%	29%	33%	39%
Net debt (total debt less cash)	1,637	932	752	1,273	2,167
Net debt to total capitalization	27%	19%	15%	24%	37%
ESOP Preferred Stock, net	456	450	434	398	339
Shareowners' equity	4,378	4,073	4,306	4,021	3,752
Equity per common share	19.45	17.78	18.08	16.47	15.24
Number of employees	178,800	168,900	163,000	160,600	161,500

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

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

BUSINESS ENVIRONMENT

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

in millions of dollars	1998	1997	1996	1998	1997	1996
Europe	$ 5,240	$ 4,788	$ 4,800	20%	19%	20%
Asia Pacific	2,508	2,952	3,042	10%	12%	13%
Other	2,559	2,380	2,238	10%	10%	10%
U.S. Exports	4,310	4,022	3,124	16%	16%	13%
International Revenues	$14,617	$14,142	$13,204	56%	57%	56%

As part of its globalization strategy, the Corporation has invested in businesses in emerging markets, including the People's Republic of China (PRC), the former Soviet Union and other emerging nations, which carry higher levels of currency, political and economic risks than investments in developed markets. At December 31, 1998, the Corporation's net investment in any one of these countries was less than 3% of consolidated equity.

The Asian economic crisis has significantly slowed growth in the region since the latter part of 1997. Tightening of credit in Asia has restricted available financing for new construction and slowed the completion of projects currently underway, resulting in less activity compared to recent years. While recognizing that the Asian economic downturn will continue beyond 1998, management believes the long-term economic growth prospects of the region remain intact. Therefore, the Corporation's Asian investment strategy continues to focus on the long-term infrastructure requirements of the region.

OTIS is the world's largest elevator and escalator manufacturing and service company. The elevator and escalator service market is an important aspect of Otis' business. Otis is impacted by global and regional economic factors, particularly fluctuations in commercial construction which affect new equipment installations, and labor costs which can impact service and maintenance margins on installed elevators and escalators. In 1998, 81% of Otis' revenues were generated outside the U.S. Accordingly, changes in foreign currency exchange rates can significantly affect the translation of Otis' operating results into U.S. dollars for financial reporting purposes.

During 1998, U.S. office building construction starts were higher than the prior year and commercial vacancy rates continued to improve. In Europe, Otis' new equipment activity increased along with a growing base of service business. Otis maintains a significant presence in the Asia Pacific region where economies remained weak.

CARRIER is the world's largest manufacturer of commercial and residential heating, ventilating and air conditioning (HVAC) systems and equipment. Carrier also produces transport and commercial refrigeration equipment, and provides after-market service and component sales. In late 1997, Carrier formed the Refrigeration Operations group from the former Carrier Transicold business and the newly acquired Commercial Refrigeration Operations. During 1998, 52% of Carrier's revenues were generated by international operations and U.S. exports. Accordingly, Carrier's results are impacted by a number of external factors including commercial and residential construction activity worldwide, regional economic and weather conditions and changes in foreign currency exchange rates.

U.S. residential housing and commercial construction starts increased in 1998, compared to 1997. Asian economies remained weak in 1998 while European economies strengthened.

UT AUTOMOTIVE (UTA) develops and manufactures a wide variety of electrical and interior trim systems and components for original equipment manufacturers (OEMs) in the automotive industry. Sales to Ford Motor Company, UTA's largest customer, were 33% of UTA's revenues in 1998. UTA also has important relationships with DaimlerChrysler and General Motors as well as European manufacturers PSA, Renault, Volvo, Austin Rover/BMW, SAAB and Fiat and the U.S. manufacturing divisions of Japanese automotive OEMs.

North American car and light truck production was lower while European car sales were higher in 1998, compared to 1997. UTA was unfavorably impacted by a strike at General Motors, during 1998, while benefiting from higher volumes in Europe. The automotive OEMs require significant cost reduction and performance improvements from suppliers and require suppliers to bear an increasing portion of engineering, design, development, tooling and warranty expenditures.

During 1998, 43% of UTA's revenues were generated by international operations and U.S. exports. Accordingly, UTA's results can be impacted by changes in foreign currency exchange rates.

"Earnings per share has grown 20% or more for the past five years"
[Quotation at the bottom of the page]

"Declining effective tax rate contributes to improved bottom line"
[Quotation at the top of the page]

In response to the rapid consolidation of OEM suppliers, the Corporation has engaged an investment banking firm to explore various strategic alternatives for UT Automotive, including possible divestiture of all or part of the business.

COMMERCIAL AEROSPACE

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

Worldwide airline profits, traffic growth and load factors have been reliable indicators for new aircraft and after-market orders. During 1998, U.S. and European airlines experienced continued profitability driven primarily by low fuel prices and the effect of cost reduction programs. Airlines in the Asia Pacific region have suffered declines in operating results reflecting weaker local economies. This erosion in earnings has resulted in a decrease in new orders for aerospace products and cancelations or deferrals of existing orders throughout the industry. The impact of the Asian economic downturn or a slowdown in the aviation industry, as a whole, will result in lower manufacturing volumes in the near term.

Over the past several years, Pratt & Whitney's mix of large commercial engine shipments has shifted to newer, higher thrust engines for wide-bodied aircraft in a market which is very price and product competitive. In order to update and further diversify its product base, Pratt & Whitney began development of the PW6000, a 16,000 to 23,000 pound-thrust engine designed specifically for the short-to-medium haul, 100 to 120 passenger, narrow-bodied aircraft market. The PW6000 is expected to enter service in 2002, with delivery to the first of two major customers.

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

Technological improvements to newer generation engines that increase reliability, as well as vertical integration of engine manufacturers in the overhaul and maintenance business, may change the market environment in the after-market business.

GOVERNMENT BUSINESS

During 1998, the Corporation's sales to the U.S. Government were $3,264 million or 13% of total sales, compared with $3,311 million or 14% of total sales in 1997 and $3,382 million or 15% of total sales in 1996.

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

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

The significant decrease in the U.S. defense procurement of helicopters in recent years and the resulting overcapacity has led to some consolidation of U.S. helicopter manufacturers. Sikorsky is responding to these continued consolidation pressures by improving its products and concentrating on increasing its after-market and foreign government sales. In addition, an international team led by Sikorsky is developing the S-92, a large cabin derivative of the Black Hawk family, for commercial and military markets. This aircraft made its first flight in December 1998.

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

RESULTS OF OPERATIONS

IN MILLIONS OF DOLLARS	1998	1997	1996
Sales	$25,687	$23,989	$22,788
Financing revenues and other income, net	28	233	263
Revenues	$25,715	$24,222	$23,051

Consolidated revenues increased 6% in 1998 and 5% in 1997. Excluding the unfavorable impact of foreign currency translation, consolidated revenues increased by 8% in both years. The Corporation estimates that increases in selling prices to customers averaged approximately 1% each year.

Financing revenues and other income, net, decreased $205 million in 1998 and $30 million in 1997. The 1998 decrease is primarily due to the costs of Pratt & Whitney's repurchases of participant interests in commercial engine programs, partially offset by the favorable settlement of a contract dispute with the U.S. Government.

IN MILLIONS OF DOLLARS	1998	1997	1996
Cost of sales	$19,276	$18,288	$17,415
Gross margin %	25.0%	23.8%	23.6%

Gross margin as a percentage of sales increased 1.2 percentage points in 1998 and two-tenths of a percentage point in 1997. The 1998 increase is primarily due to improved margin percentages at Pratt & Whitney. Gross margin in both years benefited from the Corporation's continuing cost reduction efforts.

IN MILLIONS OF DOLLARS	1998	1997	1996
Research and development	$1,315	$1,187	$1,122
Percent of sales	5.1%	4.9%	4.9%

Research and development spending increased $128 million (11%) and $65 million (6%) in 1998 and 1997. The increases were primarily due to increases at Pratt & Whitney and UT Automotive. Research and development expenses in 1999 are expected to remain at approximately 5% of sales.

IN MILLIONS OF DOLLARS	1998	1997	1996
Selling, general and administrative	$ 2,957	$ 2,820	$ 2,796
Percent of sales	11.5%	11.8%	12.3%

Selling, general and administrative expenses, as a percentage of sales, decreased three-tenths of a percentage point in 1998 and five-tenths of a percentage point in 1997. The 1998 decrease was primarily due to Otis, while the 1997 decrease was due to Pratt &Whitney and Flight Systems.

IN MILLIONS OF DOLLARS	1998	1997	1996
Interest expense	$ 204	$ 191	$ 217

Interest expense increased 7% in 1998, due to increased short-term borrowing needs and the issuance of $400 million of 6.7% notes in August. Interest expense decreased 12% in 1997 due to reduced average borrowing levels.

YEARS ENDED DECEMBER 31	1998	1997	1996
Average interest rate for the year:			
Short-term borrowings	10.3%	11.7%	11.8%
Total debt	8.3%	8.3%	8.7%

The average interest rate, for the year, on short-term borrowings exceed those of total debt due to higher short-term borrowing rates in certain foreign operations.

The weighted-average interest rate applicable to debt outstanding at December 31, 1998 was 6.7% for short-term borrowings and 7.3% for total debt. Weighted-average short-term borrowing rates are lower than those of total debt at December 31, 1998, due to the addition of commercial paper borrowings in the latter part of the year.

	1998	1997	1996
Effective income tax rate	31.7%	32.5%	32.9%

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

The future tax benefit arising from net deductible temporary differences is $2,352 million and relates to expenses recognized for financial reporting purposes which will result in tax deductions over varying future periods. Management believes that the Corporation's earnings during the periods when the temporary differences become deductible will be sufficient to realize those future income tax benefits.

While some tax credit and loss carryforwards have no expiration date, certain foreign and state tax loss carryforwards arise in a number of different tax jurisdictions with expiration dates beginning in 1999. For those jurisdictions where the expiration date or the projected operating results indicate that realization is not likely, a valuation allowance has been provided.

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

Minority interest expense decreased $14 million (14%) in 1998 and $2 million (2%) in 1997. The 1998 decrease is due to the level of the Corporation's earnings in less than wholly-owned subsidiaries, principally in Asia, and recent purchases of minority-shareholder interests.

Net income:
Increased 17% or $183 million from 1997 to 1998.
Increased 18% or $166 million from 1996 to 1997.

[GRAPHIC OMITTED: Bar Chart Showing Effective Tax Rate (%) from 1994-1998]

Data Points as follows:

1994	35.7%
1995	34.5%
1996	32.9%
1997	32.5%
1998	31.7%

SEGMENT REVIEW

Operating segment and geographic data include the results of all majority-owned subsidiaries, consistent with the management of these businesses. For certain of these subsidiaries, minority shareholders have rights which, under the provisions of Emerging Issues Task Force Issue No. 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights" (EITF 96-16), overcome the presumption of consolidation. In the Corporation's consolidated results, these subsidiaries are accounted for using the equity method of accounting.

IN MILLIONS OF DOLLARS	Revenues 1998	1997	1996	Operating Profits 1998	1997	1996	Operating Profit Margin 1998	1997	1996
Otis	$5,572	$5,548	$5,595	$ 533	$ 465	$ 524	9.6%	8.4%	9.4%
Carrier	6,922	6,056	5,958	495	458	422	7.2%	7.6%	7.1%
UT Automotive	2,962	2,987	3,233	169	173	196	5.7%	5.8%	6.1%
Pratt & Whitney	7,876	7,402	6,201	1,024	816	637	13.0%	11.0%	10.3%
Flight Systems	2,891	2,804	2,596	287	301	244	9.9%	10.7%	9.4%

"Operating cash flows remained strong"
[Quotation at the bottom of the page]

"Segment opertaing profit continued to improve despite the Asian economic crisis and cost reduction charges"
[Quotation at the top of the page]

1998 COMPARED TO 1997

OTIS revenues increased $24 million in 1998. Excluding the unfavorable impact of foreign currency translation, 1998 revenues increased 3% with increases in Europe, North America and Latin America, partially offset by declines in Asia.

Otis operating profits increased $68 million (15%) in 1998. Excluding the unfavorable impact of foreign currency translation, 1998 operating profits increased 17%. European, North American and Latin American operations improved in 1998, partially offset by declines in Asian operations and higher charges related to workforce reductions and the consolidation of manufacturing and engineering facilities.

CARRIER revenues increased $866 million (14%) in 1998. Excluding the unfavorable impact of foreign currency translation, 1998 revenues increased 17% due to the impact of acquisitions, as well as, increases in the Refrigeration Operations, North America, Europe and Latin America, partially offset by declines in Asia.

Carrier operating profits increased $37 million (8%) in 1998. Excluding the unfavorable impact of foreign currency translation, 1998 operating profits increased 11%. The 1998 increase reflects improvements in the Refrigeration Operations, North America, Latin America and Europe and the impact of acquisitions which more than offset declines in Asia. The 1998 results include charges related to workforce reductions and plant closures.

UT AUTOMOTIVE revenues decreased $25 million (1%) in 1998, reflecting declines in the electrical and interiors businesses, which were primarily due to lower selling prices and a strike at General Motors. These declines were partially offset by increases in Europe.

UT Automotive operating profits decreased $4 million (2%) in 1998 due to higher research and development spending in connection with new programs, higher selling, general and administrative expenses, lower selling prices and a strike at General Motors. The 1997 results include charges related to administrative workforce reductions and a provision for a plant closure.

PRATT & WHITNEY revenues increased $474 million (6%) in 1998, reflecting higher after-market revenues, resulting primarily from acquisitions, as well as, increased commercial engine shipments and U.S. military development revenues. The 1998 results also reflect the favorable settlement of a contract dispute with the U.S. Government and costs to repurchase interests from participants in commercial engine programs.

Pratt & Whitney operating profits increased $208 million (25%), reflecting higher engine margins, increased U.S. military development volumes, higher after-market volumes and productivity improvements. These items were partially offset by costs to repurchase interests from participants in commercial engine programs, charges related to workforce reduction efforts in the U.S. and Canada, higher research and development spending and selling, general and administrative expenses. The 1998 results also reflect the favorable settlement of a contract dispute with the U.S. Government and favorable resolution of customer contract issues.

FLIGHT SYSTEMS revenues increased $87 million (3%) in 1998 primarily due to increased revenues at Hamilton Standard, which were favorably impacted by the first quarter 1998 acquisition of a French aerospace components manufacturer, partly offset by lower volumes at Sikorsky.

Flight Systems operating profits decreased $14 million (5%) in 1998 due to lower volumes at Sikorsky and cost reduction charges taken at both units. The 1998 decline was partly offset by improvements at Hamilton Standard, mostly due to the first quarter acquisition of a French aerospace components manufacturer.

[GRAPHIC OMITTED: Bar Chart showing Segment Operating Profits ($ Billions) from 1994-1998]

Data Points as follows:

1994	$1.554
1995	1.795
1996	2.023
1997	2.213
1998	2.508

[GRAPHIC OMITTED: Bar Chart showing Operating Cash Flows ($ Billions) from 1994-1998]

Data Points as follows:

1994	$1.357
1995	2.044
1996	2.079
1997	2.090
1998	2.509

1997 COMPARED TO 1996

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

Otis operating profits decreased $59 million (11%) in 1997. Excluding the unfavorable impact of foreign currency translation, 1997 operating profits decreased 2%. The 1997 results include the impact of salaried workforce reductions designed to lower costs and streamline the organization. North American, Latin American and European operations improved in 1997, while Asian operations declined.

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

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

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

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

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

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

FLIGHT SYSTEMS revenues increased $208 million (8%) in 1997 due to increases at both Hamilton Standard and Sikorsky.

Flight Systems operating profits increased $57 million (23%) in 1997 as a result of continuing operating performance improvement at both Hamilton Standard and Sikorsky, partially offset by higher research and development spending.

LIQUIDITY AND FINANCING COMMITMENTS

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

IN MILLIONS OF DOLLARS	1998	1997	1996
Net cash flows provided by operating activities	$ 2,509	$ 2,090	$ 2,079
Capital expenditures	(866)	(819)	(770)
(Increase) decrease in customer financing assets, net	(213)	39	48
Acquisition funding	(1,241)	(584)	(317)
Common Stock repurchase	(650)	(849)	(459)
Change in total debt	600	(163)	(262)
Change in net debt	705	180	(521)

Cash flows provided by operating activities were $2,509 million during 1998 compared to $2,090 million in 1997. The increase resulted from improved operating and working capital performance. Cash flows used in investing activities were $2,269 million during 1998 compared to $1,167 million in 1997. Capital expenditures in 1998 were $866 million, a $47 million increase over 1997. The Corporation expects 1999 capital spending to approximate that of 1998. Customer financing activity was a net use of cash of $213 million in 1998 compared to a net source of cash of $39 million in 1997, primarily as a result of first quarter 1998 funding for an airline customer. While the Corporation expects that customer financing activity will be a net use of cash in 1999, actual funding is subject to usage under existing customer financing commitments. In 1998, the Corporation invested $1,241 million in the acquisition of businesses including Pratt & Whitney's investment in an overhaul and repair joint venture in Singapore, Hamilton Standard's acquisition of a French aerospace components manufacturer, Carrier's investment in a United States based distributor of HVAC equipment and Otis' purchase of the outstanding minority shares of a European subsidiary. The Corporation repurchased $650 million and $849 million of Common Stock during 1998 and 1997, representing 7.4 million and 11.2 million shares, under previously announced share repurchase programs. Share repurchase continues to be a significant use of the Corporation's strong cash flows and has more than offset the dilutive effect resulting from the issuance of stock under stock-based employee benefit programs. In October 1998, the Corporation's Board of Directors authorized the acquisition of an additional 15 million shares under the Corporation's share repurchase program.

[GRAPHIC OMITTED: Bar Chart showing Acquisitions ($ Millions) from 1994-1998]

Data Points as follows:

1994	$ 125
1995	204
1996	317
1997	584
1998	1,241

[GRAPHIC OMITTED: Bar Chart showing Share Repurchase ($ Millions) from 1994-1998]

Data Points as follows:

1994	$270
1995	221
1996	459
1997	849
1998	650

IN MILLIONS OF DOLLARS	1998	1997
Cash and cash equivalents	$ 550	$ 655
Total debt	2,187	1,587
Net debt (total debt less cash)	1,637	932
Shareowners' equity	4,378	4,073
Debt to total capitalization	33%	28%
Net debt to total capitalization	27%	19%

At December 31, 1998, the Corporation had credit commitments from banks totaling $1.5 billion under a Revolving Credit Agreement, which serves as back-up for a commercial paper facility. At December 31, 1998, there were no borrowings under the Revolving Credit Agreement. In addition, at December 31, 1998, approximately $1.1 billion was available under short-term lines of credit with local banks at the Corporation's various international subsidiaries.

As described in Note 8 of Notes to Consolidated Financial Statements, the Corporation issued $400 million of unsubordinated, unsecured, nonconvertible notes in August 1998. The proceeds were used for general corporate purposes, including acquisitions and repurchases of the Corporation's Common Stock. At December 31, 1998, up to $471 million of additional medium-term and long-term debt could be issued under a registration statement on file with the Securities and Exchange Commission.

At December 31, 1998, the Corporation had commitments of $1,420 million to finance or arrange financing related to commercial aircraft, of which as much as $600 million may be required to be disbursed in 1999. The Corporation cannot currently predict the extent to which these commitments will be utilized, since certain customers may be able to obtain more favorable terms from other financing sources. The Corporation may also arrange for third-

"Acquisitions exceeded $1.2 billion for the year"
[Quotation at the bottom of the page]

"Share repurchase contributes to increased shareholder value"
[Quotation at the top of the page]

party investors to assume a portion of its commitments. Refer to Note 4 of Notes to Consolidated Financial Statements for additional discussion of the Corporation's commercial airline industry assets and commitments.

The Corporation believes that existing sources of liquidity are adequate to meet anticipated borrowing needs at comparable risk-based interest rates for the foreseeable future. Management anticipates the level of debt to capital will increase moderately in order to satisfy its various cash flow requirements, including acquisition spending and continued share repurchases.

DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

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

International revenues, including U.S. export sales, averaged approximately $14 billion over the last three years, resulting in a large volume of foreign currency commitment and transaction exposures and significant foreign currency net asset exposures. Foreign currency commitment and transaction exposures are managed at the operating unit level as an integral part of the business and residual exposures that cannot be offset to an insignificant amount are hedged. These hedges are initiated by the operating units, with execution coordinated on a corporate-wide basis, and are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions. Currently, the Corporation does not hold any derivative contracts that hedge its foreign currency net asset exposures.

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

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

The Corporation has evaluated its exposure to changes in foreign currency exchange and interest rates in its market risk sensitive instruments, 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, 1998 and 1997, the potential loss in fair value of the Corporation's market risk sensitive instruments was not material in relation to the Corporation's financial position, results of operations or cash flows. The Corporation's calculated value at risk exposure represents an estimate of reasonably possible net losses based on historical market rates, volatilities and correlations and is not necessarily indicative of actual results.

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

ENVIRONMENTAL MATTERS

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

The Corporation has identified approximately 380 locations, mostly in the United States, at which it may have some liability for remediating contamination. The Corporation does not believe that any individual location's exposure is material to the Corporation. Sites in the investigation or remediation stage represent approximately 98% of the Corporation's recorded liability. The remaining 2% of the recorded liability consists of sites where the Corporation may have some liability but investigation is in the initial stages or has not begun.

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

Environmental remediation expenditures were $37 million in 1998, $35 million in 1997 and $30 million in 1996. The Corporation estimates that environmental remediation expenditures in each of the next two years will not exceed $50 million in the aggregate.

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

U.S. GOVERNMENT

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

FUTURE ACCOUNTING CHANGES
In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" which is effective January 1, 2000. Also in

June 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", which the Corporation will adopt in 1999. Management believes adoption of these requirements will not have a material impact on the Corporation's financial position, results of operations or cash flows.

YEAR 2000

The Corporation has developed a project plan to address the impact of the Year 2000 on its internal systems, products and facilities, as well as, its key suppliers and customers. The project has strong executive sponsorship and has been reviewed by an independent third party. The project consists of the following phases: awareness, assessment, remediation, testing and contingency planning.

The Corporation has substantially completed the awareness and assessment phases, with respect to its internal systems, products and facilities. The Corporation is in the process of carrying out the remediation and testing phases, which are expected to be substantially completed by September 1999.

The Corporation has been assessing its Year 2000 risks related to significant relationships with third parties via ongoing communication with its critical suppliers and customers. As part of the process, the Corporation has requested written assurances from these suppliers and customers that they have Year 2000 readiness programs in place, as well as an affirmation that they will be compliant when necessary. Responses to these inquiries are currently being gathered and reviewed. Further analysis, including site visits, will be conducted as necessary. Activities related to third parties are scheduled to be completed by September 1999. Despite these efforts, the Corporation can provide no assurance that supplier and customer Year 2000 compliance plans will be successfully completed in a timely manner.

The Corporation is taking steps to prevent major interruptions in the business due to Year 2000 problems using both internal and external resources to identify and correct problems and to test for readiness. The estimated external costs of the project, including equipment costs and consultant and software licensing fees, are expected to be approximately $140 million. Internal costs, which are primarily payroll related, are expected to be approximately $55 million. These costs are being funded through operating cash flows with amounts that would normally be budgeted for the Corporation's information systems and production and facilities equipment. As of December 31, 1998, total costs of external and internal resources incurred amounted to approximately $75 million and relate primarily to internal systems, products and facilities. Although the Corporation has been working on its Year 2000 readiness efforts for several years, costs incurred prior to 1997 have not been separately tracked and are generally not included in the estimate of total costs.

The schedule for completion and the estimated associated costs are based on management's estimates, which include assumptions of future events. There can be no assurance that the Corporation, its suppliers and customers will be fully Year 2000 compliant by January 1, 2000. The Corporation, therefore, could be adversely impacted by such things as loss of revenue, production delays, product failures, lack of third party readiness and other business interruptions. Accordingly, the Corporation has begun developing contingency plans to address potential issues which include, among other actions, development of backup procedures and identification of alternate suppliers. Contingency planning is expected to be substantially completed by September 1999. The ultimate effects on the Corporation or its suppliers or customers of not being fully Year 2000 compliant are not reasonably estimable. However, the Corporation believes its Year 2000 remediation efforts, together with the diverse nature of its businesses, help reduce the potential impact of non-compliance to levels which will not have a material adverse impact on its financial position, results of operations or cash flows.

EURO CONVERSION

On January 1, 1999, the European Economic and Monetary Union (EMU) entered a three-year transition phase during which a common currency, the "euro", was introduced in participating countries. Initially, the euro is being used for wholesale financial transactions and it will replace the legacy currencies that will be withdrawn between January 1, 2002 and July 1, 2002. The Corporation has been preparing for the euro since December of 1996 and has identified issues and developed implementation plans associated with the conversion, including technical adaptation of information technology and other systems, continuity of long-term contracts, foreign currency considerations, long-term competitive implications of the conversions and the effect on the market risk inherent in financial instruments. These implementation plans are expected to be completed within a timetable that is consistent with the transition phases of the euro.

Based on its evaluation to date, management believes that the introduction of the euro, including the total costs for the conversion, will not have a material adverse impact on the Corporation's financial position, results of operations or cash flows. However, uncertainty exists as to the effects the euro will have on the marketplace and there is no guarantee that all issues will be foreseen and corrected or that other third parties will address the conversion successfully.

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. These forward-looking statements are intended to provide management's current expectations or plans for the future operating and financial performance of the Corporation, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe", "expect", "plans", "strategy", "prospects", "estimate", "project", "anticipate" and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- 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 anticipated uses of cash
- the scope or nature of acquisition activity

- prospective product developments
- cost reduction efforts
- the outcome of contingencies
- the impact of Year 2000 conversion efforts and
- the transition to the use of the euro as a currency.

From time to time, oral or written forward-looking statements may also be included in other materials released to the public.

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 the Corporation's reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission from time to time. The Corporation's Annual Report on Form 10-K for 1998 includes important information as to risk factors in the "Business" section under the headings "Description of Business by Operating Segment" and "Other Matters Relating to the Corporation's Business as a Whole".

MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The financial statements of United Technologies Corporation and its subsidiaries are the responsibility of the Corporation's management and have been prepared in accordance with generally accepted accounting principles.

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

The Corporation assessed its internal control system as of December 31, 1998. Based on this assessment, management believes the internal accounting controls in use provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with management's authorizations, and that the financial records are reliable for the purpose of preparing financial statements.

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

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

/S/GEORGE DAVID
George David
Chairman and Chief Executive Officer

/S/DAVID J. FITZPATRICK
David J. FitzPatrick
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT
ACCOUNTANTS

To the Shareowners of
United Technologies Corporation

[PwC Logo]

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in shareowners' equity and of cash flows present fairly, in all material respects, the financial position of United Technologies Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/S/PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

One Financial Plaza
Hartford, Connecticut
January 21, 1999

CONSOLIDATED STATEMENT
OF OPERATIONS

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	YEARS ENDED DECEMBER 31 1998	1997	1996
REVENUES			
Product sales	$20,248	$18,873	$17,799
Service sales	5,439	5,116	4,989
Financing revenues and other income, net	28	233	263
	25,715	24,222	23,051
COSTS AND EXPENSES			
Cost of products sold	15,815	15,080	14,327
Cost of services sold	3,461	3,208	3,088
Research and development	1,315	1,187	1,122
Selling, general and administrative	2,957	2,820	2,796
Interest	204	191	217
	23,752	22,486	21,550
Income before income taxes and minority interests	1,963	1,736	1,501
Income taxes	623	565	494
Minority interests in subsidiaries' earnings	85	99	101
NET INCOME	$ 1,255	$ 1,072	$ 906
EARNINGS PER SHARE OF COMMON STOCK:			
Basic	$ 5.36	$ 4.44	$ 3.63
Diluted	5.05	4.21	3.48

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

IN MILLIONS OF DOLLARS, SHARES IN THOUSANDS	DECEMBER 31 1998	1997
ASSETS		
Cash and cash equivalents	$ 550	$ 655
Accounts receivable (net of allowance for doubtful accounts of $321 and $304)	3,993	3,742
Inventories and contracts in progress	3,362	3,113
Future income tax benefits	1,276	1,098
Other current assets	174	410
Total Current Assets	9,355	9,018
Customer financing assets	498	216
Future income tax benefits	1,076	963
Fixed assets	4,265	4,127
Goodwill (net of accumulated amortization of $503 and $398)	1,750	982
Other assets	1,431	1,134
TOTAL ASSETS	$ 18,375	$ 16,440
LIABILITIES AND SHAREOWNERS' EQUITY		
Short-term borrowings	$ 512	$ 189
Accounts payable	2,237	1,889
Accrued liabilities	4,886	4,912
Long-term debt currently due	100	123
Total Current Liabilities	7,735	7,113
Long-term debt	1,575	1,275
Future pension and postretirement benefit obligations	1,685	1,266
Future income taxes payable	162	133
Other long-term liabilities	1,961	1,779
Commitments and contingent liabilities (Notes 4 and 14)		
Minority interests in subsidiary companies	423	351
Series A ESOP Convertible Preferred Stock, $1 par value (Authorized-20,000 shares) Outstanding-12,629 and 13,042 shares	836	865
ESOP deferred compensation	(380)	(415)
	456	450
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value (Authorized-230,000 shares; none issued or outstanding)	--	--
Common Stock, $1 par value (Authorized-1,000,000 shares) Issued--291,080 and 287,837 shares	2,708	2,488
Treasury Stock (66,028 and 58,766 common shares at cost)	(3,117)	(2,472)
Retained earnings	5,411	4,558
Accumulated other non-shareowner changes in equity:		
Foreign currency translation adjustments	(487)	(484)
Minimum pension liability	(137)	(17)
	(624)	(501)
TOTAL SHAREOWNERS' EQUITY	4,378	4,073
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$ 18,375	$ 16,440

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT
OF CASH FLOWS

IN MILLIONS OF DOLLARS	YEARS ENDED DECEMBER 31 1998	1997	1996
OPERATING ACTIVITIES			
Net income	$ 1,255	$ 1,072	$ 906
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	854	834	841
Deferred income tax benefit	(252)	(521)	(11)
Minority interests in subsidiaries' earnings	85	99	101
Change in:			
Accounts receivable	14	(217)	(46)
Inventories and contracts in progress	(99)	121	(341)
Other current assets	208	(17)	(21)
Accounts payable and accrued liabilities	162	297	584
Other, net	282	422	66
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	2,509	2,090	2,079
INVESTING ACTIVITIES			
Capital expenditures	(866)	(819)	(770)
Increase in customer financing assets	(356)	(132)	(137)
Decrease in customer financing assets	143	171	185
Acquisitions of businesses	(1,241)	(584)	(317)
Dispositions of businesses	--	37	177
Other, net	51	160	83
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,269)	(1,167)	(779)
FINANCING ACTIVITIES			
Issuance of long-term debt	402	12	30
Repayment of long-term debt	(149)	(148)	(273)
Increase (decrease) in short-term borrowings	289	11	(98)
Common Stock issued under employee stock plans	220	143	96
Dividends paid on Common Stock	(316)	(291)	(265)
Common Stock repurchase	(650)	(849)	(459)
Dividends to minority interests and other	(137)	(95)	(61)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(341)	(1,217)	(1,030)
Effect of foreign exchange rate changes on Cash and cash equivalents	(4)	(49)	(11)
Net (decrease) increase in cash and cash equivalents	(105)	(343)	259
Cash and cash equivalents, beginning of year	655	998	739
Cash and cash equivalents, end of year	$ 550	$ 655	$ 998
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 177	$ 166	$ 184
Income taxes paid, net of refunds	959	910	453

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	Accumulated Other Non-Shareowner Changes in Equity	Non-Shareowner Changes in Equity for the Period
DECEMBER 31, 1995	$ 2,249	$(1,168)	$ 3,252	$ (312)	
Common Stock issued under employee plans (1.8 million shares)	96	1	(14)		
Common Stock repurchased (8.0 million shares)		(459)			
Dividends on Common Stock ($1.10 per share)			(265)		
Dividends on ESOP Stock ($4.80 per share)			(30)		
NON-SHAREOWNER CHANGES IN EQUITY:					
Net income			906		$ 906
Foreign currency translation:					
Foreign currency translation adjustments				2	2
Income taxes				(9)	(9)
Minimum pension liability:					
Pension adjustment				94	94
Income taxes				(37)	(37)
DECEMBER 31, 1996	2,345	(1,626)	3,849	(262)	$ 956
Common Stock issued under employee plans (2.2 million shares)	143	3	(26)		
Common Stock repurchased (11.2 million shares)		(849)			
Dividends on Common Stock ($1.24 per share)			(291)		
Dividends on ESOP Stock ($4.80 per share)			(32)		
NON-SHAREOWNER CHANGES IN EQUITY:					
Net income			1,072		$ 1,072
Foreign currency translation:					
Foreign currency translation adjustments				(225)	(225)
Income taxes				(6)	(6)
Minimum pension liability:					
Pension adjustment				(12)	(12)
Income tax benefits				4	4
Other			(14)		(14)
DECEMBER 31, 1997	2,488	(2,472)	4,558	(501)	$ 819
Common Stock issued under employee plans (3.3 million shares)	220	5	(53)		
Common Stock repurchased (7.4 million shares)		(650)			
Dividends on Common Stock ($1.39 per share)			(316)		
Dividends on ESOP Stock ($4.80 per share)			(33)		
NON-SHAREOWNER CHANGES IN EQUITY:					
Net income			1,255		$ 1,255
Foreign currency translation:					
Foreign currency translation adjustments				4	4
Income taxes				(7)	(7)
Minimum pension liability:					
Pension adjustment				(187)	(187)
Income tax benefits				67	67
DECEMBER 31, 1998	$ 2,708	$(3,117)	$ 5,411	$ (624)	$ 1,132

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.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its controlled subsidiaries. Intercompany transactions have been eliminated. In the fourth quarter of 1998, the Corporation adopted the provisions of EITF 96-16. Accordingly, majority-owned subsidiaries in which the minority shareowners have rights that overcome the presumption for consolidation are accounted for on the equity method. Adoption of EITF 96-16 resulted in the restatement of certain prior period amounts.

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

Current and long-term accounts receivable include retainage and unbilled costs of approximately $103 million and $142 million at December 31, 1998 and 1997. Retainage represents amounts which, pursuant to the contract, are due upon project completion and acceptance by the customer. Unbilled costs 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 on the Consolidated Balance Sheet.

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. Costs accumulated against specific contracts or orders are at actual cost. Materials in excess of requirements for contracts and orders currently in effect or anticipated have been reserved and written-off when appropriate.

Manufacturing tooling costs are charged to inventories or to fixed assets depending upon their nature, general applicability and useful lives. Tooling costs included in inventory are charged to cost of sales based on usage, generally within two years after they enter productive use.

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

FIXED ASSETS

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

GOODWILL AND OTHER LONG-LIVED ASSETS

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired companies and is generally being amortized using the straight-line method over periods ranging from 10 to 40 years.

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

REVENUE RECOGNITION

Sales under government and commercial fixed-price contracts and government fixed-price-incentive contracts are recorded at the time deliveries are made or, in some cases, on a percentage-of-completion basis. Sales under cost-reimbursement contracts are recorded as work is performed and billed. Sales of commercial aircraft engines sometimes require participation by the Corporation in aircraft financing arrangements; when appropriate, such sales are accounted for as operating leases. Sales under elevator and escalator installation and modernization contracts are accounted for under the percentage-of-completion method.

Losses, if any, on contracts are provided for when anticipated. Loss provisions are based upon excess inventoriable manufacturing, engineering, estimated warranty and product guarantee costs over the net revenue from the products contemplated by the specific order. Contract accounting requires estimates of future costs over the performance period of the contract. These estimates are subject to change and result in adjustments to margins on contracts in progress.

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

RESEARCH AND DEVELOPMENT

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

HEDGING ACTIVITY

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

Gains and losses from instruments that are effective hedges of firm commitments are deferred and recognized as part of the economic basis of the transactions underlying the commitments when the associated hedged transaction occurs. Gains and losses from instruments that are effective hedges of foreign-currency-denominated transactions are reported in earnings and offset the effects of foreign exchange gains and losses from the associated hedged transactions. Gains and losses on the excess of foreign currency hedge amounts over the related hedged commitment or transaction would be recognized in earnings. Cash flows from derivative instruments designated as hedges are classified consistent with the items being hedged.

Derivative instruments designated but no longer effective as a hedge would be reported at market value and the related gains and losses would be recognized in earnings.

Gains and losses on terminations of foreign exchange contracts are deferred and amortized over the remaining period of the original contract to the extent the underlying hedged commitment or transaction is still likely to occur. Gains and losses on terminations of foreign exchange contracts are recognized in earnings when terminated in conjunction with the cancelation of the related commitment or transaction.

Carrying amounts of foreign exchange contracts are included in accounts receivable, other assets and accrued liabilities.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" which is effective January 1, 2000. Management believes adoption of this standard will not have a material impact on the Corporation's financial position, results of operations or cash flows.

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, the Corporation considers its likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Liabilities with fixed or reliably determinable future cash payments are discounted. Environmental liabilities are not reduced by potential insurance reimbursements.

NOTE 2

ACQUISITIONS AND DISPOSITIONS

The Corporation completed acquisitions in 1998, 1997 and 1996 for cash consideration of $1,241 million, $584 million and $317 million. The assets and liabilities of the acquired businesses accounted for under the purchase method are 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, of $856 million in 1998, $372 million in 1997 and $141 million in 1996, has been recorded as goodwill and is being amortized over its estimated useful life.

The results of operations of acquired businesses have been included in the Consolidated Statement of Operations beginning on the effective date of acquisition. The pro forma results for 1998, 1997 and 1996, assuming these acquisitions had been made at the beginning of the year, would not be materially different from reported results.

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

NOTE 3

EARNINGS PER SHARE

	Income (MILLIONS)	Average Shares (THOUSANDS)	Per Share Amount
DECEMBER 31, 1998			
Net Income	$ 1,255		
Less: ESOP Stock dividends	(33)		
BASIC EARNINGS PER SHARE	$ 1,222	227,767	$ 5.36
Stock awards		5,972	
ESOP Stock adjustment	28	13,641	
DILUTED EARNINGS PER SHARE	$ 1,250	247,380	$ 5.05
DECEMBER 31, 1997			
Net Income	$ 1,072		
Less: ESOP Stock dividends	(32)		
BASIC EARNINGS PER SHARE	$ 1,040	234,443	$ 4.44
Stock awards		5,878	
ESOP Stock adjustment	27	13,234	
DILUTED EARNINGS PER SHARE	$ 1,067	253,555	$ 4.21
DECEMBER 31, 1996			
Net Income	$ 906		
Less: ESOP Stock dividends	(30)		
BASIC EARNINGS PER SHARE	$ 876	241,454	$ 3.63
Stock awards		4,877	

ESOP Stock adjustment	24	12,275	
DILUTED EARNINGS PER SHARE	$ 900	258,606	$ 3.48

NOTE 4

COMMERCIAL AIRLINE INDUSTRY ASSETS AND COMMITMENTS

The Corporation has receivables and other financing assets with commercial airline industry customers totaling $1,361 million and $1,235 million at December 31, 1998 and 1997, net of allowances of $237 million and $257 million, respectively.

Customer financing assets consist of the following:

IN MILLIONS OF DOLLARS	1998	1997
Notes and leases receivable	$337	$139
Products under lease	248	129
	585	268
Less: receivables due within one year	87	52
	$498	$216

Scheduled maturities of notes and leases receivable due after one year are as follows: $110 million in 2000, $85 million in 2001, $5 million in 2002, $3 million in 2003 and $47 million in 2004 and thereafter.

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

The following table summarizes the airline industry commitments and related maturities of the Corporation's financing and rental commitments as of December 31, 1998 should all commitments be exercised as scheduled:

	Maturities	
IN MILLIONS OF DOLLARS	Financing	Rental
1999	$545	$ 9
2000	50	9
2001	36	9
2002	3	9
2003	90	9
Thereafter	236	50
Total commitments	$960	$95

In addition, the Corporation has residual value and other guarantees of $159 million as of December 31, 1998.

The Corporation has a 33% interest in International Aero Engines (IAE), an international consortium of four shareholders organized to support the V2500 commercial aircraft engine program. IAE may offer customer financing in the form of guarantees, secured debt or lease financing in connection with V2500 engine sales. At December 31, 1998, IAE has financing commitments of $1,390 million. In addition, IAE has lease obligations under long-term noncancelable leases of approximately $360 million through 2021 related to aircraft which are subleased to customers under long-term leases. These aircraft have fair market values which exceed the financed amounts. The shareholders of IAE have guaranteed IAE's financing arrangements to the extent of their respective ownership interests. In the event any shareholder was to default on certain of these financing arrangements, the other shareholders would be proportionately responsible. The Corporation's share of IAE's financing commitments was approximately $460 million at December 31, 1998.

NOTE 5
INVENTORIES AND CONTRACTS IN PROGRESS

IN MILLIONS OF DOLLARS	1998	1997
Inventories	$ 3,624	$ 3,399
Contracts in progress	1,411	1,275
	5,035	4,674
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(124)	(144)
Billings on contracts in progress	(1,549)	(1,417)
	$ 3,362	$ 3,113

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

The Corporation's sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. Approximately 57% of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts at December 31, 1998 and 1997. It is impracticable for the Corporation to determine the amounts of inventory scheduled for delivery under long-term contracts within the next twelve months.

If inventories which were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $133 million at December 31, 1998 ($132 million at December 31, 1997).

NOTE 6
FIXED ASSETS

IN MILLIONS OF DOLLARS	Estimated Useful Lives	1998	1997
Land	--	$ 166	$ 157
Buildings and improvements	20-40 years	3,202	3,039
Machinery, tools and equipment	3-12 years	7,215	7,009
Other, including under construction	--	317	267

	10,900	10,472
Accumulated depreciation	(6,635)	(6,345)
	$ 4,265	$ 4,127

Depreciation expense was $724 million in 1998, $740 million in 1997 and $774 million in 1996.

NOTE 7
ACCRUED LIABILITIES

IN MILLIONS OF DOLLARS	1998	1997
Accrued salaries, wages and employee benefits	$ 913	$ 900
Service and warranty accruals	463	429
Advances on sales contracts	638	699
Income taxes payable	421	644
Other	2,451	2,240
	$4,886	$4,912

NOTE 8
BORROWINGS AND LINES OF CREDIT
Short-term borrowings consist of the following:

IN MILLIONS OF DOLLARS	1998	1997
Foreign bank borrowings	$191	$189
Commercial paper	321	--
	$512	$189

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 1998 and 1997 were 6.7% and 9.6%, reflecting the addition of commercial paper borrowings in the latter part of 1998. At December 31, 1998, approximately $1.1 billion was available under short-term lines of credit with local banks at the Corporation's various international subsidiaries.

At December 31, 1998, the Corporation had credit commitments from banks totaling $1.5 billion under a Revolving Credit Agreement, which serves as back-up for a commercial paper facility. There were no borrowings under the Revolving Credit Agreement.

Long-term debt consists of the following:

IN MILLIONS OF DOLLARS	1998 Debt Weighted Average Interest Rate	Maturity	1998	1997
Notes and other debt denominated in:				
U.S. dollars	7.7%	1999-2028	$1,013	$ 641
Foreign currency	6.9%	1999-2012	39	37
Capital lease obligations	6.6%	1999-2017	250	311
ESOP debt	7.7%	1999-2009	373	409
			$1,675	$1,398
Less: Long-term debt currently due			100	123
			$1,575	$1,275

Principal payments required on long-term debt for the next five years are $100 million in 1999, $193 million in 2000, $98 million in 2001, $42 million in 2002 and $43 million in 2003.

In August 1998, the Corporation issued $400 million of 6.7% unsubordinated, unsecured, nonconvertible notes (the "Notes") under a shelf registration statement previously filed with the Securities and Exchange Commission. The Notes are due August 1, 2028, with interest payable semiannually commencing February 1, 1999. The Notes are not redeemable at the option of the Corporation or repayable at the option of the holder prior to maturity, and do not provide for any sinking fund payments. At December 31, 1998, up to $471 million of additional medium-term and long-term debt could be issued under this registration statement.

Prior to 1997, the Corporation executed in-substance defeasances by depositing U.S. Government Securities into irrevocable trusts to cover the interest and principal payments on $296 million of its debt. For financial reporting purposes, the debt has been considered extinguished. As of December 31, 1998, the amount outstanding on these debt instruments was $68 million, which matures in 1999.

The percentage of total debt at floating interest rates was 26% and 15% at December 31, 1998 and 1997, respectively.

NOTE 9
TAXES ON INCOME
Significant components of income taxes (benefits) for each year are as follows:

IN MILLIONS OF DOLLARS	1998	1997	1996
Current:			
United States:			
Federal	$ 357	$ 598	$ 171
State	24	41	19
Foreign	369	412	336
	750	1,051	526
Future:			
United States:			
Federal	(211)	(406)	(12)
State	(25)	(82)	5
Foreign	(16)	(33)	(4)

	(252)	(521)	(11)
	498	530	515
Attributable to items credited (charged) to equity	125	35	(21)
	$ 623	$ 565	$ 494

Future income taxes represent the tax effects of transactions which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets and tax carryforwards. The tax effects of temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 1998 and 1997 are as follows:

IN MILLIONS OF DOLLARS	1998	1997
Future income tax benefits:		
Insurance and employee benefits	$ 706	$ 565
Other asset basis differences	634	558
Other liability basis differences	1,017	997
Tax loss carryforwards	113	117
Tax credit carryforwards	112	112
Valuation allowance	(230)	(288)
	$ 2,352	$ 2,061
Future income taxes payable:		
Fixed assets	$ 62	$ 95
Other items, net	122	50
	$ 184	$ 145

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

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

IN MILLIONS OF DOLLARS	1998	1997	1996
United States	$ 965	$ 702	$ 483
Foreign	998	1,034	1,018
	$1,963	$1,736	$1,501

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

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

	1998	1997	1996
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Varying tax rates of consolidated subsidiaries (including Foreign Sales Corporation)	(4.5)	(4.4)	(6.2)
Other	1.2	1.9	4.1
Effective income tax rate	31.7%	32.5%	32.9%

Tax credit carryforwards at December 31, 1998 are $112 million of which $1 million expires annually in each of the next three years.

Tax loss carryforwards, principally state and foreign, at December 31, 1998 are $553 million of which $438 million expire as follows: $194 million from 1999-2003, $124 million from 2004-2008, $120 million from 2009-2018.

NOTE 10

EMPLOYEE BENEFIT PLANS

The Corporation and its subsidiaries sponsor many domestic and foreign defined benefit pension and other postretirement plans whose balances are as follows:

	Pension Benefits		Other Postretirement Benefits	
IN MILLIONS OF DOLLARS	1998	1997	1998	1997
CHANGE IN BENEFIT OBLIGATION:				
Beginning balance	$ 9,666	$ 9,195	$ 700	$ 703
Service cost	222	228	10	10
Interest cost	695	664	51	52
Actuarial loss (gain)	978	218	21	(23)
Total benefits paid	(601)	(570)	(57)	(65)
Other	115	(69)	46	23
Ending balance	$ 11,075	$ 9,666	$ 771	$ 700
CHANGE IN PLAN ASSETS:				
Beginning balance	$ 10,570	$ 8,956	$ 82	$ 83
Actual return on plan assets	(143)	2,073	5	6
Employer contributions	139	85	--	--
Benefits paid from plan assets	(572)	(549)	(10)	(11)
Other	(49)	5	4	4

Ending balance	$ 9,945	$ 10,570	$ 81	$ 82
Funded status	$ (1,130)	$ 904	$ (690)	$ (618)
Unrecognized net actuarial loss (gain)	999	(973)	(26)	(67)
Unrecognized prior service cost	235	196	(181)	(204)
Unrecognized net asset at transition	(35)	(57)	--	--
Net amount recognized	$ 69	$ 70	$ (897)	$ (889)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET CONSIST OF:				
Prepaid benefit cost	$ 360	$ 310	$ --	$ --
Accrued benefit liability	(712)	(295)	(897)	(889)
Intangible asset	207	28	--	--
Accumulated other non-shareowner changes in equity	214	27	--	--
Net amount recognized	$ 69	$ 70	$ (897)	$ (889)

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

	1998	1997	1996
Pension Benefits:			
Discount rate	6.6%	7.4%	7.5%
Expected return on plan assets	9.6%	9.7%	9.7%
Salary scale	4.8%	4.9%	5.0%
Other Postretirement Benefits:			
Discount rate	6.7%	7.5%	7.6%
Expected return on plan assets	9.6%	7.0%	7.0%
Salary scale	--	--	--

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999. The rate was assumed to decrease gradually to 6.75% for 2001 and remain at that level thereafter.

IN MILLIONS OF DOLLARS	1998	1997	1996
COMPONENTS OF NET PERIODIC BENEFIT COST:			
Pension Benefits:			
Service cost	$ 222	$ 228	$ 213
Interest cost	695	664	648
Expected return on plan assets	(856)	(783)	(737)
Amortization of prior service cost	26	26	24
Amortization of unrecognized net transition asset	(23)	(23)	(23)
Recognized actuarial net loss	8	7	5
Net settlement and curtailment loss	73	6	10
Net periodic benefit cost	$ 145	$ 125	$ 140
Net periodic benefit cost of multiemployer plans	$ 25	$ 26	$ 24
Other Postretirement Benefits:			
Service cost	$ 10	$ 10	$ 10
Interest cost	51	52	52
Expected return on plan assets	(6)	(6)	(6)
Amortization of prior service cost	(18)	(18)	(19)
Recognized actuarial net gain	--	--	(1)
Net settlement and curtailment loss	10	--	1
Net periodic benefit cost	$ 47	$ 38	$ 37

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $2,826 million, $2,688 million and $2,194 million, respectively as of December 31, 1998, and $391 million, $278 million and $3 million, respectively as of December 31, 1997.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would change the accumulated postretirement benefit obligation as of December 31, 1998 by approximately 2%. The effects of this change on the service expense and the interest expense components of the net postretirement benefit expense for 1998 would be 3%.

EMPLOYEE SAVINGS PLANS

The Corporation and certain subsidiaries sponsor various employee savings plans. Total contribution expenses were $85 million, $80 million and $75 million for 1998, 1997 and 1996.

The Corporation's nonunion domestic employee savings plan uses an Employee Stock Ownership Plan ("ESOP") for employer contributions. External borrowings, guaranteed by the Corporation and reported as debt on the Consolidated Balance Sheet, were used by the ESOP to fund a portion of its purchase of ESOP Stock from the Corporation. Each share of ESOP Stock is convertible into two shares of Common Stock, has a guaranteed value of $65, a $4.80 annual dividend and is redeemable at any time for $65.48 per share. Upon notice of redemption by the Corporation, the Trustee has the right to convert the ESOP Stock into Common Stock. Because of its guaranteed value, the ESOP Stock is classified outside of permanent equity.

Shares of ESOP Stock are committed to employees at fair value on the date earned. The ESOP Stock's cash dividends are used for debt service payments. Participants receive shares in lieu of the cash dividends. As debt service payments are made, ESOP Stock is released from an unreleased shares account. If share releases do not meet share commitments, the Corporation will contribute additional ESOP Stock, Common Stock or cash. At December 31, 1998, 6.9 million shares had been committed to employees, leaving 5.7 million shares in the ESOP Trust, with an approximate fair value of $1,256 million based on equivalent common shares.

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

LONG-TERM INCENTIVE PLANS

The Corporation has long-term incentive plans authorizing various types of market and performance based incentive awards, which may be granted to officers and employees. The 1989 Long-Term Incentive Plan provides for the annual grant of awards in an amount not to exceed 2% of the aggregate shares of Common Stock, treasury shares and potentially dilutive common shares for the preceding year. The 1995 Special Retention and Stock Appreciation Program Plan permits up to 2 million award units to be granted in any calendar year. In addition, up to 1 million options on Common Stock may be granted annually under the Corporation's Employee Stock Option Plan. The exercise price of stock options, set at the time of the grant, is not less than the fair market value per share at the date of grant. Options have a term of ten years and generally vest after three years.

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

A summary of the transactions under all plans for the three years ended December 31, 1998 follows:

SHARES AND UNITS IN THOUSANDS	Stock Options Shares	Average Price	Other Incentive Shares/Units
OUTSTANDING AT:			
DECEMBER 31, 1995	16,069	$ 28.65	2,010
Granted	4,392	51.10	13
Exercised/earned	(2,139)	24.09	(236)
Canceled	(242)	39.56	--
DECEMBER 31, 1996	18,080	34.49	1,787
Granted	4,723	71.38	87
Exercised/earned	(2,211)	26.70	(578)
Canceled	(565)	59.04	(33)
DECEMBER 31, 1997	20,027	43.36	1,263
Granted	4,324	77.85	26
Exercised/earned	(3,354)	29.88	(275)
Canceled	(386)	64.68	(4)
DECEMBER 31, 1998	20,611	$ 52.40	1,010

The Corporation applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its long-term incentive plans. Accordingly, no compensation cost has been recognized for its fixed stock options. The compensation cost that has been recorded for stock-based performance awards was $31 million, $22 million and $45 million for 1998, 1997 and 1996.

The following table summarizes information about stock options outstanding (in thousands) at December 31, 1998:

	Options Outstanding			Options Exercisable	
Exercise Price	Shares	Average Price	Remaining Term	Shares	Average Price
$20.01-$ 40.00	8,380	$ 30.50	4.85	8,380	$ 30.50
$40.01-$ 60.00	3,691	50.96	7.11	518	51.92
$60.01-$ 80.00	7,532	72.01	8.49	185	71.85
$80.01-$100.00	1,008	93.27	9.42	--	--

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

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	1998	1997	1996
Net income:			
As reported	$ 1,255	$ 1,072	$ 906
Pro forma	1,208	1,042	894
Basic earnings per share:			
As reported	$ 5.36	$ 4.44	$ 3.63
Pro forma	5.16	4.31	3.58
Diluted earnings per share:			
As reported	$ 5.05	$ 4.21	$ 3.48
Pro forma	4.87	4.09	3.43

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

	1998	1997	1996
Risk-free interest rate	5.4%	6.3%	5.3%
Expected life	6 years	6 years	6 years
Expected volatility	23%	18%	17%
Expected dividend yield	1.5%	1.8%	2.1%

The weighted-average grant date fair values of options granted during 1998, 1997 and 1996 were $22.65, $18.56 and $11.91.

NOTE 11

1998 COST REDUCTION EFFORTS

During 1998, the Corporation recorded pre-tax charges totaling $330 million related to ongoing efforts to reduce costs in response to an increasingly competitive business environment. Charges were recorded in each of the Corporation's business segments, with the majority relating to the Pratt & Whitney, Otis and Carrier operations. The amounts were primarily recorded in cost of sales and relate to workforce reductions of approximately 8,000 employees, plant closings and charges associated with asset impairments. Approximately 3,900 employees were terminated by the end of 1998. The remaining terminations and plant closings are planned to be completed by December 31, 1999.

The following table summarizes the costs associated with these actions:

IN MILLIONS OF DOLLARS	Severance and Related Costs	Other Exit Costs	Asset Write-Downs	Total
1998 Charges	$ 271	$ 7	$52	$ 330
Utilized in 1998	146	1	52	199
Remaining	$ 125	$ 6	$--	$ 131

In 1997 and 1996, the Corporation recorded charges which were similar in nature to those noted above. However, the amounts were not material and the related actions have been substantially completed.

NOTE 12

FOREIGN EXCHANGE

The Corporation conducts business in many different currencies and, accordingly, is subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of the Corporation's foreign subsidiaries are measured using the local currency as the functional currency. The aggregate effects of translating the balance sheets of these subsidiaries are deferred as a separate component of shareowners' equity. The Corporation had foreign currency net assets in more than forty currencies, aggregating $1.7 billion and $1.4 billion at December 31, 1998 and 1997, including Canadian dollar net assets of $259 million and $420 million, respectively. The Corporation's net assets in the Asia Pacific region were $499 million and $441 million at December 31, 1998 and 1997.

Foreign currency commitment and transaction exposures are managed at the operating unit level as an integral part of the business. Residual exposures that cannot be offset to an insignificant amount are hedged. These hedges are initiated by the operating units, with execution coordinated on a corporate-wide basis, and are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions. Hedged items include foreign-currency-denominated receivables and payables on the balance sheet, and commitments for purchases and sales.

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

IN MILLIONS OF DOLLARS	1998	1997
Notional amount:		
Buy contracts	$1,694	$1,710
Sell contracts	1,042	1,062
Gains and losses explicitly deferred as a result of hedging firm commitments:		
Gains deferred	$ 6	$ 12
Losses deferred	(83)	(68)
	$ (77)	$ (56)

The deferred gains and losses are expected to be recognized in earnings over the next three years along with the offsetting gains and losses on the underlying commitments.

NOTE 13

FINANCIAL INSTRUMENTS

The Corporation operates internationally and, in the normal course of business, is exposed to fluctuations in interest rates and currency values. These fluctuations can increase the costs of financing, investing and operating the business. The Corporation manages its transaction risks to acceptable limits through the use of derivatives to create offsetting positions in foreign currency markets. The Corporation views derivative financial instruments as risk management tools and is not party to any leveraged derivatives.

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

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

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Significant differences can arise between the fair value and carrying amount of financial instruments at historic cost.

The carrying amounts and fair values of financial instruments are as follows:

	DECEMBER 31, 1998		DECEMBER 31, 1997	
IN MILLIONS OF DOLLARS	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Long-term receivables	$ 60	$ 59	$ 86	$ 84
Customer financing notes	311	304	117	117
Financial liabilities:				
Short-term borrowings	512	512	189	189
Long-term debt	1,425	1,676	1,087	1,260
Foreign exchange contracts:				
In a receivable position	16	21	18	17
In a payable position	105	96	96	68

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

CASH, CASH EQUIVALENTS AND SHORT-TERM BORROWINGS

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

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

DEBT
The fair values are estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

FOREIGN EXCHANGE CONTRACTS
The fair values are estimated based on the amount that the Corporation would receive or pay to terminate the agreements at the reporting date.

FINANCING COMMITMENTS

The Corporation had outstanding financing commitments totaling $1,420 million at December 31, 1998. Risks associated with changes in interest rates are negated by the fact that interest rates are variable during the commitment term and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financings is expected to equal the amounts funded. The fair value of the commitment itself is not readily determinable and is not considered significant. Additional information pertaining to these commitments is included in Note 4.

NOTE 14

COMMITMENTS AND CONTINGENT LIABILITIES

LEASES

The Corporation occupies space and uses certain equipment under lease arrangements. Rental commitments at December 31, 1998 under long-term noncancelable operating leases are as follows:

IN MILLIONS OF DOLLARS	
1999	$ 179
2000	128
2001	92
2002	74
2003	62
Thereafter	195
	$ 730

Rent expense in 1998, 1997 and 1996 was $252 million, $260 million and $260 million.

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

ENVIRONMENTAL

The Corporation's operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over its local operations. As described in Note 1, the Corporation has accrued for the costs of environmental remediation activities and periodically reassesses these amounts. Management believes that losses materially in excess of amounts accrued are not reasonably possible.

The Corporation has had insurance in force over its history with a number of insurance companies and has commenced litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. The litigation is expected to last several years. Environmental liabilities are not reduced by potential insurance reimbursements.

U.S. GOVERNMENT

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

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

OTHER

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

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

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

NOTE 15

SEGMENT FINANCIAL DATA

The Corporation and its subsidiaries design, develop, manufacture, sell and provide service on products, classified in five principal operating segments. The Corporation's operating segments were generally determined on the basis of separate operating companies, each with general operating autonomy over diversified products and services.

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

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

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

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

The Flight Systems segment includes Sikorsky Aircraft and Hamilton Standard. Sikorsky Aircraft products include helicopters and spare parts sold primarily to U.S. and non-U.S. governments. Hamilton Standard products include environmental, flight and fuel control systems and propellers sold primarily to U.S. and non-U.S. governments, aerospace and defense prime contractors, and airframe and jet engine manufacturers.

Operating segment and geographic data include the results of all majority-owned subsidiaries, consistent with the management reporting of these businesses. For certain of these subsidiaries, minority shareholders have rights which, under the provisions of EITF 96-16, overcome the presumption of consolidation. In the Corporation's consolidated results, these subsidiaries are accounted for using the equity method of accounting. Adjustments to reconcile segment reporting to consolidated results are included in "Eliminations and other", which also includes certain small subsidiaries.

Operating segment information for the years ended December 31 follows:

OPERATING SEGMENTS

IN MILLIONS OF DOLLARS	Total Revenues 1998	1997	1996	Operating Profits 1998	1997	1996
Otis	$ 5,572	$ 5,548	$ 5,595	$ 533	$ 465	$ 524
Carrier	6,922	6,056	5,958	495	458	422
UT Automotive	2,962	2,987	3,233	169	173	196
Pratt & Whitney	7,876	7,402	6,201	1,024	816	637
Flight Systems	2,891	2,804	2,596	287	301	244
Total segment	$ 26,223	$ 24,797	$ 23,583	$ 2,508	$ 2,213	$ 2,023
Eliminations and other	(508)	(575)	(532)	(98)	(64)	(117)
General corporate expenses	--	--	--	(243)	(222)	(188)
Consolidated	$ 25,715	$ 24,222	$ 23,051	$ 2,167	$ 1,927	$ 1,718
Interest expense				(204)	(191)	(217)
Consolidated income before income taxes and minority interests				$ 1,963	$ 1,736	$ 1,501

IN MILLIONS OF DOLLARS	Capital Expenditures 1998	1997	1996	Depreciation and Amortization 1998	1997	1996
Otis	$ 93	$ 143	$ 132	$ 139	$ 134	$ 116
Carrier	190	143	169	184	148	145
UT Automotive	195	163	138	126	128	128
Pratt & Whitney	254	285	248	278	286	296
Flight Systems	105	91	84	118	118	121
Total segment	$ 837	$ 825	$ 771	$ 845	$ 814	$ 806
Eliminations and other	29	(6)	(1)	9	20	35
Consolidated	$ 866	$ 819	$ 770	$ 854	$ 834	$ 841

SEGMENT REVENUES AND OPERATING PROFIT

Total revenues by operating segment include intersegment sales, which are generally made at prices approximating those that the selling entity is able to obtain on external sales. Operating profits by segment includes income before interest expense, income taxes and minority interest.

GEOGRAPHIC AREAS

IN MILLIONS OF DOLLARS	External Revenues 1998	1997	1996	Operating Profits 1998	1997	1996	Long-Lived Assets 1998	1997	1996
United States operations	$ 15,763	$ 14,510	$ 13,360	$ 1,396	$ 1,192	$ 980	$ 3,688	$ 3,120	$ 2,911
International operations:									
Europe	5,240	4,788	4,800	607	453	461	993	913	950
Asia Pacific	2,508	2,952	3,042	150	225	272	778	511	573
Other	2,559	2,380	2,238	355	343	310	561	593	495
Eliminations and other	(355)	(408)	(389)	(341)	(286)	(305)	(5)	(27)	(3)
Consolidated	$ 25,715	$ 24,222	$ 23,051	$ 2,167	$ 1,927	$ 1,718	$ 6,015	$ 5,110	$ 4,926

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	1998	1997	1996
Europe	$ 1,030	$ 944	$ 854
Asia Pacific	1,916	1,862	1,478
Other	1,364	1,216	792
	$ 4,310	$4,022	$3,124

GEOGRAPHIC LONG-LIVED ASSETS

Long-lived assets include net fixed assets and net goodwill, which can be 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 and Flight Systems products, as follows:

IN MILLIONS OF DOLLARS	1998	1997	1996
Pratt & Whitney	$1,941	$1,935	$1,857
Flight Systems	1,273	1,317	1,471

Sales to Ford Motor Company, UT Automotive's largest customer, comprised approximately 33%, 38% and 38% of UT Automotive's revenues in 1998, 1997 and 1996, respectively.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	March 31	June 30	September 30	December 31
1998				
Sales	$5,936	$6,587	$6,341	$6,823
Gross margin	1,393	1,674	1,632	1,712
Net income	260	360	348	287
Earnings per share of Common Stock:				
Basic	$ 1.10	$ 1.54	$ 1.50	$ 1.23
Diluted	$ 1.04	$ 1.44	$ 1.41	$ 1.16
1997				
Sales	$5,768	$6,264	$5,825	$6,132
Gross margin	1,320	1,492	1,420	1,469
Net income	224	304	300	244
Earnings per share of Common Stock:				
Basic	$ .91	$ 1.26	$ 1.25	$ 1.02
Diluted	$ .87	$ 1.19	$ 1.18	$ .97

Restated to reflect application of EITF 96-16.

COMPARATIVE STOCK DATA

	1998			1997		
COMMON STOCK	High	Low	Dividend	High	Low	Dividend
First Quarter	93 15/16	67	$.31	79 1/2	65 1/8	$.31
Second Quarter	100 1/8	84 1/16	$.36	87 3/4	70 1/4	$.31
Third Quarter	99 1/8	71 3/4	$.36	88 15/16	76 3/4	$.31
Fourth Quarter	112 1/2	72	$.36	81 13/16	66 3/4	$.31

The Corporation's Common Stock is listed on the New York Stock Exchange. The high and low prices are based on the Composite Tape of the New York Stock Exchange. There were approximately 22,000 common shareowners of record at December 31, 1998.

SUBSIDIARIES OF THE REGISTRANT

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

Entity Name	State/Country of Incorporation
Ardco, Inc.	Illinois
Carrier Air Conditioning Pty. Limited	Australia
Carrier Argentina S.A.	Argentina
Carrier Corporation	Delaware
Carrier Mexico S.A. de C.V.	Mexico
Carrier S.A.	France
Carrier S.p.A.	Italy
Carrier-Espana, SA	Spain
CEAM Srl	Italy
China Tianjin Otis Elevator Company, Ltd.	China
Daewoo Carrier Corporation	South Korea
Eagle Services Asia Private Ltd.	Delaware
Elevadores Otis Ltda.	Brazil
Gate S.p.A.	Italy
Generale Frigorifique S.A.S.	France
Helicopter Support, Inc.	Connecticut
Johns Perry Lifts Holdings	Cayman Islands
Microtecnica S.P.A.	Italy
Miraco Development Services & Trading Company, S.A.E.	Egypt
Nippon Otis Elevator Company	Japan
OTH Aufzuge GmbH	Germany
Otis [France]	France
Otis Elevator Company [New Jersey]	New Jersey
Otis Elevator Company Pty. Ltd.	Australia
Otis Europe	France
Otis Far East Holdings Limited	Hong Kong
Otis G.m.b.H.	Germany
Otis Plc	United Kingdom
Otis S.p.A.	Italy
Pratt & Whitney Canada Inc.	Canada
Pratt & Whitney Engine Services, Inc.	Delaware
Pratt & Whitney Holdings LLC	Cayman Islands
Pratt & Whitney Export, Inc	Delaware
Ratier Figeac S.A.	France
SGC Holding Company, Inc.	Delaware
Sikorsky Aircraft Corporation	Delaware
Sikorsky Export Corporation	Delaware
Societe Offranvillaise de Technologie, S.A. (Technoffra)	France
Springer Carrier S.A.	Brazil
Sutrak Transportkalte GmbH	Germany
The Express Lift Company Limited	United Kingdom
Toyo Carrier Engineering Co., LTD.	Japan
Turbine Airfoil Refurbishment Services, Inc.	Delaware
Turbo Power and Marine Systems, Inc.	Delaware
Tyler Refrigeration Corporation	Delaware
United Technologies Automotive (Hungary) Kft	Hungary
United Technologies Automotive (Portugal), LDA	Portugal

United Technologies Automotive Electrical Systems de Mexico, S.A. de C.V.	Mexico
United Technologies Automotive, Inc.	Delaware
United Technologies Canada, Ltd.	Canada
United Technologies Holding Plc	United Kingdom
UT Finance Corporation	Delaware
UT Insurance (Vermont), Inc.	Vermont
UTMC Microelectronic Systems Inc.	Delaware
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.

Exhibit 24

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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, 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, 1998, 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 8th day of February, 1999.

/s/ Antonia Handler Chayes
Antonia Handler Chayes

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

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

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/s/ Pehr G. Gyllenhammar
Pehr G. Gyllenhammar

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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/s/ Karl J. Krapek
Karl J. Krapek

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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/s/ Robert H. Malott
Robert H. Malott

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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/s/ William J. Perry
William J. Perry

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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/s/ Andre Villeneuve
Andre 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 DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 1998, 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 8th day of February, 1999.

/s/ Harold A. Wagner
Harold A. Wagner

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints DAVID J. FITZPATRICK and WILLIAM H. TRACHSEL, or either of them, 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, 1998, 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 8th day of February, 1999.

/s/ Jacqueline G. Wexler
Jacqueline G. Wexler

5

This schedule contains summary financial information extracted from the
Consolidated Balance Sheet at December 31, 1998 and the Consolidated Statement
of Operations for the year ended December 31, 1998 and is qualified in its
entirety by reference to such financial statements.

1,000,000

YEAR
DEC-31-1998
JAN-01-1998
DEC-31-1998
550
0
4,314
321
3,362
9,355
10,900
6,635
18,375
7,735
1,575
456
0
2,708
1,670
18,375
20,248
25,715
15,815
19,276
1,315
0
204
1,963
623
1,255
0
0
0
1,255
5.36
5.05

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

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

1,000,000

9-MOS	6-MOS	3-MOS	YEAR
DEC-31-1998	DEC-31-1998	DEC-31-1998	DEC-31-1997
JAN-01-1998	JAN-01-1998	JAN-01-1998	JAN-01-1997
SEP-30-1998	JUN-30-1998	MAR-31-1998	DEC-31-1997
558	641	619	655
0	0	0	0
4,624	4,514	4,348	4,046
345	338	318	304
3,093	3,038	3,249	3,113
9,482	9,394	9,374	9,018
10,711	10,434	10,348	10,472
6,633	6,435	6,353	6,345
18,005	17,188	17,070	16,440
7,867	7,487	7,502	7,113
1,605	1,221	1,255	1,275
455	452	452	450
0	0	0	0
2,647	2,604	2,569	2,488
1,730	1,687	1,667	1,585
18,005	17,188	17,070	16,440
14,888	9,897	4,647	18,873
18,913	12,597	6,022	24,222
11,666	7,798	3,727	15,080
14,165	9,456	4,543	18,288
952	628	308	1,187
0	0	0	0
143	94	48	191
1,512	971	408	1,736
479	308	129	565
968	620	260	1,072
0	0	0	0
0	0	0	0
0	0	0	0
968	620	260	1,072
4.13	2.63	1.10	4.44
3.89	2.48	1.04	4.21

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

5

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

1,000,000

9-MOS	6-MOS	3-MOS	YEAR
DEC-31-1997	DEC-31-1997	DEC-31-1997	DEC-31-1996
JAN-01-1997	JAN-01-1997	JAN-01-1997	JAN-01-1996
SEP-30-1997	JUN-30-1997	MAR-31-1997	DEC-31-1996
1,164	1,283	1,158	998
0	0	0	0
4,085	4,135	3,748	3,963
320	311	303	309
3,282	3,235	3,447	3,541
9,586	9,741	9,421	9,284
10,586	10,516	10,424	10,498
6,495	6,404	6,299	6,252
16,601	16,694	16,344	16,412
7,101	7,257	7,078	6,997
1,363	1,381	1,398	1,437
444	441	439	434
0	0	0	0
2,461	2,432	2,383	2,345
1,837	1,901	1,856	1,961
16,601	16,694	16,344	16,412
14,099	9,525	4,536	17,799
18,020	12,146	5,819	23,051
11,296	7,650	3,678	14,327
13,625	9,220	4,448	17,415
855	587	271	1,122
0	0	0	0
144	95	47	217
1,334	855	369	1,501
435	278	120	494
828	528	224	906
0	0	0	0
0	0	0	0
0	0	0	0
828	528	224	906
3.41	2.17	.91	3.63
3.23	2.05	.87	3.48

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