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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

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) **(CUSIP 913017 10 9)**	**New York Stock Exchange**
Corporate Units **(CUSIP 913017 117)**	**New York Stock Exchange**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2013 was approximately $85,185,959,757, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At January 31, 2014, there were 915,236,403 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I, II and IV hereof incorporate by reference portions of the United Technologies Corporation 2013 Annual Report to Shareowners. Part III hereof incorporates by reference portions of the United Technologies Corporation Proxy Statement for the 2014 Annual Meeting of Shareowners.

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES

Index to Annual Report on Form 10-K for Year Ended December 31, 2013

	Page
PART I	
Item 1. Business:	3
Cautionary Note Concerning Factors That May Affect Future Results	11
Item 1A. Risk Factors	12
Item 1B. Unresolved Staff Comments	18
Item 2. Properties	18
Item 3. Legal Proceedings	19
Item 4. Mine Safety Disclosures	20
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
Item 6. Selected Financial Data	21
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	21
Item 8. Financial Statements and Supplementary Data	21
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	21
Item 9A. Controls and Procedures	21
Item 9B. Other Information	22
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	22
Item 11. Executive Compensation	24
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	24
Item 13. Certain Relationships and Related Transactions, and Director Independence	24
Item 14. Principal Accounting Fees and Services	24
PART IV	
Item 15. Exhibits and Financial Statement Schedule	25
SIGNATURES	30

UNITED TECHNOLOGIES CORPORATION

Annual Report on Form 10-K for
Year Ended December 31, 2013

Whenever reference is made in this Form 10-K to specific sections of United Technologies Corporation's 2013 Annual Report to Shareowners (2013 Annual Report), those sections are incorporated herein by reference, and are included in Exhibit 13 to this Form 10-K. United Technologies Corporation and its subsidiaries' names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of United Technologies Corporation and its subsidiaries. Names, abbreviations of names, logos, and product and service designators of other companies are either the registered or unregistered trademarks or tradenames of their respective owners. As used herein, the terms "we," "us," "our," "the Company," or "UTC," unless the context otherwise requires, mean United Technologies Corporation and its subsidiaries. References to internet web sites in this Form 10-K are provided for convenience only. Information available through these web sites is not incorporated by reference into this Form 10-K.

PART I

Item 1. Business

General

United Technologies Corporation was incorporated in Delaware in 1934. UTC provides high technology products and services to the building systems and aerospace industries worldwide. Growth is attributable primarily to the internal development of our existing businesses and to acquisitions. The following description of our business should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2013 Annual Report, including the information contained therein under the heading "Business Overview."

On September 23, 2013, we announced the formation of UTC Building & Industrial Systems, a new organizational structure consisting of the Otis and UTC Climate, Controls & Security segments. This new organizational structure is expected to enhance our ability to deliver more integrated solutions to our customers and accelerate innovation in smart building technologies and sustainable designs. Otis and UTC Climate, Controls & Security each continue to report their financial and operational results as separate segments, which is consistent with how we allocate resources and measure the financial performance of these businesses.

On July 26, 2012, UTC acquired Goodrich Corporation (Goodrich) pursuant to a merger agreement dated September 21, 2011. As a result of the acquisition, Goodrich became a wholly-owned subsidiary of UTC. The acquired Goodrich business and the legacy Hamilton Sundstrand business were combined to form a new segment named UTC Aerospace Systems.

As previously reported, in 2012 we created the UTC Propulsion & Aerospace Systems organizational structure, consisting of the Pratt & Whitney and UTC Aerospace Systems segments. We continue to report the financial and operational results of Pratt & Whitney and UTC Aerospace Systems separately, which is consistent with how we allocate resources and measure the financial performance of these businesses.

Our operating units include businesses with operations throughout the world. Otis and UTC Climate, Controls & Security (collectively referred to as the "commercial businesses") serve customers in the commercial, governmental and residential property sectors worldwide. UTC Climate, Controls & Security also serves industrial, transport refrigeration and food service equipment customers. Pratt & Whitney, UTC Aerospace Systems, and Sikorsky (collectively referred to as the "aerospace businesses") primarily serve commercial and government customers in both the original equipment and aftermarket parts and services markets of the aerospace industry. Pratt & Whitney also serves customers in certain industrial markets. For 2013, our commercial and industrial sales (generated principally by our commercial businesses) were approximately 47 percent of our consolidated sales, and our commercial aerospace sales and military aerospace sales (generated exclusively by our aerospace businesses) were approximately 34 percent and 19 percent, respectively, of our consolidated sales. Consolidated international sales for 2013, including U.S. export sales, were 62 percent of our consolidated sales.

This Form 10-K and our quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through the Investor Relations section of our Internet website (http://www.utc.com) under the heading "SEC Filings" as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Our SEC filings are also available for reading and copying at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (http://www.sec.gov)

containing reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Description of Business by Segment

Our operations for the periods presented herein are classified into five principal segments: Otis, UTC Climate, Controls & Security, Pratt & Whitney, UTC Aerospace Systems, and Sikorsky. Each segment groups similar operating companies and the management organization of each segment has general operating autonomy over a range of products and services. The principal products and services of each segment are as follows:

Otis—elevators, escalators, moving walkways and service.

UTC Climate, Controls & Security—heating, ventilating, air conditioning (HVAC) and refrigeration systems, controls, services and energy-efficient products for residential, commercial, industrial and transportation applications, fire and special hazard detection and suppression systems, firefighting equipment, security and monitoring and rapid response systems and service.

Pratt & Whitney—commercial, military, business jet and general aviation aircraft engines, auxiliary power units, and parts and services.

UTC Aerospace Systems—aerospace products and aftermarket services, including electric power generation, management and distribution systems, flight control systems, engine control systems, intelligence, surveillance and reconnaissance systems, engine components, environmental control systems, fire protection and detection systems, propeller systems, aircraft nacelles, and interior, actuation, landing and electronic systems.

Sikorsky—military and commercial helicopters, helicopter and aircraft aftermarket parts and services.

Segment financial data for the years 2011 through 2013, including financial information about foreign and domestic operations and export sales, appears in Note 18 to the Consolidated Financial Statements in our 2013 Annual Report. Segment sales as discussed below include intercompany sales, which are ultimately eliminated within the “Eliminations and other” category as reflected in the segment financial data in Note 18 to the Consolidated Financial Statements in our 2013 Annual Report. Similarly, total segment backlog as discussed below includes fully-funded government and intercompany backlog.

Otis

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

Sales generated by Otis’ international operations were 82 percent of total Otis segment sales in both 2013 and 2012. At December 31, 2013, Otis’ backlog was $15.4 billion as compared to $14.8 billion at December 31, 2012. Of the total Otis backlog at December 31, 2013, approximately $8.6 billion is expected to be realized as sales in 2014.

UTC Climate, Controls & Security

UTC Climate, Controls & Security is the leading provider of HVAC and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. These products and services are sold under the Carrier name and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. UTC Climate, Controls & Security is also a global provider of security and fire safety products and services. UTC Climate, Controls & Security provides electronic security products such as intruder alarms, access control systems and video surveillance systems and designs and manufactures a wide range of fire safety products including specialty hazard detection and fixed suppression products, portable fire extinguishers, fire detection and life safety systems, and other firefighting equipment. Services provided to the electronic security and fire safety industries include systems integration, video surveillance, installation, maintenance, and inspection services. In certain markets, UTC Climate, Controls & Security also provides monitoring and response services, to complement its electronic security and fire safety businesses. Through its venture with Watsco, Inc., UTC Climate, Controls & Security distributes Carrier, Bryant, Payne and Totaline residential and light commercial HVAC products in the U.S. and selected territories in the Caribbean and Latin America. UTC Climate, Controls &

Security sells directly to end customers and through manufacturers' representatives, distributors, wholesalers, dealers and retail outlets. Certain of UTC Climate, Controls & Security's HVAC businesses are seasonal and can be impacted by weather. UTC Climate, Controls & Security customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in the distribution channels. The principal incentive program provides reimbursements to distributors for offering promotional pricing on UTC Climate, Controls & Security products. UTC Climate, Controls & Security products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants, homeowners and other end-users requiring a high level of security and fire protection for their businesses and residences. UTC Climate, Controls & Security provides its security and fire safety products and services under Chubb, Kidde and other brand names and sells directly to customers as well as through manufacturer representatives, distributors, dealers and U.S. retail distribution.

In 2010, we completed the acquisition of the GE Security business from General Electric Company, strengthening UTC Climate, Controls & Security's portfolio of security and fire safety technologies for commercial and residential applications, including fire detection and life safety systems, intrusion alarms, video surveillance and access control systems. From 2008 through 2012, UTC Climate, Controls & Security continued to execute the Carrier portfolio transformation strategy it began in 2008 by completing divestitures of several non-core businesses and taking non-controlling equity interests in various ventures. In 2012 and 2013, UTC Climate, Controls & Security completed a number of transactions related to its fire and security portfolio transformation, including the divestiture of a controlling stake in its U.S.-based fire and security branch operations and the sale of businesses in Hong Kong and Australia.

Sales generated by UTC Climate, Controls & Security's international operations, including U.S. export sales, were 61 percent and 62 percent of total UTC Climate, Controls & Security segment sales in 2013 and 2012, respectively. At December 31, 2013, UTC Climate, Controls & Security's backlog was $3.1 billion as compared to $3.0 billion at December 31, 2012. Substantially all of the backlog at December 31, 2013 is expected to be realized as sales in 2014.

Pratt & Whitney

Pratt & Whitney is among the world's leading suppliers of aircraft engines for the commercial, military, business jet and general aviation markets. Pratt & Whitney provides maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services for large commercial engines. Pratt & Whitney produces families of engines for wide- and narrow-body and large regional aircraft in the commercial market and for fighter and transport aircraft in the military market. Pratt & Whitney Canada (P&WC) is a world leader in the production of engines powering general and business aviation, as well as regional airline, utility and military, airplanes and helicopters, and provides related maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services.

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into collaboration arrangements in which sales, costs and risks are shared. At December 31, 2013, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from 2 percent to 49 percent. In addition, Pratt & Whitney has interests in other engine programs, including a 50 percent ownership interest in the Engine Alliance (EA), a joint venture with GE Aviation, which markets and manufactures the GP7000 engine for the Airbus A380 aircraft. Pratt & Whitney has entered into risk and revenue sharing arrangements with third parties for 40 percent of the products and services that Pratt & Whitney is responsible for providing to the EA. Pratt & Whitney accounts for its interests in the EA joint venture under the equity method of accounting. Pratt & Whitney continues to pursue additional collaboration partners.

As previously reported, on June 29, 2012, Pratt & Whitney, Rolls-Royce plc (Rolls-Royce), MTU Aero Engines AG (MTU), and Japanese Aero Engines Corporation (JAEC), participants in the IAE International Aero Engines AG (IAE) collaboration, which sells and supports V2500 engines for the Airbus A320 family of aircraft, completed a restructuring of their interests in IAE. Under the terms of the agreement, Rolls-Royce sold its ownership and collaboration interests in IAE to Pratt & Whitney, while also entering into an agreement to license its V2500 intellectual property to Pratt & Whitney. In exchange for the increased ownership and collaboration interests and intellectual property license, Pratt & Whitney paid Rolls-Royce $1.5 billion at closing with additional payments due to Rolls-Royce during the fifteen year period following closing of the purchase, conditional upon each hour flown by V2500-powered aircraft in service at the closing. Rolls-Royce continues to support the program as a strategic supplier for the V2500 engine and continues to manufacture parts and assemble engines. As previously reported, Pratt & Whitney entered into a collaboration arrangement with MTU with respect to a portion of the collaboration interest in IAE acquired from Rolls-Royce for consideration of approximately $233 million with additional payments due to Pratt & Whitney in the future. As a result of these transactions, Pratt & Whitney holds a 61% net interest in the IAE collaboration. As previously reported, in October 2011, Pratt & Whitney and Rolls-Royce announced their intention to form a new partnership to develop an engine to power future mid-sized aircraft. In September 2013, following further discussion and because of the current regulatory environment, the parties agreed not to proceed with this partnership. As a result of this

decision, an additional collaboration intangible asset payment was made to Rolls-Royce in accordance with the underlying agreement.

The development of new engines and improvements to current production engines present important growth opportunities. Pratt & Whitney is under contract with the U.S. Air Force to develop the F135 engine, a derivative of Pratt & Whitney's F119 engine, to power the single-engine F-35 Lightning II aircraft being developed by Lockheed Martin. Pratt & Whitney achieved initial service release for the conventional take-off and landing/carrier variant and short take-off and vertical landing variant of the F135 engine in February 2010, and January 2011, respectively. These propulsion system configurations are now certified for production and cleared for flight on the Lockheed Martin F-35B stealth fighter jet, and are in use by the U.S. Air Force at Eglin Air Force Base and by the U.S. Marine Corps at Marine Corps Air Station Yuma. In addition, Pratt & Whitney is currently developing technology, including the PurePower PW1000G Geared TurboFan engine, intended to enable it to power both currently-proposed and future aircraft. The PurePower PW1000G engine targets a significant reduction in fuel burn and noise levels with lower environmental emissions and operating costs than current production engines. In December 2010, Airbus announced that it will offer a version of the PurePower PW1000G engine as a new engine option to power its A320neo family of aircraft scheduled to enter into service in 2015. In November 2012, Pratt & Whitney commenced testing on this new engine, the PW1100G-JM, being developed as part of a collaboration with MTU and JAEC. Additionally, PurePower PW1000G engine models have been selected by Bombardier to power the new CSeries passenger aircraft, by Mitsubishi Aircraft Corporation to power the new Mitsubishi Regional Jet, and by Irkut Corporation of Russia to power the proposed new Irkut MC-21 passenger aircraft. The CSeries passenger aircraft engine received its civil aviation certificate from Transport Canada in February 2013, had its first flight on the CSeries aircraft in September 2013, and is scheduled to enter into service in 2015. The Mitsubishi Regional Jet and the Irkut MC-21 are scheduled to enter into service in 2017. Further, on January 8, 2013, Embraer announced the selection of the PurePower engine to exclusively power the next generation of Embraer's E-Jet family of aircraft scheduled to enter service in 2018. The success of these aircraft and the PurePower PW1000G family of engines is dependent upon many factors including technological accomplishments, aircraft demand, and regulatory approval. Based on these factors, as well as the level of success of aircraft program launches by aircraft manufacturers and other conditions, additional investment in the PurePower program may be required. P&WC has developed or is developing the PW210 engine family for helicopters manufactured by Sikorsky, AgustaWestland and Airbus Helicopters and is developing the PurePower PW800 engine for the new generation of long-range and heavy business jets. Pratt & Whitney continues to enhance its programs through performance improvement measures and product base expansion.

Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies and the U.S. and foreign governments. Pratt & Whitney's products and services must adhere to strict regulatory and market-driven safety and performance standards. The frequently changing nature of these standards, along with the long duration of aircraft engine development, production and support programs, creates uncertainty regarding engine program profitability. The vast majority of sales are made directly to the end customer and, to a limited extent, through independent distributors and foreign sales representatives. Sales to Airbus (Pratt & Whitney's largest non-governmental customer by sales) were 35 percent and 25 percent of total Pratt & Whitney segment sales in 2013 and 2012, respectively, before taking into account discounts or financial incentives offered to customers. Sales to the U.S. Government were 25 percent and 27 percent of total Pratt & Whitney segment sales in 2013 and 2012, respectively.

Sales generated by Pratt & Whitney's international operations, including U.S. export sales, were 64 percent and 57 percent of total Pratt & Whitney segment sales in 2013 and 2012, respectively. At December 31, 2013, Pratt & Whitney's backlog was $38.5 billion, including $3.6 billion of U.S. Government-funded contracts and subcontracts. At December 31, 2012, these amounts were $43.6 billion and $4.3 billion, respectively. Of the total Pratt & Whitney backlog at December 31, 2013, approximately $8.8 billion is expected to be realized as sales in 2014. Pratt & Whitney's backlog includes certain contracts for which actual costs may ultimately exceed total sales. Pratt & Whitney's backlog excludes orders for new commercial engines that have not yet achieved full aviation authority certification. See Note 1 to the Consolidated Financial Statements in our 2013 Annual Report for a description of our accounting for long-term contracts.

UTC Aerospace Systems

UTC Aerospace Systems is a leading global provider of technologically advanced aerospace products and aftermarket service solutions for aircraft manufacturers, airlines, regional, business and general aviation markets, military, space and undersea operations. UTC Aerospace Systems' product portfolio includes electric power generation, power management and distribution systems, flight guidance and flight management systems, engine systems accessories, intelligence, surveillance and reconnaissance systems, engine components, environmental control systems, fire protection and detection systems, propeller systems, aircraft aerostructures including engine nacelles, thrust reversers, and mounting pylons, interior and exterior aircraft lighting, aircraft seating and cargo systems, actuation systems, landing systems including landing gears, and wheels and brakes, and space products and subsystems. Aftermarket services include spare parts, overhaul and repair, engineering and technical

support and fleet management solutions. UTC Aerospace Systems sells aerospace products to airframe manufacturers, the U.S. and foreign governments, aircraft operators, maintenance, repair and overhaul providers, and independent distributors. UTC Aerospace Systems' largest non-governmental customers are Boeing and Airbus with, in the aggregate, 32 percent and 33 percent of total OEM sales in 2013 and 2012, respectively, and represent a combined 20 percent of total UTC Aerospace Systems segment sales in both 2013 and 2012. Sales to the U.S. Government were 21 percent and 24 percent of total UTC Aerospace Systems segment sales in 2013 and 2012, respectively.

UTC Aerospace Systems is a supplier of several systems, including the propellers, for the Airbus A400M aircraft that entered service in August of 2013. In addition, UTC Aerospace Systems produced product placements supporting first flights in 2013 of the Airbus A350, Bombardier CSeries and Boeing 787-9 platforms.

Significant development activity continues in the commercial and military markets for the Airbus A320neo and A350 aircraft, Boeing 787-10 aircraft, the Bombardier CSeries and Global 7000/8000 business jet, the Cessna Citation Latitude business jet, the COMAC C919 aircraft, the Dassault Falcon 5X business jet, the Embraer E-Jet E2 family of aircraft, the Irkut MC-21 aircraft, the Learjet 85 business jet, the Mitsubishi Regional Jet, the Sikorsky CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the Lockheed Martin F-35 Lightning II military aircraft. UTC Aerospace Systems is also the operations support prime contractor for NASA's space suit/life support system and produces environmental monitoring and control, life support, mechanical systems, power generation, power management and distribution, and thermal control systems for the International Space Station and the Orion crew exploration vehicle.

Sales generated by UTC Aerospace Systems' international operations, including U.S. export sales, were 55 percent and 49 percent of total UTC Aerospace Systems segment sales in 2013 and 2012, respectively. At December 31, 2013, UTC Aerospace Systems' backlog was $10.2 billion, including $2.5 billion of U.S. Government-funded contracts and subcontracts. At December 31, 2012, these amounts were $10.1 billion and $2.5 billion, respectively. Of the total UTC Aerospace Systems backlog at December 31, 2013, approximately $7.2 billion is expected to be realized as sales in 2014.

Sikorsky

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

Current major production programs at Sikorsky include the UH-60M Black Hawk medium-transport helicopters and HH-60M Medevac helicopters for the U.S. and foreign governments, the S-70 Black Hawk for foreign governments, the MH-60S and MH-60R helicopters for the U.S. Navy, the International Naval Hawk for multiple naval missions, and the S-76 and S-92 helicopters for commercial operations. The UH-60M helicopter is the latest and most modern in a series of Black Hawk variants that Sikorsky has been delivering to the U.S. Army since 1978. In July 2012, the U.S. Government and Sikorsky signed a five-year multi-service contract for approximately 650 H-60 helicopters. Actual production quantities will be determined year-by-year over the life of the program based on funding allocations set by Congress and the U.S. Department of Defense acquisition priorities, as well as the U.S. Foreign Military Sales program. Sikorsky is also developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the CH-148 derivative of the H-92 helicopter, a military variant of the S-92 helicopter, for the Canadian Government. The latter is being developed under a fixed-price contract that provides for the development and production of 28 helicopters, and a related support contract that provides for logistical support through March 2028. Sikorsky currently anticipates that its revenues under these CH-148 contracts will be approximately $4.2 billion. Revenues are subject to changes in underlying variables such as future flight hours as well as fluctuations in foreign currency exchange rates. This is the largest and most expansive fixed-price development contract in Sikorsky's history. No aircraft were delivered to the Canadian Government in 2013. In December 2013, Sikorsky and the Canadian Government signed a principles of agreement that establishes a framework to restructure the CH-148 contracts and serves as the basis for ongoing formal contract negotiations. As a result of an estimated increase in production costs, Sikorsky has taken a $27 million charge in the quarter ended December 31, 2013, as further described in our 2013 Annual Report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," in addition to the previously disclosed charge of $157 million that was taken in the quarter ended December 31, 2012.

Sikorsky's aftermarket business includes spare parts sales, mission equipment, overhaul and repair services, maintenance contracts and logistics support programs for helicopters and other aircraft. Sales are principally made to the U.S. and foreign governments, and commercial helicopter operators. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide logistics, maintenance and repair services.

Sales to the U.S. Government were 58 percent and 66 percent of total Sikorsky segment sales in 2013 and 2012, respectively. Sales generated by Sikorsky's international operations, including U.S. export sales, were 30 percent and 32 percent

of total Sikorsky segment sales in 2013 and 2012, respectively. At December 31, 2013, Sikorsky's backlog was $14.9 billion, including $5.4 billion of U.S. Government-funded contracts and subcontracts. At December 31, 2012, these amounts were $14.4 billion and $6.4 billion, respectively. Of the total Sikorsky backlog at December 31, 2013, approximately $5.1 billion is expected to be realized as sales in 2014.

Other

On March 14, 2012, the Board of Directors of the Company approved a plan for the divestiture of a number of our non-core businesses. Cash generated from these divestitures was used to repay the debt incurred to finance the Goodrich acquisition. These non-core businesses include the legacy Hamilton Sundstrand Industrial businesses, which manufacture air compressors, metering pumps and heavy duty process pumps for industries involved with chemical and hydrocarbon processing, oil and gas production, water and wastewater treatment, and construction, Clipper Windpower plc (Clipper), a California-based wind turbine manufacturer, Pratt & Whitney Rocketdyne, a leader in the design, development and manufacture of sophisticated space propulsion systems for military and commercial applications, and Pratt & Whitney Power Systems, which sells aero-derivative engines for industrial applications. The divestitures of Clipper and the legacy Hamilton Sundstrand Industrial businesses were completed in 2012. The divestitures of Pratt & Whitney Power Systems and substantially all of the operations of Pratt & Whitney Rocketdyne were completed in the second quarter of 2013.

On June 29, 2012, management of the Company approved a plan for the divestiture of UTC Power, a world leader in the application of fuel cell technology for stationary and transportation applications, which was completed in the first quarter of 2013.

The results of operations for the remaining divestitures of Pratt & Whitney Rocketdyne and UTC Power, including the net gains/losses expected on disposition, and the related cash flows which result from these non-core businesses have been reclassified to "Discontinued Operations" in our Consolidated Statement of Operations and our Consolidated Statement of Cash Flows for all periods presented. The sale of Pratt & Whitney Power Systems was not reclassified to "Discontinued Operations" due to our level of continuing involvement in supplying certain engineering and development services under agreements with the divested business post disposition.

Other Matters Relating to Our Business as a Whole

Competition and Other Factors Affecting Our Businesses

As worldwide businesses, our operations can be affected by a variety of economic, industry and other factors, including those described in this section, in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report, in Item 1, "Cautionary Note Concerning Factors That May Affect Future Results," and in Item 1A, "Risk Factors" in this Form 10-K. Each business unit is subject to significant competition from a large number of companies in the U.S. and other countries, and each competes on the basis of price, delivery schedule, product performance and service.

Our aerospace businesses are subject to substantial competition from domestic manufacturers, foreign manufacturers (whose governments sometimes provide research and development assistance, marketing subsidies and other assistance for certain of their commercial products) and companies that obtain regulatory agency approval to manufacture spare parts. In particular, Pratt & Whitney experiences intense competition for new commercial airframe/engine combinations. Engine suppliers may offer substantial discounts and other financial incentives, performance and operating cost guarantees, participation in financing arrangements and maintenance agreements. For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, primarily related to Pratt & Whitney, see Notes 5 and 16 to the Consolidated Financial Statements in our 2013 Annual Report. Customer selections of engines and components can also have a significant impact on later sales of parts and services. In addition, the U.S. Government's and other governments' policies of purchasing parts from suppliers other than the original equipment manufacturer affect military spare parts sales. Significant elements of our aerospace businesses, such as spare parts sales for engines and aircraft in service, have short lead times. Therefore, backlog information may not be indicative of future demand. Pratt & Whitney's major competitors in the sale of engines are GE Aviation, Rolls-Royce, Honeywell, Turbomeca, and CFM International.

Research and Development

Because changes in technology can have a significant impact on our operations and competitive position, we spend substantial amounts of our own funds on research and development. These expenditures, which are charged to expense as

incurred, were $2.5 billion or 4.0 percent of total sales in 2013, as compared with $2.4 billion or 4.1 percent of total sales in 2012 and $2.0 billion or 3.5 percent of total sales in 2011. We also perform research and development work under contracts funded by the U.S. Government and other customers. This contract research and development, which is performed in our aerospace businesses, amounted to $2.2 billion in 2013, as compared to $1.7 billion in 2012 and $1.5 billion in 2011. These contract research and development costs include amounts that are expensed as incurred, through cost of products sold, and amounts that are capitalized into inventory to be subsequently recovered through production shipments. Of the total contract research and development costs, $2.1 billion, $1.7 billion and $1.4 billion were expensed in 2013, 2012 and 2011, respectively. The remaining costs have been capitalized.

U.S. Government Contracts

Contracting with the U.S. Government entails certain unique risks. U.S. Government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. In the case of a termination for convenience, we would normally be entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. Most of our U.S. Government sales are made under fixed-price type contracts, while approximately $2.1 billion or 3.3 percent of our total sales for 2013 were made under cost-reimbursement type contracts.

Our contracts with the U.S. Government are also subject to audits. Like many defense contractors, we have received audit reports from the U.S. Government that recommend that we reduce certain contract prices because cost or pricing data we submitted in negotiation of the contract prices or cost accounting practices may not have conformed to government regulations. Some of these audit reports have recommended substantial reductions. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and continue to litigate certain cases. For further discussion of risks related to government contracting, see the discussion in Item 1A, “Risk Factors” and Item 3, “Legal Proceedings,” in this Form 10-K and Note 17 to the Consolidated Financial Statements in our 2013 Annual Report for further discussion.

Compliance with Environmental and Other Government Regulations

Our operations are subject to and affected by environmental regulation by federal, state and local authorities in the U.S. and regulatory authorities with jurisdiction over our foreign operations. We have incurred and will likely continue to incur liabilities under various government statutes for the cleanup of pollutants previously released into the environment. We do not anticipate that compliance with current provisions relating to the protection of the environment or that any payments we may be required to make for cleanup liabilities will have a material adverse effect upon our cash flows, competitive position, financial condition or results of operations. Environmental matters are further addressed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1 and 17 to the Consolidated Financial Statements in our 2013 Annual Report.

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

In addition, we could be affected by future laws or regulations imposed in response to concerns over climate change. Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including compliance costs and increased energy and raw materials costs.

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

U.S. laws, regulations, orders, and other measures concerning the export or re-export of products, software, services and technology to, and other trade-related activities involving, non-U.S. countries and parties affect the operations of UTC and its affiliates. These measures include U.S. economic sanctions targeting Iran.

Intellectual Property and Raw Materials and Supplies

We maintain a portfolio of patents, trademarks, copyrights, trade secrets, licenses and franchises related to our businesses. While we believe we have taken reasonable measures to protect this portfolio, our efforts may not be sufficient. See Item 1A "Risk Factors" in this Form 10-K for further discussion of intellectual property matters.

We believe we have adequate sources for our purchases of materials, components, services and supplies used in our manufacturing. We work continuously with our supply base to ensure an adequate source of supply and to reduce costs. We pursue cost reductions through a number of mechanisms, including consolidating our purchases, reducing the number of suppliers, strategic global sourcing and using bidding competitions among potential suppliers. In some instances, we depend upon a single source of supply or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. Like other users in the U.S., we are largely dependent upon foreign sources for certain raw materials requirements such as cobalt, tantalum, chromium, rhenium and nickel. We have a number of ongoing programs to manage this dependence and the accompanying risk, including long-term agreements and the conservation of materials through scrap reclamation and new manufacturing processes. We believe that our supply management practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Although at times high prices for some raw materials important to our businesses (for example, steel, copper, aluminum, titanium and nickel) have caused margin and cost pressures, we do not foresee near term unavailability of materials, components or supplies that would have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. For further discussion of the possible effects of the cost and availability of raw materials on our business, see Item 1A, “Risk Factors” in this Form 10-K.

Employees and Employee Relations

At December 31, 2013, our total number of employees was approximately 212,000, approximately 64 percent of which represents employees based outside the U.S. During 2013, we negotiated or concluded 11 domestic collective bargaining agreements, the largest of which covered certain workers at Sikorsky's manufacturing facilities in Connecticut and Florida. In 2014, numerous collective bargaining agreements are subject to renegotiation, the largest of which covers certain workers at UTC Climate, Controls & Security's Carrier facility in Indianapolis. Although some previous contract renegotiations have had a significant impact on our financial condition or results of operations, we do not anticipate that the renegotiation of these contracts in 2014 will have a material adverse effect on our competitive position, cash flows, financial condition or results of operations. For discussion of the effects of our restructuring actions on employment, see Item 1A, “Risk Factors” in this Form 10-K and under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 13 to the Consolidated Financial Statements in our 2013 Annual Report.

For a discussion of other matters which may affect our competitive position, cash flows, financial condition or results of operations, including the risks of our international operations, see the further discussion under the headings “General” and “Description of Business by Segment” in this section, Item 1A, “Risk Factors” in this Form 10-K, and under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2013 Annual Report.

Cautionary Note Concerning Factors That May Affect Future Results

This Form 10-K contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "confident" and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the industries and markets in which we operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction and in both the commercial and defense segments of the aerospace industry, levels of air travel, financial difficulties (including bankruptcy) of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers;
- our ability to realize the intended benefits of recently announced organizational changes;
- future levels of indebtedness and capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure;
- delays and disruption in delivery of materials and services from suppliers;
- new business opportunities;
- customer and Company directed cost reduction efforts and restructuring costs and savings and other consequences thereof;
- the scope, nature or impact of other acquisition and divestiture activity, including among other things integration of acquired businesses into our existing businesses and realization of synergies and opportunities for growth and innovation;
- the development, production, delivery, support, performance and anticipated benefits of advanced technologies and new products and services;
- the anticipated benefits of diversification and balance of operations across product lines, regions and industries;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the outcome of legal proceedings and other contingencies;
- future repurchases of our common stock;
- pension plan assumptions and future contributions; and
- the effect of changes in tax, environmental and other laws and regulations or political conditions in the U.S. and other countries in which we operate.

In addition, this Form 10-K includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the "Notes to Consolidated Financial Statements" under the heading "Note 17: Contingent Liabilities," the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Results of Operations," "Liquidity and Financial Condition," and "Critical Accounting Estimates," and the section titled "Risk Factors." This Form 10-K also includes important information as to these factors in the "Business" section under the headings "General,"

"Description of Business by Segment" and "Other Matters Relating to Our Business as a Whole," and in the "Legal Proceedings" section. Additional important information as to these factors is included in our 2013 Annual Report in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Restructuring Costs," "Environmental Matters" and "Governmental Matters." The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the SEC.

Item 1A. Risk Factors

Our business, financial condition, operating results and cash flows can be impacted by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

Our Global Growth May be Affected by Global Economic, Capital Market and Political Conditions.

Our business, financial condition, operating results and cash flows may be adversely affected by changes in global economic conditions and geopolitical risks, including credit market conditions, levels of consumer and business confidence, commodity prices, exchange rates, levels of government spending and deficits, political conditions, actual or anticipated default on sovereign debt and other challenges that could affect the global economy. These economic conditions affect businesses such as ours in a number of ways. The tightening of credit in financial markets adversely affects the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in or cancellation of orders for our products and services as well as impact the ability of our customers to make payments. Similarly, this tightening of credit may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. Our global business is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, air travel, construction activity, the financial strength of airlines and business jet operators, and government procurement.

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

The results of our commercial and industrial businesses, which generated approximately 47 percent of our consolidated sales in 2013, are influenced by a number of external factors including fluctuations in residential and commercial construction activity, regulatory changes, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs, global credit market conditions, and other global and political factors. For example, a slowdown in building and remodeling activity can adversely affect the financial performance of Otis and UTC Climate, Controls & Security. In addition, the financial performance of UTC Climate, Controls & Security can also be influenced by production and utilization of transport equipment and, particularly in its residential business, weather conditions.

The results of our commercial and military aerospace businesses, which generated approximately 53 percent of our consolidated sales in 2013, are directly tied to the economic conditions in the commercial aviation and defense industries, which are cyclical in nature. Although the operating environment currently faced by commercial airlines has shown signs of gradual improvement since 2011, uncertainty continues to exist. In addition, capital spending and demand for aircraft engines, aerospace products and component aftermarket parts and service by commercial airlines, aircraft operators and aircraft manufacturers are influenced by a wide variety of factors, including current and predicted traffic levels, load factors, aircraft fuel pricing, labor issues, worldwide airline profits, airline consolidation, bankruptcies, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, corporate profitability, cost reduction efforts and backlog levels. Any of these conditions could reduce the sales and margins of our aerospace businesses. Other factors, including future terrorist actions, pandemic health issues or major natural disasters, could also dramatically reduce the demand for air travel, which could negatively impact the sales and margins of our aerospace businesses. Additionally, because a substantial portion of the backlog for commercial aerospace customers is scheduled for delivery beyond 2014, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. At times, our aerospace businesses also enter into firm fixed-price development contracts, which may require us to bear cost overruns related to unforeseen technical and design challenges that arise during the development stage of the program. In addition, our aerospace businesses face intense competition from domestic and foreign manufacturers of new equipment and spare parts. Spare parts sales and aftermarket service trends are affected by similar factors, including usage, pricing, technological improvements, regulatory changes and the retirement of older aircraft. Furthermore, because of the lengthy research and development cycle involved in bringing products in these business segments to market, we cannot predict the economic conditions that will exist when any new product is complete. A reduction in capital spending in the commercial aviation or defense industries could have a significant effect on the demand for our products, which could have a material adverse effect on

our competitive position, results of operations, cash flows or financial condition. The defense industry is also affected by a changing global political environment, continued pressure on U.S. and global defense spending and U.S. foreign policy and the level of activity in military flight operations. U.S. Government deficit reduction measures, the U.S. Government shut-down in 2013, Congressional disputes over budgets and debt ceilings and the impact of sequestration have increased market uncertainty and adversely affected our military businesses. Should these factors continue and overall U.S. Government defense spending decline, it could result in significant reductions to revenue, cash flow, profit and backlog for our military businesses. One or more of the programs that we currently support or are currently pursuing could be phased-out or terminated. Reductions in these existing programs, unless offset by other programs and opportunities, could have a material adverse effect on our competitive position, cash flows, results of operations or financial condition.

Our Business May Be Affected by Government Contracting Risks.

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

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

We conduct our business on a global basis, with approximately 62 percent of our 2013 consolidated sales derived from international operations, including U.S. export sales. Changes in local and regional economic conditions, including fluctuations in exchange rates, may affect product demand and reported profits in our non-U.S. operations (primarily the commercial businesses), where transactions are generally denominated in local currencies. In addition, currency fluctuations may affect the prices we pay suppliers for materials used in our products. As a result, our operating margins also may be negatively impacted by worldwide currency fluctuations that result in higher costs for certain cross border transactions. Our financial statements are denominated in U.S. Dollars. Accordingly, fluctuations in exchange rates may also give rise to translation gains or losses when financial statements of non-U.S. operating units are translated into U.S. Dollars. Given that the majority of our sales are non-U.S. based, a strengthening of the U.S. Dollar against other major foreign currencies could adversely affect our results of operations.

The majority of sales in the aerospace businesses are transacted in U.S. Dollars, consistent with established industry practice, while the majority of costs at locations outside the U.S. are incurred in the applicable local currency (principally the Euro, the Canadian Dollar, and the Polish Zloty). For operating units with U.S. Dollar sales and local currency costs, there is foreign currency exposure that could impact our results of operations depending on market changes in the exchange rate of the U.S. Dollar against the applicable foreign currencies. To manage certain exposures, we employ long-term hedging strategies associated with U.S. Dollar sales. See Note 1 and Note 14 to the Consolidated Financial Statements in our 2013 Annual Report for further discussion of our hedging strategies.

Our international sales and operations are subject to risks associated with changes in local government laws, regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls, capital controls, employment regulations, and repatriation of earnings. Our international sales and operations are also sensitive to changes in foreign national priorities, including government budgets, as well as to political and economic instability. International transactions may involve increased financial and legal risks due to differing legal systems and customs in foreign countries. For example, as a condition of sale or award of a contract, some international customers require us to agree to offset arrangements, which may include in-country purchases, manufacturing and financial support arrangements. The contract may provide for penalties in the event we fail to perform in accordance with the offset requirements.

In addition, as part of our globalization strategy, we have invested in certain countries, including Argentina, Brazil, China, India, Mexico, Russia, South Africa and countries in the Middle East, that carry high levels of currency, political, compliance and economic risk. We expect that sales to emerging markets will continue to account for a significant portion of our sales as

our business evolves and as these and other developing nations and regions around the world increase their demand for our products. Emerging market operations can present many risks, including cultural differences (such as employment and business practices), volatility in gross domestic product, economic and government instability, and the imposition of exchange controls and capital controls. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

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

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

We Engage in Acquisitions and Divestitures, and May Encounter Difficulties Integrating Acquired Businesses with, or Disposing of Divested Businesses From, Our Current Operations; Therefore, We May Not Realize the Anticipated Benefits of these Acquisitions and Divestitures.

We seek to grow through strategic acquisitions in addition to internal growth. In the past several years, we have made various acquisitions and have entered into joint venture arrangements intended to complement and expand our businesses, and expect to do so in the future. Our due diligence reviews may not identify all of the material issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target’s previous activities. For example, we may incur unanticipated costs, expenses or other liabilities as a result of an acquisition target’s violation of applicable laws, such as the U.S. Foreign Corrupt Practices Act (FCPA) or similar worldwide anti-bribery laws in non-U.S. jurisdictions. We may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities. We also may encounter difficulties in integrating acquisitions with our operations, applying our internal controls processes to these acquisitions, or in managing strategic investments. Additionally, we may not realize the degree or timing of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations. In addition, accounting requirements relating to business combinations, including the requirement to expense certain acquisition costs as incurred, may cause us to incur greater earnings volatility and generally lower earnings during periods in which we acquire new businesses. Furthermore, we make strategic divestitures from time to time. Our divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements or continued supply and services arrangements, following the transaction. Under these arrangements, nonperformance by those divested businesses could result in obligations imposed on us and could have a material adverse effect on our competitive position, cash flows, results of operations, or financial condition. The success of future acquisitions and divestitures will depend on the satisfaction of conditions precedent to, and consummation of, the pending transactions, the timing of consummation of these pending transactions, and the ability of the parties to secure any required regulatory approvals in a timely manner, among other things.

Our Debt Has Increased As a Result of the Goodrich Acquisition; Our Ability to Access Debt is Subject to Increased Costs and May Be Affected by Changes in the Global Capital Market, Our Financial Performance or Outlook or Our Credit Ratings.

We have outstanding debt and other financial obligations and significant unused borrowing capacity. We incurred substantial additional debt as a result of the Goodrich acquisition. Our debt level and related debt service obligations could have negative consequences, including, among others:

- requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which would reduce funds we have available for other purposes, such as acquisitions and reinvestment in our businesses;

- reducing our flexibility in planning for or reacting to changes in our business and market conditions; and

- exposing us to interest rate risk since a portion of our debt obligations are at variable rates.

We depend, in part, upon the issuance of debt to fund our operations and contractual commitments. If we require additional funding in order to fund outstanding financing commitments or meet other business requirements, our market liquidity may not be sufficient. A number of factors could cause us to incur increased borrowing costs and to have greater difficulty accessing public and private markets for debt, including disruptions or declines in the global capital markets and/or a decline in our financial performance, outlook or credit ratings.

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

We seek to achieve growth through the design, development, production, sale and support of innovative products that incorporate advanced technologies. The product, program and service needs of our customers change and evolve regularly, and we invest substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products and services. Our ability to realize the anticipated benefits of these advancements depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules; execution of internal and external performance plans; availability of supplier and internally-produced parts and materials; performance of suppliers and subcontractors; hiring and training of qualified personnel; achieving cost and production efficiencies; identification of emerging technological trends in our target end-markets; validation of innovative technologies; the level of customer interest in new technologies and products; and customer acceptance of our products and products that incorporate technologies we develop. For example, certain of our aerospace products are incorporated into larger systems and end products manufactured by our customers. These systems and end products may incorporate additional technologies manufactured by third parties and involve additional risks and uncertainties. As a result, the performance and market acceptance of these larger systems and end products could affect the level of customer interest and acceptance of our own products in the marketplace.

Any development efforts divert resources from other potential investments in our businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings. In addition, the markets for our products or products that incorporate our technologies may not develop or grow as we anticipate. We or our customers, suppliers or subcontractors may encounter difficulties in developing and producing new products and services, and may not realize the degree or timing of benefits initially anticipated or may otherwise suffer significant adverse financial consequences. Due to the design complexity of our products, we may in the future experience delays in completing the development and introduction of new products. Any delays could result in increased development costs or deflect resources from other projects. In particular, we cannot predict with certainty whether, when and in what quantities our aerospace businesses will produce and sell aircraft engines, helicopters, aircraft systems and components and other products currently in development or pending required certifications. Our contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the cost to provide the products and services. To generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services required by the contract and to be able to complete the contracts in a timely manner. If we fail to accurately estimate our costs or the time required to complete a contract, the profitability of our contracts may be materially and adversely affected. Some of our contracts provide for liquidated damages in the event that we are unable to perform and deliver in accordance with the contractual specifications and schedule. In addition, we may face customer directed cost reduction targets that could have a material adverse effect on the profitability of our contracts. Furthermore, we cannot be sure that our competitors will not develop competing technologies which gain market acceptance in advance of or instead of our products. The possibility exists that our competitors might develop new technology or offerings that might cause our existing technology and offerings to

become obsolete. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Exports of Certain of Our Products Are Subject to Various Export Control Regulations and May Require a License From the U.S. Department of State, the U.S. Department of Commerce or the U.S. Department of the Treasury.

As an exporter, we must comply with various laws and regulations relating to the export of products, services and technology from the U.S. and other countries having jurisdiction over our operations. In the U.S., these laws include, among others, the U.S. Export Administration Regulations (EAR) administered by the U.S. Department of Commerce, Bureau of Industry and Security, the International Traffic in Arms Regulations (ITAR) administered by the U.S. Department of State, Directorate of Defense Trade Controls (DDTC), and trade sanctions, regulations and embargoes administered by the U.S. Department of the Treasury, Office of Foreign Assets Control. Certain of our products have military or strategic applications and are on the munitions list of the ITAR, or represent so-called “dual use” items governed by the EAR. As a result, these products require individual validated licenses in order to be exported to certain jurisdictions. Any failures to comply with these laws and regulations could result in civil or criminal penalties, fines, investigations, adverse publicity and restrictions on our ability to export our products, and repeat failures could carry more significant penalties. As previously disclosed, on June 28, 2012, we entered into a consent agreement with the DDTC and a deferred prosecution agreement with the U.S. Department of Justice regarding separate but related export licensing compliance violations, both of which impose significant continuing obligations. In connection with the foregoing, we entered into an administrative agreement with the Department of the Army Suspension and Debarment Official, in which Army officials determined that we are presently responsible and that further action is not necessary pursuant to the Federal Acquisition Regulation and National Defense Appropriations Act. Any changes in export regulations may further restrict the export of our products. The length of time required by the licensing processes can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. Any restrictions on the export of our products or product lines could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We Are Subject to Litigation, Environmental and Other Legal Compliance Risks.

We are subject to a variety of litigation and legal compliance risks. These risks include, among other things, possible liability relating to product liability, personal injuries, intellectual property rights, contract-related claims, government contracts, taxes, environmental matters and compliance with U.S. and foreign laws, competition laws and laws governing improper business practices. We or one of our business units could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments, other damages (in certain cases, treble damages). As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses and payments, and uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional investment in product designs and could increase environmental compliance expenditures. Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including increased energy and raw materials costs. For a description of current legal proceedings, see "Legal Proceedings" in in this Form 10-K.

In addition, the FCPA and similar worldwide anti-bribery laws in non-U.S. jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. The FCPA applies to companies, individual directors, officers, employees and agents. Under the FCPA, U.S. companies may be held liable for actions taken by strategic or local partners or representatives. The FCPA also imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments. Certain of our customer relationships outside of the U.S. are with governmental entities and are therefore subject to such anti-bribery laws. Our policies mandate compliance with these anti-bribery laws. Despite meaningful measures that we undertake to seek to ensure lawful conduct, which include training and internal control policies, these measures may not always prevent our employees or agents from violating the FCPA or similar laws. As a result, we could be subject to criminal and civil penalties, disgorgement, further changes or enhancements to our procedures, policies and controls, personnel changes or other remedial actions. Violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction and result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Additional Tax Expense or Additional Tax Exposures Could Affect Our Future Profitability.

We are subject to income taxes in the United States and various international jurisdictions. Changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance could materially impact our tax receivables and

liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business we are subject to examinations by various authorities, including tax authorities. In addition to ongoing investigations, there could be additional investigations launched in the future by governmental authorities in various jurisdictions, and existing investigations could be expanded. The global and diverse nature of our operations means that these risks will continue to exist and additional investigations, proceedings and contingencies will arise from time to time. Our competitive position, cash flows, results of operation or financial condition may be affected by the outcome of investigations, proceedings and other contingencies that cannot be predicted with certainty.

See Notes 11 and 17 to the Consolidated Financial Statements in our 2013 Annual Report for further discussion on income taxes and related contingencies.

We May Be Unable to Realize Expected Benefits From Our Cost Reduction and Restructuring Efforts and Our Profitability May Be Hurt or Our Business Otherwise Might Be Adversely Affected.

In order to operate more efficiently and control costs, we announce from time to time restructuring plans, which include workforce reductions as well as global facility consolidations and other cost reduction initiatives. These plans are intended to generate operating expense savings through direct and indirect overhead expense reductions as well as other savings. We may undertake further workforce reductions or restructuring actions in the future. These types of cost reduction and restructuring activities are complex. If we do not successfully manage our current restructuring activities, or any other restructuring activities that we may undertake in the future, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions and other workforce management issues include delays in implementation of anticipated workforce reductions, additional unexpected costs, changes in restructuring plans that increase or decrease the number of employees affected, adverse effects on employee morale and the failure to meet operational targets due to the loss of employees, any of which may impair our ability to achieve anticipated cost reductions or may otherwise harm our business, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Our Business and Financial Performance May Be Adversely Affected By Information Technology and Other Business Disruptions.

Our business may be impacted by disruptions, including information technology attacks or failures, threats to physical security, as well as damaging weather or other acts of nature, pandemics or other public health crises. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data (our own or that of third parties). We have experienced cybersecurity attacks and may continue to experience them going forward, potentially with more frequency. We believe that we have adopted appropriate measures to mitigate potential risks to our technology and our operations from these information technology-related and other potential disruptions. However, given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We Depend On Our Intellectual Property, and Have Access to Certain Intellectual Property and Information of Our Customers and Suppliers; Infringement or Failure to Protect Our Intellectual Property Could Adversely Affect Our Future Growth and Success.

We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, information technology security systems and other measures to protect our proprietary intellectual property. We also rely on nondisclosure agreements, information technology security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. Our efforts to protect intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. Our ability to protect and enforce our intellectual property rights may be limited in certain countries outside the U.S. In addition, we may be the target of competitor or other third party patent enforcement actions seeking substantial monetary damages or seeking to prevent our sale and marketing of certain of our products or services. We may also be subject to disruptions, losses and liability resulting from various

cybersecurity attacks or information technology failures, as described above. Any of these events or factors could have a material adverse effect on our competitive position, subject us to judgments, penalties and significant litigation costs or temporarily or permanently disrupt our sales and marketing of the affected products or services. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

	Number of Facilities - Owned						
Location	Otis	UTC Climate, Controls & Security	Pratt & Whitney	UTC Aerospace Systems	Sikorsky	Other	Total
Manufacturing:							
North America	1	10	23	42	6	—	82
Europe & Middle East	7	9	4	16	—	—	36
Asia	1	1	7	4	1	—	14
Emerging Markets*	10	21	7	9	1	—	48
	19	41	41	71	8	—	180
Non-Manufacturing:							
North America	4	14	31	7	3	13	72
Europe & Middle East	13	13	—	—	—	—	26
Asia	—	7	1	—	—	—	8
Emerging Markets*	3	10	2	4	—	—	19
	20	44	34	11	3	13	125

	Number of Facilities - Leased						
Location	Otis	UTC Climate, Controls & Security	Pratt & Whitney	UTC Aerospace Systems	Sikorsky	Other	Total
Manufacturing:							
North America	—	5	10	21	13	—	49
Europe & Middle East	—	2	1	8	—	—	11
Asia	—	—	2	3	—	—	5
Emerging Markets*	4	5	—	10	—	—	19
	4	12	13	42	13	—	84
Non-Manufacturing:							
North America	2	34	16	14	12	9	87
Europe & Middle East	9	35	1	1	—	—	46
Asia	3	9	1	—	—	—	13
Emerging Markets*	6	12	2	3	—	—	23
	20	90	20	18	12	9	169

* For purposes of this table, our definition of emerging markets is developed using the countries included in the MSCI Emerging Markets Index℠.

Our fixed assets as of December 31, 2013 include manufacturing facilities and non-manufacturing facilities such as warehouses set forth in the tables above and a substantial quantity of machinery and equipment, most of which are general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The facilities, warehouses, machinery and equipment in use as of December 31, 2013 are in good operating condition, are well-maintained and substantially all are generally in regular use.

Item 3. Legal Proceedings

Export Violations

A significant portion of our activities are subject to export control regulation by the U.S. Department of State (State Department) under the U.S. Arms Export Control Act (AECA) and International Traffic in Arms Regulations (ITAR). From time to time, we identify, investigate, remediate and voluntarily disclose to the Defense Trade Controls Compliance (DTCC) potential violations of the AECA and ITAR. DTCC administers the State Department's authority under the AECA and ITAR to impose civil penalties and other administrative sanctions for violations, including debarment from engaging in the export of defense articles or defense services. Most of our voluntary disclosures are resolved without the imposition of penalties or other sanctions. However, as previously disclosed, in November 2011, DTCC informed us that it was reviewing certain of our voluntary disclosures filed since 2005 and believed some of these disclosures could constitute deficiencies warranting penalties and sanctions. In connection with the above, on June 28, 2012, we entered into a Consent Agreement (CA) with DTCC to resolve a Proposed Charging Letter that references approximately 45 of our previous disclosures. The CA has a four-year term, and provides that we will: (1) pay a civil penalty of $55 million, up to $20 million of which can be suspended based on qualifying compliance investments made by us prior to or during the term of the CA; (2) appoint, subject to DTCC approval, an outside Special Compliance Official (SCO) to oversee our compliance with the CA and the AECA and ITAR; (3) continue and undertake additional remedial actions to strengthen AECA and ITAR compliance, with emphasis on human resources and organization, training, automation, and security of electronic data; and (4) sponsor two Company-wide outside compliance audits during the term of the CA.

The voluntary disclosures addressed in the CA include disclosures made in 2006 and 2007 regarding the export by legacy Hamilton Sundstrand to P&WC of certain modifications to dual-use electronic engine control software, and the re-export by P&WC of those software modifications and subsequent P&WC-developed modifications to China during the period 2002-2004 for use in the development of the Z-10 Chinese military helicopter. As previously disclosed, the DOJ separately conducted a criminal investigation of the matters addressed in these disclosures, as well as the accuracy, adequacy, and timeliness of the disclosures. We cooperated with the DOJ's investigation. On June 28, 2012, the U.S. Attorney for the District of Connecticut filed a three-count criminal information alleging: (1) that in 2002-2003, P&WC caused legacy Hamilton Sundstrand to export ITAR-controlled software modifications to Canada and re-exported them to China without the required license; (2) that in 2006, P&WC, legacy Hamilton Sundstrand and UTC made false statements in disclosures to DTCC regarding these AECA and ITAR violations; and (3) that P&WC and legacy Hamilton Sundstrand violated a separate provision of the AECA and ITAR by failing timely to notify DTCC of the unlicensed software shipments to China. P&WC pleaded guilty to violating the AECA and the ITAR and making false statements as alleged, and was sentenced to probation and to pay fines and forfeitures totaling $6.9 million. P&WC, legacy Hamilton Sundstrand and UTC (the UTC Entities) entered into a Deferred Prosecution Agreement (DPA) regarding the remaining offenses charged with respect to each UTC Entity. The DPA has a two-year term, and provides that the UTC Entities will: (1) pay an additional penalty of $13.8 million; (2) appoint, subject to DOJ approval, an independent monitor (who may be the same person as the SCO appointed under the CA) to oversee compliance with the DPA; (3) provide annual senior officer certifications that all known violations of the AECA and ITAR, Export Administration Regulations and sanctions regimes implemented under the International Emergency Economic Powers Act occurring after the execution date of the DPA have been reported by UTC, its subsidiaries, and its majority-owned or controlled affiliates to the appropriate official(s) of the U.S. Government; (4) cooperate with law enforcement in specified areas; and (5) implement specified compliance training initiatives.

We believe the previously disclosed potential liability recognized as of March 31, 2012 of $55 million will be sufficient to discharge all amounts due under the CA and DPA.

On June 28, 2012, by reason of P&WC's guilty plea to a criminal violation of the AECA and the ITAR, DTCC imposed a partial statutory debarment on P&WC with respect to obtaining new or renewed ITAR license privileges. The debarment does not affect existing ITAR licenses/authorities, nor does it extend to programs supporting: (1) the U.S. Government; (2) NATO allies; or (3) "major non-NATO allies" (as defined in the ITAR). P&WC may seek "transaction exception" approvals on a case-by-case basis for new or renewed ITAR licensing in other cases during the period of debarment. P&WC may apply for full reinstatement of ITAR privileges after one year. While P&WC is currently eligible to apply for reinstatement, to date, P&WC has not applied for reinstatement. On December 20, 2012, UTC entered into an administrative agreement with the Department of the Army Suspension and Debarment Official, where Army officials determined that the UTC Entities are presently responsible and that further action is not necessary to protect the U.S. Government's interests pursuant to the Federal Acquisition Regulation and the National Defense Appropriations Act. The agreement with the Department of the Army Suspension and Debarment Official completes the Department of Defense review of the UTC Entities' present responsibility under the Federal Acquisition Regulation and P&WC's eligibility to receive funds appropriated for fiscal year 2012 under the National Defense Appropriations Act.

Pratt & Whitney Grand Jury Subpoena

Pratt & Whitney is conducting an internal investigation in response to a subpoena issued to it in May 2012 by a federal grand jury in Connecticut. The subpoena requests documents related to Pratt & Whitney's use in certain military engines of titanium procured from suppliers that potentially did not conform to underlying contract specifications. Pratt & Whitney has been cooperating fully with the government's investigation. We cannot reasonably estimate the range of loss, if any, that may result from this matter given the current procedural status of the investigation.

Shareholder Derivative Litigation

On October 31, 2012, a shareholder filed a stockholder derivative action in the Delaware Court of Chancery against all of UTC's current directors. The complaint centered on the June 28, 2012 guilty plea of P&WC to violations of the U.S. Arms Export Control Act and International Traffic in Arms Regulations, and making false statements in connection with its illegal export to China of U.S.-origin military software used in the development of a Chinese military attack helicopter, the Z-10. The complaint alleged, among other things, that UTC's directors had breached their fiduciary duties owed to UTC and its shareholders and had committed "corporate waste" by failing to oversee adequately UTC's export control compliance. The complaint also alleged that UTC's directors "failed to ensure" that there were adequate internal controls to assure compliance. The complaint sought declaratory and injunctive relief against UTC, including an order removing and replacing the directors, and asserted a claim for unspecified money damages against only the directors. On June 18, 2013, the Chancery Court issued an order granting the directors' motion to dismiss the case, with prejudice. The shareholder appealed that decision. On December 19, 2013, the Delaware Supreme Court affirmed the Chancery Court's order dismissing the case.

Asbestos Litigation

Like many other industrial companies in recent years, we or our subsidiaries have been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos integrated into certain of our products or premises. While we have never manufactured asbestos and no longer incorporate it in any currently-manufactured products, certain of our historical products, like those of many other manufacturers, have contained components incorporating asbestos. A substantial majority of these asbestos-related claims have been covered by our insurance or other forms of indemnity or have been dismissed without payment. The remainder of the closed cases have been resolved for amounts that are not material individually or in the aggregate.

In addition, we are subject to a number of other lawsuits, investigations and claims (some of which involve substantial amounts). For a discussion of contingencies related to certain other legal proceedings, see Note 17 to the Consolidated Financial Statements in our 2013 Annual Report, which is incorporated by reference herein. Except as indicated herein or in Note 17 to the Consolidated Financial Statements in our 2013 Annual Report, we do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

A further discussion of government contracts and related investigations, as well as a discussion of our environmental liabilities, can be found under the heading "Other Matters Relating to Our Business as a Whole – Compliance with Environmental and Other Government Regulations" in Item 1, "Business," and in Item 1A, "Risk Factors," in this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The Performance Graph and Comparative Stock Data appearing in our 2013 Annual Report, filed as Exhibit 13 to this Form 10-K, containing the following data relating to our common stock: total shareholder return, principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends, are incorporated herein by reference. The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is incorporated herein by reference to Part III, Item 12 of this Form 10-K.

Issuer Purchases of Equity Securities

The following table provides information about our purchases during the quarter ended December 31, 2013 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

2013	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (000's)	Maximum Number of Shares that may yet be Purchased Under the Program (000's)
October 1 - October 31	414	$ 106.20	414	52,694
November 1 - November 30	823	108.61	823	51,872
December 1 - December 31	611	109.19	611	51,261
Total	1,848	$ 108.26	1,848	

We repurchase shares under a program announced on February 4, 2013, which authorized the repurchase of up to 60 million shares of our common stock. Under this current program, shares may be purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. We may also reacquire shares outside of the program from time to time in connection with the surrender of shares to cover taxes on vesting of restricted stock. Fewer than 1,000 shares were reacquired in transactions outside the program during the quarter ended December 31, 2013.

Item 6. Selected Financial Data

The Five-Year Summary appearing in our 2013 Annual Report, filed as Exhibit 13 to this Form 10-K, is incorporated herein by reference. See “Notes to Consolidated Financial Statements” in our 2013 Annual Report for a description of any accounting changes and acquisitions or dispositions of businesses materially affecting the comparability of the information reflected in the Five-Year Summary.

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

The information set forth in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2013 Annual Report, filed as Exhibit 13 to this Form 10-K, is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information concerning market risk sensitive instruments, see discussion under the heading “Market Risk and Risk Management” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2013 Annual Report, filed as Exhibit 13 to this Form 10-K, and under the heading “Foreign Exchange and Hedging Activity” and "Financial Instruments" in Note 1 and in Note 14, respectively, to the Consolidated Financial Statements in our 2013 Annual Report, filed as Exhibit 13 to this Form 10-K.

Item 8. Financial Statements and Supplementary Data

The 2013 and 2012 Consolidated Balance Sheet, and other consolidated financial statements for the years ended 2013, 2012 and 2011, together with the report thereon of PricewaterhouseCoopers LLP dated February 6, 2014 in our 2013 Annual Report, filed as Exhibit 13 to this Form 10-K, are incorporated herein by reference. The 2013 and 2012 unaudited Selected Quarterly Financial Data appearing in our 2013 Annual Report, filed as Exhibit 13 to this Form 10-K, is incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, we carried out an evaluation under the supervision and with the participation of our management, including the Chairman & Chief Executive Officer (CEO), the Senior Vice President and Chief Financial Officer (CFO) and the Acting Controller and Assistant Controller, Financial Reporting (Controller), of the effectiveness of the design and operation of our disclosure controls and procedures. There are

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the U.S. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its *Internal Control – Integrated Framework*, released in 1992. Our management has concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2013. The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which appears in our 2013 Annual Report.

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

The following activities are disclosed as required by Section 13(r)(1)(D)(iii) of the Securities Exchange Act of 1934, as amended (Exchange Act) as transactions or dealings with the government of Iran that have not been specifically authorized by a U.S. federal department or agency:

In the Company’s Form 10-Q reports for the quarterly periods ended on March 31, 2013, June 30, 2013 and September 30, 2013, the Company disclosed, under the heading “Other” in the “Business Overview” section in Management’s Discussion and Analysis of Financial Condition and Results of Operations in each such report, activities as required by Section 13(r)(1)(D)(iii) of the Securities Exchange Act of 1934, as amended (Exchange Act) as transactions or dealings with the government of Iran that have not been specifically authorized by a U.S. federal department or agency. Such disclosures are incorporated herein by reference. In the quarterly period ended on December 31, 2013, there were no activities required to be disclosed by Section 13(r)(1)(D)(iii) of the Exchange Act as transactions or dealings with the government of Iran that have not been specifically authorized by a U.S. federal department or agency.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors and audit committee financial experts is incorporated herein by reference to the sections of our Proxy Statement for the 2014 Annual Meeting of Shareowners titled “Election of Directors” (under the subheading “Nominees”) and “Corporate Governance” (including under the subheadings “Board Committees,” “Audit Committee” and “Committee on Nominations and Governance”).

Executive Officers of the Registrant

The following persons are executive officers of United Technologies Corporation:

Name	Title	Other Business Experience Since 1/1/2009	Age as of 2/6/2014
Paul R. Adams	President, Pratt & Whitney (since January 2014)	Chief Operating Officer, Pratt & Whitney; Senior Vice President Operations & Engineering, Pratt & Whitney; Senior Vice President Engineering, Pratt & Whitney	52
Elizabeth B. Amato	Senior Vice President, Human Resources and Organization, United Technologies Corporation (since August 2012)	Vice President, Human Resources, UTC Climate, Controls & Security; Vice President, Human Resources, Carrier Corporation; Vice President, Human Resources, Pratt & Whitney	57
Alain M. Bellemare	President & Chief Executive Officer, UTC Propulsion & Aerospace Systems (since July 2012)	President & Chief Operating Officer, UTC Propulsion & Aerospace Systems; President, Hamilton Sundstrand Corporation	52
Louis R. Chênevert	Director (since 2006), Chairman (since 2010), President (since 2006) & Chief Executive Officer, United Technologies Corporation (since 2008)	___	56
Geraud Darnis	President & Chief Executive Officer, UTC Building & Industrial Systems (since September 2013)	President & Chief Executive Officer, UTC Climate, Controls & Security; President, Carrier Corporation	54
Charles D. Gill	Senior Vice President and General Counsel, United Technologies Corporation (since 2007)	___	49
Nicole Parent Haughey	Vice President, Corporate Strategy & Development (since September 2013)	Co-Founder and Managing Partner, Vertical Research Partners Managing Director, Global Sector Head Industrials Credit Suisse	42
Gregory J. Hayes	Senior Vice President and Chief Financial Officer, United Technologies Corporation (since 2008)	___	53
Michael B. Maurer	President, Sikorsky Aircraft (since July 2012)	President, Sikorsky Military Systems, Sikorsky Aircraft; Senior Vice President, Operations, Sikorsky Aircraft	53
Thomas I. Rogan	Vice President, Treasurer, United Technologies Corporation (since 2001)	___	61

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

Information concerning Section 16(a) compliance is incorporated herein by reference to the section of our Proxy Statement for the 2014 Annual Meeting of Shareowners titled “Other Information” under the heading “Section 16(a) Beneficial Ownership Reporting.” We have adopted a code of ethics that applies to all our directors, officers, employees and representatives. This code is publicly available on our website at http://www.utc.com/Governance/Ethics/Code+of+Ethics. Amendments to the code of ethics and any grant of a waiver from a provision of the code requiring disclosure under applicable SEC rules will be disclosed on our website. Our Corporate Governance Guidelines and the charters of our Board of Directors’ Audit Committee, Finance Committee, Committee on Nominations and Governance, Public Issues Review Committee and Committee on Compensation and Executive Development are available on our website at http://www.utc.com/Governance/Board+of+Directors. These materials may also be requested in print free of charge by writing to our Investor Relations Department at United Technologies Corporation, United Technologies Building, Investor Relations, Hartford, CT 06101.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2014 Annual Meeting of Shareowners titled “Executive Compensation,” “Compensation of Directors” and “Report of Committee on Compensation and Executive Development.”

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

The information relating to security ownership of certain beneficial owners and management and the Equity Compensation Plan Information required by Item 12 is incorporated herein by reference to the sections of our Proxy Statement for the 2014 Annual Meeting of Shareowners titled “Stock Ownership Information” and "Equity Compensation Plan Information."

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

The information required by Item 13 is incorporated herein by reference to the sections of our Proxy Statement for the 2014 Annual Meeting of Shareowners titled “Election of Directors” (under the subheading “Nominees”), “Corporate Governance” (under the subheading “Director Independence”) and “Other Information” (under the subheading “Transactions with Related Persons”).

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the section of our Proxy Statement for the 2014 Annual Meeting of Shareowners titled “Appointment of a Firm of Independent Registered Public Accountants to Serve as Independent Auditor for 2014,” including the information provided in that section with regard to “Audit Fees,” “Audit-Related Fees,” “Tax Fees” and “All Other Fees.”

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements (incorporated herein by reference to the 2013 Annual Report):

	Page Number in Annual Report
Report of Independent Registered Public Accounting Firm	30
Consolidated Statement of Operations for the three years ended December 31, 2013	31
Consolidated Statement of Comprehensive Income for the three years ended December 31, 2013	32
Consolidated Balance Sheet as of December 31, 2013 and 2012	33
Consolidated Statement of Cash Flows for the three years ended December 31, 2013	34
Consolidated Statement of Changes in Equity for the three years ended December 31, 2013	35
Notes to Consolidated Financial Statements	37
Selected Quarterly Financial Data (Unaudited)	77

(2) Financial Statement Schedule for the three years ended December 31, 2013:

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

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	
2.1	Agreement and Plan of Merger, among United Technologies Corporation, Charlotte Lucas Corporation, and Goodrich Corporation, dated as of September 21, 2011, incorporated by reference to Exhibit 2.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 23, 2011.
3(i)	Restated Certificate of Incorporation, restated as of May 5, 2006, incorporated by reference to Exhibit 3(i) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2006.
3(ii)	Bylaws as amended and restated effective December 11, 2013, incorporated by reference to Exhibit 3.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on December 13, 2013.
4.1	Amended and Restated Indenture, dated as of May 1, 2001, between UTC and The Bank of New York, as trustee, incorporated by reference to Exhibit 4(a) to UTC's Registration Statement on Form S-3 (Commission file number 333-60276) filed with the SEC on May 4, 2001. UTC hereby agrees to furnish to the Commission upon request a copy of each other instrument defining the rights of holders of long-term debt of UTC and its consolidated subsidiaries and any unconsolidated subsidiaries.
10.1	United Technologies Corporation Annual Executive Incentive Compensation Plan, incorporated by reference to Exhibit A to UTC's Proxy Statement for the 1975 Annual Meeting of Shareowners, Amendment No. 1 thereto, effective January 1, 1995, incorporated by reference to Exhibit 10.2 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1995, and Amendment No. 2 thereto, effective January 1, 2009, incorporated by reference to Exhibit 10.1 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.2	United Technologies Corporation Executive Estate Preservation Program, incorporated by reference to Exhibit 10(iv) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1992.
10.3	United Technologies Corporation Pension Preservation Plan, as amended and restated, effective December 31, 2009, incorporated by reference to Exhibit 10.3 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
10.4	United Technologies Corporation Senior Executive Severance Plan, incorporated by reference to Exhibit 10(vi) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1992, as amended by Amendment thereto, effective December 10, 2003, incorporated by reference to Exhibit 10.4 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2003, and Amendment thereto, effective June 11, 2008, incorporated by reference to Exhibit 10.4 of UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended June 30, 2008, and Amendment thereto, dated February 4, 2011, incorporated by reference to Exhibit 10.4 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2010.
10.5	United Technologies Corporation Deferred Compensation Plan, as amended and restated, effective January 1, 2005, incorporated by reference to Exhibit 10.5 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.6	United Technologies Corporation Long Term Incentive Plan, incorporated by reference to Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1989, as amended by Amendment No. 1, incorporated by reference to Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1995, and Amendment No. 2, incorporated by reference to Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2003.

10.7	Schedule of Terms for Nonqualified Stock Option and Dividend Equivalent Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), incorporated by reference to Exhibit 10.15 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2004.
10.8	Schedule of Terms and Form of Award for Restricted Stock Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), incorporated by reference to Exhibit 10.1 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.9	Schedule of Terms and Form of Award for Nonqualified Stock Option Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), incorporated by reference to Exhibit 10.2 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.10	Schedule of Terms and Forms of Award for Continuous Improvement Incentive Program Non-qualified Stock Option and Dividend Equivalent Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), incorporated by reference to Exhibit 10.6 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.
10.11	United Technologies Corporation Executive Leadership Group Program, as amended and restated, effective October 15, 2013, incorporated by reference to Exhibit 10.11 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2013.
10.12	Schedule of Terms for Restricted Share Unit Retention Awards relating to the United Technologies Corporation Executive Leadership Group Program (referred to above in Exhibit 10.11), incorporated by reference to Exhibit 10.12 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2013.
10.13	Form of Award Agreement for Restricted Share Unit Retention Awards relating to the United Technologies Corporation Executive Leadership Group Program (referred to above in Exhibit 10.11), incorporated by reference to Exhibit 10.13 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 13, 2013.
10.14	United Technologies Corporation Board of Directors Deferred Stock Unit Plan, incorporated by reference to Exhibit 10.14 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2010, as amended by an Amendment thereto, effective February 1, 2013.*
10.15	Retainer Payment Election Form for United Technologies Corporation Board of Directors Deferred Stock Unit Plan (referred to above in Exhibit 10.14), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 18, 2006.
10.16	Form of Deferred Restricted Stock Unit Award relating to the United Technologies Corporation Board of Directors Deferred Stock Unit Plan (referred to above in Exhibit 10.14), incorporated by reference to Exhibit 10.16 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
10.17	United Technologies Corporation Nonemployee Director Stock Option Plan, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1995, as amended by Amendment No. 1, incorporated by reference to Exhibit 10(iii)(A)(2) to UTC's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000, Amendment No. 2, incorporated by reference to Exhibit 10(iii)(A)(1) to UTC's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001, Amendment No. 3, incorporated by reference to Exhibit 10.17 to UTC's Annual Report on Form 10-K for the fiscal year ending December 31, 2001, Amendment No. 4, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ending December 31, 2002 and Amendment No. 5, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2003.
10.18	Form of Nonqualified Stock Option Award relating to the United Technologies Corporation Nonemployee Director Stock Option Plan, as amended (referred to above in Exhibit 10.17), incorporated by reference to Exhibit 10.4 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.19	United Technologies Corporation 2005 Long-Term Incentive Plan, as amended and restated effective April 13, 2011, incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 19, 2011.
10.20	Schedule of Terms for restricted stock awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.
10.21	Form of Award Agreement for restricted stock awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.2 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.
10.22	Schedule of Terms for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.3 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.
10.23	Form of Award Agreement for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.4 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.
10.24	Schedule of Terms for performance share unit awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.28 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.25	Schedule of Terms for stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.29 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.26	Form of Award Agreement for performance share unit and stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K filed with the SEC on October 16, 2006.
10.27	Form of Award Agreement for performance share unit and stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on December 20, 2005.
10.28	United Technologies Corporation LTIP Performance Share Unit Deferral Plan, relating to the 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.36 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.29	United Technologies Corporation International Deferred Compensation Replacement Plan, effective January 1, 2005, incorporated by reference to Exhibit 10.35 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.30	United Technologies Corporation Company Automatic Excess Plan, effective January 1, 2010, incorporated by reference to Exhibit 10.30 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
10.31	United Technologies Corporation Savings Restoration Plan, effective January 1, 2010, incorporated by reference to Exhibit 10.31 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
10.32	Bridge Credit Agreement, among United Technologies Corporation, the Lenders (as defined therein), JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, dated as of November 8, 2011, incorporated by reference to Exhibit 10.33 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2011.

10.33	Term Loan Credit Agreement, among United Technologies Corporation, JPMorgan Chase Bank, M.A., J.P. Morgan Securities LLC, Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Citibank, N.A. and HSBC Bank USA, National Association, dated April 24, 2012, incorporated by reference to Exhibit 10.34 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended March 30, 2012.
11	Statement Re: Computation of Per Share Earnings.*
12	Statement Re: Computation of Ratios.*
13	Excerpts from UTC's 2013 Annual Report to Shareowners for the year ended December 31, 2013.*
14	Code of Ethics. The UTC Code of Ethics may be accessed via UTC's website at http://www.utc.com/Governance/Ethics/Code+of+Ethics.
21	Subsidiaries of the Registrant.*
23	Consent of PricewaterhouseCoopers LLP.*
24	Powers of Attorney of John V. Faraci, Jean-Pierre Garnier, Jamie S. Gorelick, Edward A. Kangas, Ellen J. Kullman, Marshall O. Larsen, Harold W. McGraw III, Richard B. Myers, H. Patrick Swygert, André Villeneuve and Christine Todd Whitman.*
31	Rule 13a-14(a)/15d-14(a) Certifications.*
32	Section 1350 Certifications.*
101.INS	XBRL Instance Document.* (File name: utx-20131231.xml)
101.SCH	XBRL Taxonomy Extension Schema Document.* (File name: utx-20131231.xsd)
101.CAL	XBRL Taxonomy Calculation Linkbase Document.* (File name: utx-20131231_cal.xml)
101.DEF	XBRL Taxonomy Definition Linkbase Document.* File name: : utx-20131231_def.xml)
101.LAB	XBRL Taxonomy Label Linkbase Document.* (File name: utx-20131231_lab.xml)
101.PRE	XBRL Taxonomy Presentation Linkbase Document.* (File name: utx-20131231_pre.xml)

Notes to Exhibits List:

* Submitted electronically herewith.

Exhibits 10.1 through 10.31 are contracts, arrangements or compensatory plans filed as exhibits pursuant to Item 15(b) of the requirements for Form 10-K reports.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Operations for the three years ended December 31, 2013, (ii) Consolidated Statement of Comprehensive Income for the three years ended December 31, 2013, (iii) Consolidated Balance Sheet as of December 31, 2013 and 2012, (iv) Consolidated Statement of Cash Flows for the three years ended December 31, 2013, (v) Consolidated Statement of Changes in Equity for the three years ended December 31, 2013, (vi) Notes to Consolidated Financial Statements, and (vii) Financial Schedule of Valuation and Qualifying Accounts.

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/ GREGORY J. HAYES
Gregory J. Hayes
Senior Vice President and Chief Financial Officer

By: /s/ JOHN E. STANTIAL
John E. Stantial
Acting Controller and Assistant Controller, Financial Reporting

Date: February 6, 2014

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 and on the dates indicated.

Signature	Title	Date
/s/ LOUIS R. CHÊNEVERT **(Louis R. Chênevert)**	Director, Chairman & Chief Executive Officer (Principal Executive Officer)	February 6, 2014
/s/ GREGORY J. HAYES **(Gregory J. Hayes)**	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 6, 2014
/s/ JOHN E. STANTIAL **(John E. Stantial)**	Acting Controller and Assistant Controller, Financial Reporting	February 6, 2014
/s/ JOHN V. FARACI * **(John V. Faraci)**	Director	
/s/ JEAN-PIERRE GARNIER* **(Jean-Pierre Garnier)**	Director	
/s/ JAMIE S. GORELICK * **(Jamie S. Gorelick)**	Director	
/s/ EDWARD A. KANGAS * **(Edward A. Kangas)**	Director	
/s/ ELLEN J. KULLMAN * **(Ellen J. Kullman)**	Director	
/s/ MARSHALL O. LARSEN * **(Marshall O. Larsen)**	Director	
/s/ HAROLD W. MCGRAW III * **(Harold W. McGraw III)**	Director	
/s/ RICHARD B. MYERS * **(Richard B. Myers)**	Director	
/s/ H. PATRICK SWYGERT * **(H. Patrick Swygert)**	Director	
/s/ ANDRÉ VILLENEUVE * **(André Villeneuve)**	Director	
/s/ CHRISTINE TODD WHITMAN * **(Christine Todd Whitman)**	Director	

*By: /s/ CHARLES D. GILL

Charles D. Gill
Senior Vice President and
General Counsel, as Attorney-in-Fact

Date: February 6, 2014

SCHEDULE I

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of United Technologies Corporation:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 6, 2014 appearing in the 2013 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 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 6, 2014

SCHEDULE II

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Three years ended December 31, 2013
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:		
Balance December 31, 2010	$	448
Provision charged to income		88
Doubtful accounts written off (net)		(38)
Other adjustments		(42)
Balance December 31, 2011		456
Provision charged to income		72
Doubtful accounts written off (net)		(23)
Other adjustments		12
Balance December 31, 2012		517
Provision charged to income		**74**
Doubtful accounts written off (net)		**(68)**
Other adjustments		**20**
Balance December 31, 2013	**$**	**543**
Future Income Tax Benefits—Valuation allowance:		
Balance December 31, 2010	$	911
Additions charged to income tax expense		130
Reductions credited to income tax expense		(27)
Other adjustments		(37)
Balance December 31, 2011		977
Additions charged to income tax expense		124
Additions charged to goodwill, due to acquisitions		71
Reductions credited to income tax expense		(245)
Other adjustments		(23)
Balance December 31, 2012		904
Additions charged to income tax expense		**134**
Additions charged to goodwill, due to acquisitions		**12**
Reductions credited to income tax expense		**(52)**
Other adjustments		**(56)**
Balance December 31, 2013	**$**	**942**

Exhibit 11

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

(Dollars in millions, except per share amounts)	Full year 2013	2012	2011	2010	2009
Net income from continuing operations	**$ 5,686**	$ 4,847	$ 4,831	$ 4,195	$ 3,719
Net income from discontinued operations	**35**	283	148	178	111
Net income attributable to common shareowners	**$ 5,721**	$ 5,130	$ 4,979	$ 4,373	$ 3,830
Net income from continuing operations	**$ 5,686**	$ 4,847	$ 4,831	$ 4,195	$ 3,719
Basic earnings for period	**$ 5,686**	$ 4,847	$ 4,831	$ 4,195	$ 3,719
Diluted earnings for period	**$ 5,686**	$ 4,847	$ 4,831	$ 4,195	$ 3,719
Basic average number of shares outstanding during the period (thousands)	**901,000**	895,200	892,300	907,900	917,400
Stock awards (thousands)	**14,100**	11,400	14,500	14,800	11,400
Diluted average number of shares outstanding during the period (thousands)	**915,100**	906,600	906,800	922,700	928,800
Basic earnings per common share	**$ 6.31**	$ 5.41	$ 5.41	$ 4.62	$ 4.05
Diluted earnings per common share	**$ 6.21**	$ 5.35	$ 5.33	$ 4.55	$ 4.00
Net income attributable to common shareowners	**$ 5,721**	$ 5,130	$ 4,979	$ 4,373	$ 3,830
Basic earnings for period	**$ 5,721**	$ 5,130	$ 4,979	$ 4,373	$ 3,830
Diluted earnings for period	**$ 5,721**	$ 5,130	$ 4,979	$ 4,373	$ 3,830
Basic average number of shares outstanding during the period (thousands)	**901,000**	895,200	892,300	907,900	917,400
Stock awards (thousands)	**14,100**	11,400	14,500	14,800	11,400
Diluted average number of shares outstanding during the period (thousands)	**915,100**	906,600	906,800	922,700	928,800
Basic earnings per common share	**$ 6.35**	$ 5.73	$ 5.58	$ 4.82	$ 4.17
Diluted earnings per common share	**$ 6.25**	$ 5.66	$ 5.49	$ 4.74	$ 4.12

Exhibit 12

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)	Full year 2013	2012	2011	2010	2009
Fixed Charges:					
Interest expense[1]	**$ 1,034**	$ 893	$ 673	$ 751	$ 705
Interest capitalized	**22**	19	20	17	18
One-third of rents[2]	**152**	152	151	148	154
Total fixed charges	**$ 1,208**	$ 1,064	$ 844	$ 916	$ 877
Earnings:					
Income from continuing operations before income taxes	**$ 8,312**	$ 6,911	$ 7,350	$ 6,248	$ 5,575
Fixed charges per above	**1,208**	1,064	844	916	877
Less: capitalized interest	**(22)**	(19)	(20)	(17)	(18)
	1,186	1,045	824	899	859
Amortization of interest capitalized	**11**	13	17	17	17
Total earnings	**$ 9,509**	$ 7,969	$ 8,191	$ 7,164	$ 6,451
Ratio of earnings to fixed charges	**7.87**	7.49	9.70	7.82	7.36

[1] Pursuant to the guidance in the Income Taxes Topic of the FASB ASC, interest related to unrecognized tax benefits recorded was approximately $51 million, $40 million, $23 million, $27 million and $21 million for the years 2013, 2012, 2011, 2010 and 2009, respectively. The ratio of earnings to fixed charges would have been 8.22, 7.78, 9.98, 8.06 and 7.54 for the years 2013, 2012, 2011, 2010 and 2009, respectively, if such interest were excluded from the calculation.

[2] Reasonable approximation of the interest factor.

Five-Year Summary

(dollars in millions, except per share amounts)	**2013**	2012	2011	2010	2009
For The Year					
Net sales	**$ 62,626**	$ 57,708	$ 55,754	$ 52,275	$ 50,469
Research and development [4]	**2,529**	2,371	1,951	1,656	1,460
Restructuring costs	**481**	590	315	387	787
Net income from continuing operations	**6,074**	5,200	5,216	4,523	4,060
Net income from continuing operations attributable to common shareowners	**5,686**	4,847	4,831	4,195	3,719
Basic earnings per share—Net income from continuing operations attributable to common shareowners	**6.31**	5.41	5.41	4.62	4.05
Diluted earnings per share—Net income from continuing operations attributable to common shareowners	**6.21**	5.35	5.33	4.55	4.00
Cash dividends per common share	**2.20**	2.03	1.87	1.70	1.54
Average number of shares of Common Stock outstanding:					
Basic	**901**	895	892	908	917
Diluted	**915**	907	907	923	929
Cash flows provided by operating activities of continuing operations	**7,505**	6,605	6,460	5,720	5,083
Capital expenditures [6]	**1,688**	1,389	929	838	773
Acquisitions, including debt assumed [3]	**151**	18,620	372	2,781	676
Repurchases of Common Stock [5]	**1,200**	—	2,175	2,200	1,100
Dividends paid on Common Stock [1]	**1,908**	1,752	1,602	1,482	1,356
At Year End					
Working capital	**$ 6,642**	$ 5,174	$ 7,142	$ 5,778	$ 5,281
Total assets [3]	**90,594**	89,409	61,452	58,493	55,762
Long-term debt, including current portion [2]	**19,853**	22,718	9,630	10,173	9,490
Total debt [2]	**20,241**	23,221	10,260	10,289	9,744
Total debt to total capitalization [2]	**38%**	46%	31%	32%	32%
Total equity [2]	**33,219**	27,069	22,820	22,323	20,999
Number of employees [3]	**212,400**	218,300	199,900	208,200	206,700

Note 1 Excludes dividends paid on Employee Stock Ownership Plan Common Stock.

Note 2 The decrease in the 2013 debt to total capitalization ratio, as compared to 2012, reflects the repayment of approximately $2.9 billion of long-term debt, most of which was used to finance the acquisition of Goodrich. The increase in the 2012 debt to total capitalization ratio, as compared to 2011, reflects the issuance of $9.8 billion in long-term debt, $1.1 billion in equity units and the assumption of approximately $3 billion in long-term debt in connection with the acquisition of Goodrich.

Note 3 The increase in 2012, as compared with 2011, includes the net impact of acquisitions and divestitures across the Company, most notably the 2012 acquisition of Goodrich and divestiture of the legacy Hamilton Sundstrand Industrial business, both within the UTC Aerospace Systems segment, as well as the impact of other acquisitions and dispositions and restructuring actions across UTC.

Note 4 The increase in 2012, as compared with 2011, includes approximately $250 million incremental research and development spending related to the Goodrich businesses that were acquired during 2012, and approximately $65 million at Pratt & Whitney to further advance development of multiple geared turbo fan platforms.

Note 5 In connection with the acquisition of Goodrich, repurchases of common stock under our share repurchase program were suspended for 2012. We resumed our share repurchase program in 2013.

Note 6 Capital expenditures increased in 2013 and are expected to increase in 2014 as we build capacity to meet expected demand within our aerospace businesses for the next generation engine platforms. We expect capital expenditures in 2014 of approximately $2 billion.

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

BUSINESS OVERVIEW

We are a global provider of high technology products and services to the building systems and aerospace industries. Our operations for the periods presented herein are classified into five principal business segments: Otis, UTC Climate, Controls & Security, Pratt & Whitney, UTC Aerospace Systems and Sikorsky. Otis and UTC Climate, Controls & Security are referred to as the "commercial businesses," while Pratt & Whitney, UTC Aerospace Systems and Sikorsky are collectively referred to as the "aerospace businesses." Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

On September 23, 2013, we announced the formation of UTC Building & Industrial Systems, a new organizational structure consisting of the Otis and UTC Climate, Controls & Security segments. This new organizational structure is expected to enhance our ability to deliver more integrated solutions to our customers and accelerate innovation in smart building technologies and sustainable designs. Otis and UTC Climate, Controls & Security each continue to report their financial and operational results as separate segments, which is consistent with how we allocate resources and measure the financial performance of these businesses.

On July 26, 2012, UTC acquired Goodrich Corporation (Goodrich) pursuant to a merger agreement dated September 21, 2011. As a result of the acquisition, Goodrich became a wholly-owned subsidiary of UTC. The acquired Goodrich business and the legacy Hamilton Sundstrand business were combined to form a new segment named UTC Aerospace Systems. The results of the acquired Goodrich business have been included in UTC's financial statements only for periods subsequent to the completion of the acquisition. The acquisition resulted in the inclusion of Goodrich's assets and liabilities as of the acquisition date at their respective fair values. Accordingly, the acquisition materially affected UTC's results of operations and financial position.

On June 29, 2012, Pratt & Whitney, Rolls-Royce plc (Rolls-Royce), MTU Aero Engines AG (MTU) and Japanese Aero Engines Corporation (JAEC), participants in the IAE International Aero Engines AG (IAE) collaboration, completed a restructuring of their interests in IAE. Under the terms of the agreement, Rolls-Royce sold its ownership and collaboration interests in IAE to Pratt & Whitney, while also entering into a license for its V2500 intellectual property with Pratt & Whitney. In exchange for the increased ownership and collaboration interests and intellectual property license, Pratt & Whitney paid Rolls-Royce $1.5 billion at closing with additional payments due to Rolls-Royce during the fifteen year period following closing of the purchase, conditional upon each hour flown by V2500-powered aircraft in service at the closing. Pratt & Whitney entered into a collaboration arrangement with MTU with respect to a portion of the collaboration interest in IAE acquired from Rolls-Royce for consideration of approximately $233 million with additional payments due to Pratt & Whitney in the future. As a result of these transactions, Pratt & Whitney has a 61% net interest in the collaboration and a 49.5% ownership interest in IAE, which has been consolidated by Pratt & Whitney post-transaction.

In 2012, the Board of Directors of the Company approved a plan for the divestiture of a number of non-core businesses. Cash generated from these divestitures was used to repay debt incurred to finance the acquisition of Goodrich. The legacy Hamilton Sundstrand Industrial businesses, as well as Clipper Windpower (Clipper), Pratt & Whitney Rocketdyne (Rocketdyne) and UTC Power all met the "held-for-sale" criteria in 2012. The results of operations, including the net realized gain and losses on disposition, and the related cash flows which result from these non-core businesses were reclassified to Discontinued operations in our Consolidated Statements of Operations and Cash Flows. The dispositions of Clipper and the legacy Hamilton Sundstrand Industrial businesses were completed in 2012. On February 12, 2013, we completed the disposition of UTC Power to ClearEdge Power. The UTC Power disposition resulted in payments by UTC totaling $48 million, which included capitalization of the business prior to the sale and interim funding of operations as the acquiror took control of a loss generating business. We have no continuing involvement with the UTC Power business.

On June 14, 2013, we completed the sale of substantially all operations of Rocketdyne to GenCorp Inc. for $411 million. The sale generated a pre-tax loss of approximately $7 million ($3 million after tax), which has been included in Discontinued operations in the accompanying Consolidated Statement of Operations. On May 17, 2013, we completed the sale of the Pratt & Whitney Power Systems business to Mitsubishi Heavy Industries (MHI) for $432 million, excluding contingent consideration valued at approximately $200 million, and we entered into a long-term engineering and manufacturing agreement with MHI. The sale generated a pre-tax gain of approximately $193 million ($132 million after tax). Pratt & Whitney Power Systems was not reclassified to Discontinued operations due to our level of continuing involvement in the business post-sale.

In connection with regulatory approval of the Goodrich acquisition, regulatory authorities required UTC to dispose of the Goodrich electric power systems and the pumps and engine controls businesses. Pursuant to these regulatory obligations, these businesses had been held separately from UTC's and Goodrich's ongoing businesses since the acquisition of Goodrich by UTC. On March 18, 2013, we completed the sale of the Goodrich pumps and engine controls business to Triumph Group, Inc., and on

March 26, 2013, we completed the sale of the Goodrich electric power systems business to Safran S.A. Combined proceeds from the sales of the two businesses were approximately $600 million.

Our consolidated net sales were derived from the commercial and aerospace businesses as follows (sales from Pratt & Whitney's industrial markets are included in "commercial and industrial"):

	2013	2012	2011
Commercial and industrial	**47%**	51%	57%
Military aerospace and space	**19%**	21%	20%
Commercial aerospace	**34%**	28%	23%
	100%	100%	100%

The significant shift in sales from Commercial and industrial to Commercial aerospace largely reflects the Goodrich and IAE transactions. In 2013 and 2012, approximately 57% of our consolidated sales were original equipment manufacturing (OEM) and 43% were aftermarket parts and services, while in 2011 the amounts were 56% and 44%, respectively.

Our worldwide operations can be affected by industrial, economic and political factors on both a regional and global level. To limit the impact of any one industry, or the economy of any single country on our consolidated operating results, our strategy has been, and continues to be, the maintenance of a balanced and diversified portfolio of businesses. Our operations include OEM and extensive related aftermarket parts and services in both our commercial and aerospace businesses. Our business mix also reflects the combination of shorter cycles at UTC Climate, Controls & Security and in our commercial aerospace spares businesses, and longer cycles at Otis and in our aerospace OEM and aftermarket maintenance businesses. Our customers include companies in both the public and private sectors, and our businesses reflect an extensive geographic diversification that has evolved with the continued globalization of world economies. The composition of net sales from outside the U.S., including U.S. export sales to these regions, in U.S. Dollars and as a percentage of total segment sales, is as follows:

(dollars in millions)	**2013**	2012	2011	**2013**	2012	2011
Europe	**$ 12,652**	$ 11,823	$ 12,344	**20%**	20%	22%
Asia Pacific	**8,696**	8,733	9,016	**14%**	15%	16%
Other Non-U.S.	**5,274**	4,964	5,376	**8%**	9%	10%
U.S. Exports	**12,171**	9,201	7,721	**19%**	16%	14%
International segment sales	**$ 38,793**	$ 34,721	$ 34,457	**61%**	60%	62%

As part of our growth strategy, we invest in businesses in certain countries that carry high levels of currency, political and/or economic risk, such as Argentina, Brazil, China, India, Mexico, Russia, South Africa and countries in the Middle East. As of December 31, 2013, the net assets in any one of these countries did not exceed 5% of consolidated shareowners' equity.

Emerging economies, principally China, continue to show strong growth, and together with U.S. economic expansion, are expected to drive global growth in the coming year. Third party forecasts project 2014 global GDP of approximately 3%, and we continue to expect growth rates in China to outpace the rest of the world. European economic recovery is expected with modest growth in northern European economies tempered by lower rates of growth in southern Europe. In the U.S., growth rates are expected to increase in 2014 on improving consumer finances and a strong housing market. Further, we expect continued improvement in commercial construction in North America throughout 2014. U.S. fiscal policy has constrained sales to the U.S. Government in 2013. U.S. and international military volume declines have been partially offset by strong demand for commercial aircraft at Sikorsky, which delivered its first fully configured S-76D in 2013. In 2013, as compared with 2012, commercial aerospace spares orders at Pratt & Whitney increased 27% in total, due to the consolidation of IAE (19%) and as a result of organic order growth during the year (8%). UTC Aerospace Systems' commercial aerospace spares orders increased 63% primarily due to the acquisition of Goodrich.

Organic sales growth was a modest 1% in 2013 as sales increases in commercial aerospace OEM and aftermarket, and in the Americas at our Commercial Businesses, were offset by declines in military OEM and aftermarket. We expect organic sales growth in 2014 to be 3% to 4%. Although we expect an increase in organic growth, which, if realized, would contribute to operating profit growth, we also continue to invest in new platforms and new markets to position us for additional growth, while remaining focused on structural cost reduction, operational improvements and disciplined cash redeployment. These actions contributed to our earnings growth during 2013 and positioned us for further earnings growth as the global economy continues to strengthen.

As discussed below in "Results of Operations," operating profit in both 2013 and 2012 includes the impact from activities that are not expected to recur often or that are not otherwise reflective of the underlying operations, such as the beneficial impact of net gains from business divestiture activities, primarily those related to UTC Climate, Controls & Security's portfolio transformation. Our earnings growth strategy contemplates earnings from organic sales growth, including growth from new product development and product improvements, structural cost reductions, operational improvements, and incremental earnings from our investments in acquisitions. We invested $151 million and $18.6 billion (including debt assumed of $2.6 billion) in the acquisition of businesses across the entire company in 2013 and 2012, respectively. Acquisitions completed in 2013 consisted principally of a number of smaller acquisitions in our commercial businesses. Our investment in businesses in 2012 principally reflected the Goodrich and IAE transactions.

Both acquisition and restructuring costs associated with business combinations are expensed as incurred. Depending on the nature and level of acquisition activity, earnings could be adversely impacted due to acquisition and restructuring actions initiated in connection with the integration of businesses acquired.

For additional discussion of acquisitions and restructuring, see "Liquidity and Financial Condition," "Restructuring Costs" and Notes 2 and 13 to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Net Sales

(dollars in millions)	**2013**	2012	2011
Net sales	**$ 62,626**	$ 57,708	$ 55,754
Percentage change year-over-year	**8.5%**	3.5%	6.7%

The factors contributing to the total percentage change year-over-year in total net sales are as follows:

	2013	2012
Organic volume	**1%**	—
Foreign currency translation	**—**	(2)%
Acquisitions and divestitures, net	**8%**	6 %
Total % Change	**9%**	4 %

Organic sales growth during 2013 was led by UTC Aerospace Systems (4%) and Otis (3%), along with organic growth at Pratt & Whitney (2%) and UTC Climate, Controls & Security (1%), offset by organic sales contraction at Sikorsky (8%). The organic sales growth at UTC Aerospace Systems was primarily attributable to higher commercial aerospace OEM and aftermarket volume, while organic sales growth at Otis was primarily a result of higher new equipment sales in China, the U.S. and Russia. The organic sales contraction at Sikorsky was driven primarily by decreased international military, U.S. Government, and military aftermarket sales. The military aftermarket sales decline, driven by lower spares volume, was a result of constrained U.S. Government spending in 2013. The sales increase from net acquisitions and divestitures is a result of Goodrich and IAE sales, partially offset by the portfolio transformation initiatives at UTC Climate, Controls & Security. See the Segment Review section of Management's Discussion and Analysis for further discussion of segment organic sales.

Organic sales growth during 2012 at UTC Aerospace Systems (7%) and Pratt & Whitney (2%) was offset by organic sales contraction at Sikorsky (8%). The organic sales growth at UTC Aerospace Systems was primarily attributable to higher aerospace OEM volume, while the organic sales growth at Pratt & Whitney was a result of higher military engine deliveries and aftermarket sales. The organic sales contraction at Sikorsky was driven primarily by fewer aircraft deliveries to the U.S. Government and international military operations. There was no organic sales growth within the commercial businesses in 2012. The sales increase from net acquisitions and divestitures is a result of Goodrich and IAE sales, partially offset by the portfolio transformation initiatives at UTC Climate, Controls & Security.

Cost of Products and Services Sold

(dollars in millions)	2013	2012	2011
Cost of products sold	**$ 34,063**	$ 31,094	$ 29,252
Percentage of product sales	**75.3%**	76.3%	75.2%
Cost of services sold	**$ 11,258**	$ 11,059	$ 11,117
Percentage of service sales	**64.8%**	65.1%	65.9%
Total cost of products and services sold	**$ 45,321**	$ 42,153	$ 40,369
Percentage change year-over-year	**7.5%**	4.4%	6.4%

The factors contributing to the total percentage change year-over-year in total cost of products and services sold are as follows:

	2013	2012
Organic volume	**—**	—
Foreign currency translation	**—**	(2)%
Acquisitions and divestitures, net	**8%**	6 %
Total % Change	**8%**	4 %

There was no organic change in total cost of products and services sold in 2013. The increase in cost of products and services sold related to the organic sales growth (1%) was offset by the absence of amortization of inventory fair-value adjustments (1%) related to the Goodrich acquisition that were recorded in 2012 within the UTC Aerospace Systems segment. The total increase in cost of products and services sold is a result of the Goodrich and IAE transactions (9%) partially offset by lower cost of products and services sold as a result of the UTC Climate, Controls & Security portfolio transformation (1%). Cost of products sold as a percentage of product sales declined 100 basis points in 2013, as compared with 2012, as a result of the benefits of favorable pricing and cost savings from prior restructuring actions.

Total cost of products and services sold increased (4%) at a rate consistent with sales growth (4%) in 2012 as compared with 2011. The increase in cost of products and services sold is a result of the Goodrich and IAE transactions (8%) partially offset by lower cost of products and services sold as a result of the UTC Climate, Controls & Security portfolio transformation (3%) and the beneficial impact of foreign currency exchange translation (2%).

Gross Margin

(dollars in millions)	2013	2012	2011
Gross margin	**$ 17,305**	$ 15,555	$ 15,385
Percentage of net sales	**27.6%**	27.0%	27.6%

Gross margin as a percentage of sales increased 60 basis points, in 2013 as compared with 2012, driven primarily by the absence of inventory fair-value adjustments related to the Goodrich acquisition that were recorded in 2012 (40 basis points) and lower loss provisions recorded by Sikorsky for a contract with the Canadian Government (20 basis points). The benefit of lower restructuring expense coupled with savings from prior restructuring actions was offset by the adverse impact of a sales mix shift from aftermarket to OEM in 2013.

Gross margin as a percentage of sales decreased 60 basis points, in 2012 as compared with 2011, driven primarily by the adverse impact of the Goodrich and IAE transactions (40 basis points), higher restructuring expense in 2012 (30 basis points), and a loss provision recorded by Sikorsky for a contract with the Canadian Government (30 basis points), all of which was partially offset by benefits from the disposition of lower margin businesses in connection with the UTC Climate, Controls & Security portfolio transformation (30 basis points).

Research and Development

(dollars in millions)	2013	2012	2011
Company-funded	**$ 2,529**	$ 2,371	$ 1,951
Percentage of net sales	**4.0%**	4.1%	3.5%
Customer-funded	**$ 2,140**	$ 1,670	$ 1,419
Percentage of net sales	**3.4%**	2.9%	2.5%

Research and development spending is subject to the variable nature of program development schedules and, therefore, year-over-year variations in spending levels are expected. The majority of the company-funded spending is incurred by the aerospace businesses and relates largely to the next generation product family at Pratt & Whitney, the CSeries, Airbus A350, and Boeing 787 programs at UTC Aerospace Systems, and various programs at Sikorsky. The year-over-year increase in company-funded research and development in 2013, compared with 2012, primarily reflects increases at UTC Aerospace Systems (10%) primarily due to development spending related to the Goodrich businesses for full year 2013 as compared to the 2012 post-acquisition period, offset by lower research and development spending at Pratt & Whitney related to the development of multiple geared turbofan platforms (4%). The increase in customer-funded research and development in 2013, as compared with the prior year, reflects spending related to the Goodrich businesses (18%) and at Pratt & Whitney related to military programs (11%).

The increase in company-funded research and development in 2012, compared with 2011, primarily reflects increases at UTC Aerospace Systems as a result of incremental research and development spending related to the Goodrich businesses (13%) and at Pratt & Whitney to further advance development of multiple geared turbo fan platforms and military engines (5%). The increase in customer-funded research and development in 2012, as compared with 2011, reflects spending related to the Goodrich businesses (24%) partially offset by a decrease at Sikorsky (4%) related to a reduction in development spending on U.S. Government military platforms.

Company-funded research and development spending in 2014 is expected to be consistent with 2013 levels.

Selling, General and Administrative

(dollars in millions)	**2013**	2012	2011
Selling, general and administrative	**$ 6,718**	$ 6,452	$ 6,161
Percentage of net sales	**10.7%**	11.2%	11.1%

The increase in selling, general and administrative expenses in 2013, as compared with 2012, (4%) is due primarily to the impact of acquisitions, net of divestitures, completed over the preceding twelve months (5%) and higher export compliance costs (1%) partially offset by cost savings from previous restructuring actions.

The increase in selling, general and administrative expenses in 2012, as compared with 2011, is due primarily to the impact of acquisitions, net of divestitures, completed over the preceding twelve months (3%) and higher restructuring costs (2%). Higher pension costs (1%) were offset by favorable foreign exchange translation.

Other Income, Net

(dollars in millions)	**2013**	2012	2011
Other income, net	**$ 1,151**	$ 952	$ 573

Other income, net includes the operational impact of equity earnings in unconsolidated entities, royalty income, foreign exchange gains and losses as well as other ongoing and infrequently occurring items. The year-over-year change in Other income, net in 2013, as compared with 2012, largely reflects a $193 million gain on the sale of Pratt & Whitney Power Systems, a $39 million gain on a settlement with an engine program partner, higher licensing income of $30 million, and gains on the sale of real estate and other miscellaneous assets of approximately $82 million. All of this was partially offset by a $25 million charge to adjust the fair value of a Pratt & Whitney joint venture investment, a $102 million decline in net gains related to the UTC Climate, Controls & Security portfolio transformation, and the absence of other gains recorded in 2012, including a $34 million gain on the fair value re-measurement of the shares of Goodrich held by the Company prior to the acquisition of Goodrich and a $46 million gain as a result of the effective settlement of a pre-existing contractual dispute in connection with the acquisition of Goodrich. The remaining increase in Other income, net is attributable to the normal recurring operational activity as disclosed above.

The year-over-year change in Other income, net in 2012, as compared with 2011, largely reflects an approximately $46 million net year-over-year increased gain resulting from UTC Climate, Controls & Security's portfolio transformation, a $34 million gain on the fair value re-measurement of the shares of Goodrich held by the Company prior to the acquisition of Goodrich, a $46 million gain resulting from the effective settlement of a pre-existing contractual dispute in connection with the acquisition of Goodrich, an $81 million increase in income from joint ventures, as well as the absence of both a $66 million other-than-temporary impairment charge on an equity investment at UTC Climate, Controls & Security, and $45 million of reserves established for legal matters. The remaining increase in Other income, net is attributable to net gains recognized on miscellaneous asset sales and normal recurring operational activity as disclosed above.

Interest Expense, Net

(dollars in millions)	2013	2012	2011
Interest expense	**$ 1,034**	$ 893	$ 673
Interest income	**(137)**	(120)	(177)
Interest expense, net	**$ 897**	$ 773	$ 496
Average interest expense rate during the year on:			
Short-term borrowings	**1.6%**	0.9%	2.0%
Total debt	**4.2%**	4.1%	5.6%

Interest expense increased in 2013, as compared with 2012, primarily as a result of higher average debt balances throughout 2013 associated with the financing and acquisition of Goodrich. The effect of higher average debt balances was partially offset by the absence of interest associated with the repayment of approximately $2.9 billion of long-term debt including the 2015 UTC 1.200% Senior Notes, 2019 Goodrich 6.125% Notes, and 2021 Goodrich 3.600% Notes as well as certain floating rate notes which were due in 2013. See the "Liquidity and Financial Condition" section of Management's Discussion and Analysis for further discussion on the Goodrich acquisition financing. Interest income increased in 2013, as compared with 2012, as a result of favorable pre-tax interest adjustments related to the settlement of outstanding tax matters.

Interest expense increased in 2012, as compared with 2011, primarily as a result of higher average debt balances in 2012 associated with the financing of our acquisition of Goodrich. Financing for the Goodrich acquisition included a total of $9.8 billion of long-term debt, $1.1 billion of equity units which bear contract adjustment payments at a rate of 5.95% per year, and $3.2 billion from the issuance of commercial paper. We also entered into a term loan credit agreement for $2 billion and borrowed the full amount available under this facility. In connection with the acquisition of Goodrich, we assumed long-term debt of approximately $3.0 billion, which bears interest at rates ranging from 3.6% to 7.1%. Subsequent to the acquisition in 2012, we repaid approximately $635 million of principal ($761 million fair value) of the assumed Goodrich debt, the entire $2.0 billion term loan, and nearly all of the commercial paper issued to finance the acquisition.

The increase in the weighted-average interest rates for short-term borrowings was due to the mix of our borrowings with a greater percentage of short-term borrowings at lower interest rates in 2012 than the percentage of short-term borrowings in 2013. At December 31, 2013 and 2012, we had commercial paper borrowings outstanding of $200 million and $320 million, respectively. The three month LIBOR rate as of December 31, 2013, 2012 and 2011 was 0.2%, 0.3% and 0.6%, respectively.

Income Taxes

	2013	2012	2011
Effective income tax rate	**26.9%**	24.8%	29.0%

The effective income tax rates for 2013, 2012, and 2011 reflect tax benefits associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States. We estimate our full year annual effective income tax rate in 2014 will be approximately 30%, absent one-time adjustments. We anticipate some variability in the tax rate quarter to quarter in 2014.

For additional discussion of income taxes and the effective income tax rate, see "Critical Accounting Estimates—Income Taxes" and Note 11 to the Consolidated Financial Statements.

Net Income Attributable to Common Shareowners from Continuing Operations

(dollars in millions, except per share amounts)	2013	2012	2011
Net income attributable to common shareowners from continuing operations	**$ 5,686**	$ 4,847	$ 4,831
Diluted earnings per share from continuing operations	**$ 6.21**	$ 5.35	$ 5.33

To help mitigate the volatility of foreign currency exchange rates on our operating results, we maintain foreign currency hedging programs, the majority of which are entered into by Pratt & Whitney Canada (P&WC). In 2013, foreign currency, including hedging at P&WC, did not result in any impact on earnings per diluted share. In 2012, foreign currency generated a net adverse impact on our operational results of $0.17 per diluted share, while in 2011 foreign currency had a favorable impact of $0.11 per diluted share. For additional discussion of foreign currency exposure, see "Market Risk and Risk Management—Foreign Currency Exposures."

Restructuring charges of $481 million were offset by the net gains from business disposition activity ($248 million) including UTC Climate, Controls & Security's portfolio transformation and the sale of Pratt & Whitney's Power Systems business, as well as income tax items as discussed further in Note 11 to the Consolidated Financial Statements.

Net Income Attributable to Common Shareowners from Discontinued Operations

(dollars in millions, except per share amounts)	**2013**	2012	2011
Net income attributable to common shareowners from discontinued operations	**$ 35**	$ 283	$ 148
Diluted earnings per share from discontinued operations	**$ 0.04**	$ 0.31	$ 0.16

Diluted earnings per share from discontinued operations for 2013 largely reflects the results of operations of $63 million up to the point of disposal. Diluted earnings per share from discontinued operations for 2012 includes $0.82 per share of goodwill and net asset impairment charges related to Rocketdyne, Clipper and UTC Power, and $1.01 per share gain on the disposition of the legacy Hamilton Sundstrand Industrial businesses. A $0.16 per share benefit from the results of operations of discontinued entities was partially offset by the $0.07 per share Clipper warranty charge.

RESTRUCTURING COSTS

(dollars in millions)	**2013**	2012	2011
Restructuring costs	**$ 479**	$ 614	$ 336

Restructuring actions are an essential component of our operating margin improvement efforts and relate to both existing operations and those recently acquired. We expect to incur additional restructuring costs in 2014 of approximately $300 million, including trailing costs related to prior actions associated with our continuing cost reduction efforts and the integration of acquisitions. The expected adverse impact on earnings in 2014 from anticipated additional restructuring costs is expected to be offset by the beneficial impact from gains and other items that are outside the normal operating activities of the business. Although no specific plans for significant actions have been finalized at this time, we continue to closely monitor the economic environment and may undertake further restructuring actions to keep our cost structure aligned with the demands of the prevailing market conditions. As described below, the 2013 charges relate primarily to actions initiated during 2013 and 2012, while the 2012 charges relate primarily to actions initiated during 2012 and 2011.

2013 Actions. During 2013, we recorded net pre-tax restructuring charges of $421 million relating to ongoing cost reduction actions initiated in 2013. The charges include severance related to workforce reductions and asset write-downs and facility exit and lease termination costs related to the consolidation of field and manufacturing operations.

We are targeting to complete in 2014 the majority of the remaining workforce and facility related cost reduction actions initiated in 2013. Approximately 75% of the total pre-tax charge will require cash payments, which we have funded and expect to continue to fund with cash generated from operations. During 2013, we had cash outflows of approximately $174 million related to the 2013 actions. We expect to incur additional restructuring and other charges of $59 million to complete these actions. We expect recurring pre-tax savings to increase over the two-year period subsequent to initiating the actions to approximately $440 million annually, of which, approximately $119 million was realized in 2013.

2012 Actions. During 2013 and 2012, we recorded net pre-tax restructuring charges of $60 million and $576 million, respectively, for actions initiated in 2012. The 2012 actions relate to ongoing cost reduction efforts, including severance related to workforce reductions and asset write-downs and facility exit and lease termination costs related to the consolidation of field and manufacturing operations.

We are targeting to complete in 2014 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2012. Approximately 85% of the total pre-tax charge will require cash payments, which we have and expect to continue to fund with cash generated from operations. During 2013, we had cash outflows of approximately $252 million related to the 2012 actions. We expect to incur additional restructuring charges of $25 million to complete these actions. We expect recurring pre-tax savings to increase over the two-year period subsequent to initiating the actions to approximately $550 million annually.

For additional discussion of restructuring, see Note 13 to the Consolidated Financial Statements.

SEGMENT REVIEW

(dollars in millions)	Net Sales			Operating Profits			Operating Profit Margin		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Otis	**$ 12,484**	$ 12,056	$ 12,437	**$ 2,590**	$ 2,512	$ 2,815	**20.7%**	20.8%	22.6%
UTC Climate, Controls & Security	**16,809**	17,090	18,864	**2,590**	2,425	2,212	**15.4%**	14.2%	11.7%
Pratt & Whitney	**14,501**	13,964	12,711	**1,876**	1,589	1,867	**12.9%**	11.4%	14.7%
UTC Aerospace Systems	**13,347**	8,334	4,760	**2,018**	944	759	**15.1%**	11.3%	15.9%
Sikorsky	**6,253**	6,791	7,355	**594**	712	840	**9.5%**	10.5%	11.4%
Total segment	**63,394**	58,235	56,127	**9,668**	8,182	8,493	**15.3%**	14.0%	15.1%
Eliminations and other	**(768)**	(527)	(373)	**22**	(72)	(228)			
General corporate expenses	**—**	—	—	**(481)**	(426)	(419)			
Consolidated	**$ 62,626**	$ 57,708	$ 55,754	**$ 9,209**	$ 7,684	$ 7,846	**14.7%**	13.3%	14.1%

Commercial Businesses

The financial performance of our commercial businesses can be influenced by a number of external factors including fluctuations in residential and commercial construction activity, regulatory changes, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs, credit markets and other global and political factors. UTC Climate, Controls & Security's financial performance can also be influenced by production and utilization of transport equipment, and for its residential business, weather conditions. Geographic and industry diversity across the commercial businesses help to balance the impact of such factors on our consolidated operating results, particularly in the face of uneven economic growth. Worldwide economic conditions remained generally favorable for Otis with strong new equipment order growth rates in China (25%) and the Americas (16%) throughout 2013, partially offset by lower rates of new equipment order growth in Europe (4%) and declines in other areas in Asia (6%). Within the UTC Climate, Controls & Security segment, North American residential heating, ventilation and air conditioning (HVAC) orders increased (15%), due largely to an improving housing market, while global commercial HVAC orders increased (1%).

In both 2013 and 2012, 70% of total commercial business sales were generated outside the U.S., including U.S. export sales. The following table shows sales generated outside the U.S., including U.S. export sales, for each of the commercial business segments:

	2013	2012
Otis	**82%**	82%
UTC Climate, Controls & Security	**61%**	62%

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

(dollars in millions)				Total Increase (Decrease) Year-Over-Year for:			
	2013	2012	2011	**2013 Compared with 2012**		2012 Compared with 2011	
Net Sales	**$ 12,484**	$ 12,056	$ 12,437	**$ 428**	**4%**	$ (381)	(3)%
Cost of Sales	**8,345**	8,008	8,090	**337**	**4%**	(82)	(1)%
	4,139	4,048	4,347				
Operating Expenses and Other	**1,549**	1,536	1,532				
Operating Profits	**$ 2,590**	$ 2,512	$ 2,815	**$ 78**	**3%**	$ (303)	(11)%

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2013			2012		
	Net Sales	**Cost of Sales**	**Operating Profits**	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	**3%**	**5 %**	**(1)%**	—	1 %	(3)%
Foreign currency translation	**—**	**—**	**—**	(3)%	(3)%	(4)%
Acquisitions and divestitures, net	**1%**	**—**	**—**	—	—	—
Restructuring costs	**—**	**(1)%**	**3 %**	—	1 %	(4)%
Other	**—**	**—**	**1 %**	—	—	—
Total % change	**4%**	**4 %**	**3 %**	(3)%	(1)%	(11)%

2013 Compared with 2012

Organic sales increased 3% in 2013 due to higher new equipment sales (3%) primarily in China, the U.S. and Russia partially offset by declines in South Korea. Service sales increases in Asia, Brazil and the U.S. were partially offset by declines in southern Europe.

The operational profit declined slightly for the year (1%) due principally to lower service contribution (2%) resulting from continued pricing pressures. New equipment contribution increased 2% due to higher new equipment volume and the impact of lower commodity costs, partially offset by costs associated with the factory consolidation in North America. Overhead expenses increased 1% due to continued growth in emerging markets.

2012 Compared with 2011

There was no organic sales growth in 2012 as higher service sales were offset by lower new equipment sales. Higher service sales in Asia and the Americas (2%) were offset by declines in Europe (1%). Lower new equipment volume (1%) primarily in China and Europe was partially offset by a slight increase in the Americas and Russia.

The operational profit decline for the year (3%) was due to lower new equipment contribution driven by lower volume and pricing pressures (4%), lower service contribution (1%) resulting from continued pricing pressure primarily in Europe, and the impact of higher commodity costs (1%). Partially offsetting these factors were benefits derived from ongoing cost reduction initiatives (3%).

UTC Climate, Controls & Security is the leading provider of HVAC and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. These products and services are sold under the Carrier name and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. Through its venture with Watsco, Inc., UTC Climate, Controls & Security distributes Carrier, Bryant, Payne and Totaline residential and light commercial HVAC products in the U.S. and selected territories in the Caribbean and Latin America. UTC Climate, Controls & Security sells directly to end customers and through manufacturers' representatives, distributors, wholesalers, dealers and retail outlets. Certain of UTC Climate, Controls & Security's HVAC businesses are seasonal and can be impacted by weather. UTC Climate, Controls & Security is also a global provider of security and fire safety products and services. UTC Climate, Controls & Security provides electronic security products such as intruder alarms, access control systems and video surveillance systems and designs and manufactures a wide range of fire safety products including specialty hazard detection and fixed suppression products, portable fire extinguishers, fire detection and life safety systems, and other firefighting equipment. Services provided to the electronic security and fire safety industries include systems integration, video surveillance, installation, maintenance, and inspection. In certain markets, UTC Climate, Controls & Security also provides monitoring, response and security personnel services, including cash-in-transit security, to complement its electronic security and fire safety businesses. UTC Climate, Controls & Security customarily offers its customers incentives to purchase products to ensure an adequate supply in the distribution channels. The principal incentive program provides reimbursements to distributors for offering promotional pricing on UTC Climate, Controls & Security products. UTC Climate, Controls & Security products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants, homeowners and other end-users requiring a high level of security and fire protection for their businesses and residences. UTC Climate, Controls & Security provides its security and fire safety products and services under Chubb, Kidde and other brand names and sells directly to customers as well as through manufacturer representatives, distributors, dealers and U.S. retail distribution.

(dollars in millions)	2013	2012	2011	Total Increase (Decrease) Year-Over-Year for: 2013 Compared with 2012		2012 Compared with 2011	
Net Sales	**$ 16,809**	$ 17,090	$ 18,864	**$ (281)**	**(2)%**	$ (1,774)	(9)%
Cost of Sales	**11,918**	12,316	13,848	**(398)**	**(3)%**	(1,532)	(11)%
	4,891	4,774	5,016				
Operating Expenses and Other	**2,301**	2,349	2,804				
Operating Profits	**$ 2,590**	$ 2,425	$ 2,212	**$ 165**	**7 %**	$ 213	10 %

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in: 2013			2012		
	Net Sales	**Cost of Sales**	**Operating Profits**	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	**1 %**	**—**	**9 %**	—	—	10 %
Foreign currency translation	**—**	**—**	**—**	(2)%	(3)%	(2)%
Acquisitions and divestitures, net	**(3)%**	**(3)%**	**—**	(7)%	(8)%	—
Restructuring costs	**—**	**—**	**2 %**	—	—	(1)%
Other	**—**	**—**	**(4)%**	—	—	3 %
Total % change	**(2)%**	**(3)%**	**7 %**	(9)%	(11)%	10 %

2013 Compared with 2012

The organic sales increase (1%) for the year primarily reflects growth in the Americas (1%), driven by the U.S. residential HVAC business, and the transport refrigeration business (1%), partially offset by declines in Europe (1%) as a result of weak end markets. The decrease in "Acquisitions and divestitures, net" sales (3%) reflects the year-over-year impact of divestitures completed in the preceding twelve months associated with UTC Climate, Controls & Security's portfolio transformation.

The 9% operational profit increase was driven largely by the benefits of restructuring actions and cost productivity (combined 4%), volume growth (3%), and favorable commodity costs (2%). The 4% decrease in "Other" primarily reflects an approximately $102 million net year-over-year impact from UTC Climate, Controls & Security's portfolio transformation. Portfolio transformation activity in 2013 resulted in a net gain of approximately $55 million, including gains from the sale of businesses in Hong Kong and Australia, as compared to a net gain of $157 million in 2012.

2012 Compared with 2011

There was no organic sales growth during 2012 as lower volumes in the transport refrigeration business (1%) were offset by growth in the Americas (1%) attributable to the residential and commercial HVAC businesses. The decrease in "Acquisitions and divestitures, net" (7%) reflects the year-over-year impact of divestitures completed in the preceding twelve months associated with UTC Climate, Controls & Security's portfolio transformation.

The 10% operational profit increase was driven largely by the benefits of net cost productivity and restructuring actions (combined 3%) including savings from the consolidation of legacy Carrier and UTC Fire & Security, favorable commodity costs (2%), and higher equity income from joint venture partners (2%). Also, operational profit included the benefit of a special cash dividend (1%) received from an interest in a distribution partner. The 3% increase in "Other" primarily reflects an approximately $46 million net year-over-year gain from UTC Climate, Controls & Security's portfolio transformation and the absence of a $66 million other-than-temporary impairment charge recorded on an Asian equity investment in the prior year. This was partially offset by the absence of an approximately $25 million favorable litigation resolution and gain on the disposition of the U.K. Security business, both recorded in 2011. The year-over-year net portfolio transformation gain primarily includes approximately $120 million from the sale of a controlling interest in a Canadian distribution business, including a $24 million pension settlement charge, combined with an approximately $215 million net gain from the sale of a controlling interest in a manufacturing and distribution joint venture in Asia. These gains were partially offset by a $32 million loss on the disposition of the U.S. Fire & Security branch operations, $142 million of impairment charges recorded in 2012 related to ongoing business dispositions, and the absence of an approximately $80 million prior year gain resulting primarily from the contribution of legacy Carrier's HVAC operations in Brazil, Argentina and Chile into a new venture controlled by Midea Group of China.

Aerospace Businesses

The financial performance of Pratt & Whitney, UTC Aerospace Systems and Sikorsky is directly tied to the economic conditions of the commercial aerospace and defense aerospace industries. In particular, Pratt & Whitney experiences intense competition for new commercial airframe/engine combinations. Engine suppliers may offer substantial discounts and other financial incentives, performance and operating cost guarantees, and participate in financing arrangements which may result in

losses on the OEM engine sales. Economically, such up-front losses are typically recovered through the sales and profits generated over the engine's maintenance cycle. At times, the aerospace businesses also enter into development programs and firm fixed-price development contracts, which may require the company to bear cost overruns related to unforeseen technical and design challenges that arise during the development stage of the program. Customer selections of engines and components can also have a significant impact on later sales of parts and service. Predicted traffic levels, load factors, worldwide airline profits, general economic activity and global defense spending have been reliable indicators for new aircraft and aftermarket orders within the aerospace industry. Spare part sales and aftermarket service trends are affected by many factors, including usage, technological improvements, pricing, regulatory changes and the retirement of older aircraft. Performance in the general aviation sector is closely tied to the overall health of the economy and is positively correlated to corporate profits.

Our long-term aerospace contracts are subject to strict safety and performance regulations which can affect our ability to estimate costs precisely. Contract cost estimation for the development of complex projects, in particular, requires management to make significant judgments and assumptions regarding the complexity of the work to be performed, availability of materials, the performance by subcontractors, the timing of funding from customers and the length of time to complete the contract. As a result, we review and update our cost estimates on significant contracts on a quarterly basis, and no less frequently than annually for all others, and when circumstances change and warrant a modification to a previous estimate. Changes in estimates relate to the current period impact of revisions to total estimated contract sales and costs at completion. We record changes in contract estimates using the cumulative catch-up method in accordance with the Revenue Recognition Topic of the FASB Accounting Standards Codification ("ASC"). Net operating profits included significant changes in aerospace contract estimates of $167 million in 2013 driven by several favorable contract adjustments recorded throughout the year largely at the Pratt & Whitney segment. The impact of these adjustments was not considered significant to either the sales or operating profits of the segment in the quarter in which they were recorded other than the impact of a contract termination which was disclosed in the Pratt & Whitney segment results in the first quarter of 2013. The net change in contract estimates also includes the $27 million adverse impact of a revision in estimate on the Sikorsky CH-148 contract discussed further below. In accordance with our revenue recognition policy, losses, if any, on long-term contracts are provided for when anticipated. Loss provisions on OEM contracts are recognized to the extent that estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs, as appropriate, exceed the projected revenue from the products contemplated under the contractual arrangement.

The commercial airline industry remained strong throughout 2013. Airline traffic growth rates, as measured by revenue passenger miles (RPMs) grew approximately 5% in 2013, as compared with 2012. Airlines' profitability has continued to grow and airlines are forecasted by third party analysts to earn $16.4 billion in 2014. Nevertheless, high fuel prices continue to challenge the airlines to consider the need for more fuel efficient aircraft. Pratt & Whitney continues to develop five separate geared turbofan platforms and has begun to build capacity to meet demand for new engines which are fuel efficient and have reduced noise levels and exhaust emissions. There is also strong demand for commercial helicopters, particularly from deep-water oil and gas exploration around the world.

U.S. Government deficit reduction measures continue to pressure the U.S. Department of Defense spending and adversely affect our military business. Total sales to the U.S. Government of $9.9 billion in 2013, $10.1 billion in 2012, and $9.1 billion in 2011 were 16%, 18% and 16% of total UTC sales in 2013, 2012, and 2011, respectively. The defense portion of our aerospace business is affected by changes in market demand and the global political environment. Our participation in long-term production and development programs for the U.S. Government has contributed positively to our results in 2013 and is expected to continue to benefit results in 2014. In July 2012, the U.S. Government and Sikorsky signed a five-year multiservice contract ("Multi-year 8") for approximately 650 H-60 helicopters. Actual production quantities will be determined year-by-year over the life of the program based on funding allocations set by Congressional and Pentagon acquisition priorities.

As previously reported, Sikorsky is developing the CH-148 derivative of the H-92 helicopter (the "Cyclone"), a military variant of the S-92 helicopter, for the Canadian Government. The Cyclone is being developed under a fixed-price contract that provides for the development and production of 28 helicopters (the "Acquisition Contract"), and a related In Service Support contract (the "ISS Contract") through March 2028 (collectively, the "Arrangements"). The current contract values of the Arrangements are estimated to be $4.2 billion and are subject to changes in underlying variables such as the timing of deliveries, future flight hours and fluctuations in foreign currency exchange rates.

In 2011, Sikorsky completed a significant contractual milestone for work on four interim configuration helicopters and recognized the revenues and related costs. Although the Arrangements were expected to be profitable on a combined basis in 2011, $56 million of losses were recorded upon completing the milestones for the four aircraft as the actual costs exceeded revenues. Sikorsky and the Canadian Government are currently using these aircraft for initial operational training and evaluation in Canada. These interim configuration aircraft will require further software and hardware upgrades before full mission capability can be achieved.

Delivery of the final configuration aircraft, which was scheduled to begin in 2012, did not occur due to a number of disputes between the Canadian Government and Sikorsky related to contractual requirements and contract performance. As a result of these matters, Sikorsky recorded a loss provision of $157 million during the fourth quarter of 2012 as the estimated profits on the ISS Contract no longer exceeded the estimated remaining losses on the Acquisition Contract. The profit erosion was driven by an increase in total expected costs to be incurred primarily as a result of the delays in delivering the final configuration aircraft resulting in a claim for liquidated damages, and a reduction of expected flight hour revenues on the ISS Contract.

During 2013, Sikorsky made substantial progress in the manufacturing process for the remaining 24 aircraft. However, due to ongoing contractual disputes with the Canadian Government, no revenue was recorded for these aircraft in 2013, and an incremental $27 million charge was recorded in the quarter ended December 31, 2013 due to program delays and related production cost increases. Since the Acquisition Contract's costs exceed its revenues on a stand-alone basis, we expect to record an approximately $14 million loss upon achievement of the contractual milestone for each aircraft in the future.

In December 2013, Sikorsky and the Canadian Government signed a Principles of Agreement that establishes a framework to restructure the contracts while providing a new governance and project structure. That agreement serves as the basis for ongoing formal contract negotiations and requires the parties to enter into a yet-to-be negotiated contractual amendment no later than March 31, 2014. Our financial plan for 2014 anticipates revenue recognition of eight interim configuration helicopters during the course of the year.

While Sikorsky is committed to the program, the unresolved contract restructuring, coupled with the remaining development issues and long-term nature of this program, provide substantial uncertainty and risk in regards to the Acquisition Contract costs. While the loss provisions recorded to date reflect management's best estimate of the projected costs to complete the development and manufacture of the final configuration aircraft, there is still significant effort required to complete the development of the mission system capability as well as the manufacturing, testing and retrofit activities. Future variability in internal cost targets related to the aircraft may be caused by increases in holding costs, retrofit estimates, and subcontractor performance. With respect to the multi-year ISS Contract, the future profitability is dependent upon a number of factors including aircraft deliveries, aircraft flight hours, deployed aircraft availability, aircraft performance, availability of trained pilots and government budgetary pressures. The inability to achieve a satisfactory contractual solution, further unplanned delays, additional developmental cost growth or variations in any of the estimates used in the existing contract analysis could lead to further loss provisions on the Arrangements. Additional losses could have a material adverse impact on the consolidated results of operations in the period in which the loss may be recognized.

Effective July 1, 2012, the auxiliary power unit business (APU) of the UTC Aerospace Systems business segment was transferred to the Pratt & Whitney business segment. The APU business designs and manufactures a variety of products for commercial and military aircraft. Annual sales for the APU business are approximately $600 million. The reclassification has been made prospectively; prior year results have not been restated for the transfer of the business.

Pratt & Whitney is among the world's leading suppliers of aircraft engines for the commercial, military, business jet and general aviation markets. Pratt & Whitney provides maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services for large commercial engines. Pratt & Whitney produces families of engines for wide and narrow-body and large regional aircraft in the commercial market and for fighter and transport aircraft in the military market. P&WC is a world leader in the production of engines powering general and business aviation, as well as regional airline, utility and military airplanes and helicopters, and provides related maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services. Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, and the U.S. and foreign governments. Pratt & Whitney's products and services must adhere to strict regulatory and market-driven safety and performance standards. The frequently changing nature of these standards, along with the long duration of aircraft engine development, production and support programs, creates uncertainty regarding engine program profitability. The vast majority of sales are made directly to the end customer and, to a limited extent, through independent distributors and foreign sales representatives.

Pratt & Whitney is currently developing technology, including the PurePower PW1000G Geared TurboFan engine, intended to enable it to power both currently-proposed and future aircraft. The PurePower PW1000G engine targets a significant reduction in fuel burn and noise levels with lower environmental emissions and operating costs than current production engines. In December 2010, Airbus announced that it will offer a version of the PurePower PW1000G engine as a new engine option to power its A320neo family of aircraft scheduled to enter into service in 2015. In November 2012, Pratt & Whitney commenced testing on this new engine, the PW1100G-JM, being developed as part of a collaboration with MTU and JAEC. Additionally, PurePower PW1000G engine models have been selected by Bombardier to power the new CSeries passenger aircraft, by Mitsubishi Aircraft Corporation to power the new Mitsubishi Regional Jet, and by Irkut Corporation of

Russia to power the proposed new Irkut MC-21 passenger aircraft. The CSeries passenger aircraft engine received its civil aviation certificate from Transport Canada in February 2013, had its first flight in September 2013, and is scheduled to enter into service in 2015. The Mitsubishi Regional Jet and the Irkut MC-21 are both scheduled to enter into service in 2017. Further, on January 8, 2013, Embraer announced the selection of the PurePower engine to exclusively power the next generation of Embraer's E-Jet family of aircraft scheduled to enter service in 2018. The success of these aircraft and the PurePower PW1000G family of engines is dependent upon many factors including technological accomplishments, aircraft demand, and regulatory approval. Based on these factors, as well as the level of success of aircraft program launches by aircraft manufacturers and other conditions, additional investment in the PurePower program may be required. P&WC has developed or is developing the PW210 engine family for helicopters manufactured by Sikorsky, AgustaWestland and Airbus Helicopters and is developing the PurePower PW800 engine for the new generation of long-range and heavy business jets. Pratt & Whitney continues to enhance its programs through performance improvement measures and product base expansion.

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into collaboration arrangements in which sales, costs and risks are shared. At December 31, 2013, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from 2 percent to 49 percent. In addition, Pratt & Whitney has interests in other engine programs, including a 50 percent ownership interest in the Engine Alliance (EA), a joint venture with GE Aviation, which markets and manufactures the GP7000 engine for the Airbus A380 aircraft. Pratt & Whitney has entered into risk and revenue sharing arrangements with third parties for 40 percent of the products and services that Pratt & Whitney is responsible for providing to the EA. Pratt & Whitney accounts for its interests in the EA joint venture under the equity method of accounting. Pratt & Whitney continues to pursue additional collaboration partners.

On June 29, 2012, Pratt & Whitney, Rolls-Royce, MTU and JAEC, participants in the IAE collaboration, completed a restructuring of their interests in IAE. Pratt & Whitney now has a 61% net interest in the collaboration and a 49.5% ownership interest in IAE. See the Business Overview section of Management's Discussion and Analysis for further information on the IAE transaction.

				Total Increase (Decrease) Year-Over-Year for:			
(dollars in millions)	**2013**	2012	2011	**2013 Compared with 2012**		2012 Compared with 2011	
Net Sales	**$ 14,501**	$ 13,964	$ 12,711	**$ 537**	**4%**	$ 1,253	10 %
Cost of Sales	**11,148**	10,600	9,282	**548**	**5%**	1,318	14 %
	3,353	3,364	3,429				
Operating Expenses and Other	**1,477**	1,775	1,562				
Operating Profits	**$ 1,876**	$ 1,589	$ 1,867	**$ 287**	**18%**	$ (278)	(15)%

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2013			2012		
	Net Sales	**Cost of Sales**	**Operating Profits**	Net Sales	Cost of Sales	Operating Profits
Organic* / Operational*	**2%**	**3%**	**13 %**	2 %	5%	(16)%
Foreign currency (including P&WC net hedging)*	**—**	**—**	**—**	(1)%	—	(3)%
Acquisitions and divestitures, net	**2%**	**2%**	**1 %**	9 %	9%	6 %
Restructuring costs	**—**	**—**	**(4)%**	—	—	(2)%
Other	**—**	**—**	**8 %**	—	—	—
Total % change	**4%**	**5%**	**18 %**	10 %	14%	(15)%

* As discussed further in the "Business Overview" and "Results of Operations" sections, for Pratt & Whitney only, the transactional impact of foreign exchange hedging at P&WC has been netted against the translational foreign exchange impact for presentation purposes in the above table. For all other segments, these foreign exchange transactional impacts are included within the organic sales/operational operating profit caption in their respective tables. Due to its significance to Pratt & Whitney's overall operating results, we believe it is useful to segregate the foreign exchange transactional impact in order to clearly identify the underlying financial performance.

2013 Compared with 2012

The organic sales increase (2%) was primarily driven by higher commercial engine sales volume (2%), higher military aftermarket and development program sales (2%), higher commercial aftermarket sales (1%), and higher industrial engine sales and related development contracts (1%), partially offset by lower military engine sales volume (4%). Sales increased (2%) as a result of the consolidation of IAE and the transfer of the AeroPower business to Pratt & Whitney from UTC Aerospace Systems, partially offset by the divestiture of Pratt & Whitney Power Systems.

The operational profit increase (13%) was driven by favorable commercial aftermarket volume and sales mix (9%), lower research and development spending (6%), favorable military sales mix (3%), profits from industrial turbines and related development contracts (2%), and income from licensing agreements (1%), partially offset by unfavorable commercial engine volume and mix (6%), and the absence of a gain as a result of the effective settlement of a pre-existing contractual dispute in connection with the acquisition of Goodrich in 2012 (3%). Restructuring savings were largely offset by higher pension costs. The increase in "Acquisitions and divestitures, net" (1%) reflects the consolidation of IAE and the transfer of the AeroPower business to Pratt & Whitney from UTC Aerospace Systems, partially offset by the divestiture of Pratt & Whitney Power Systems. "Other" reflects a gain on the sale of Pratt & Whitney Power Systems (12%) and a gain on the sale of intellectual property (1%), offset by a fair value adjustment of a joint venture investment (2%), and the absence of gains on the sale of equity interest in a joint venture (2%) and on the consolidation resulting from a restructuring of interests in IAE (1%) in 2012.

2012 Compared with 2011

Organic sales growth (2%) was driven by higher military engine deliveries and aftermarket sales (5%), higher P&WC engine and spares volume (1%), and higher industrial volume at Pratt & Whitney Power Systems (1%), offset by a decrease in commercial aftermarket (6%). Sales increased (9%) as a result of the consolidation of IAE and the transfer of the APU business to Pratt & Whitney from UTC Aerospace Systems.

The operational profit decrease (16%) was primarily driven by lower profit on commercial aftermarket (17%), and higher research and development (8%), partially offset by favorable P&WC engine volume and delivery mix (3%), higher military engine and spares volume (3%) and an increase in contract settlements and close outs (3%). Operating profit increased 6% due to net acquisitions primarily as a result of the consolidation of IAE.

UTC Aerospace Systems—On July 26, 2012, UTC acquired Goodrich, pursuant to a merger agreement dated September 21, 2011. As a result of the acquisition, Goodrich became a wholly-owned subsidiary of UTC. The acquired Goodrich business and the former Hamilton Sundstrand segment have been combined to form the new UTC Aerospace Systems segment. UTC Aerospace Systems is among the world's leading suppliers of technologically advanced aerospace products and aftermarket services for diversified markets worldwide. UTC Aerospace Systems' aerospace products include electric power generation, management and distribution systems, flight control systems, engine control systems, intelligence, surveillance and reconnaissance systems, engine components, environmental control systems, fire protection and detection systems, propeller systems, aircraft nacelles, and interior, actuation, landing and electronic systems. UTC Aerospace Systems products serve commercial, military, regional, business and general aviation, as well as military ground vehicle, space and undersea applications. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet management solutions. UTC Aerospace Systems sells aerospace products to airframe manufacturers, the U.S. and foreign governments, aircraft operators, maintenance, repair and overhaul providers, and independent distributors.

				Total Increase (Decrease) Year-Over-Year for:			
(dollars in millions)	**2013**	2012	2011	**2013 Compared with 2012**		2012 Compared with 2011	
Net Sales	**$ 13,347**	$ 8,334	$ 4,760	**$ 5,013**	**60%**	$ 3,574	75%
Cost of Sales	**9,534**	6,090	3,403	**3,444**	**57%**	2,687	79%
	3,813	2,244	1,357				
Operating Expenses and Other	**1,795**	1,300	598				
Operating Profits	**$ 2,018**	$ 944	$ 759	**$ 1,074**	**114%**	$ 185	24%

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2013			2012		
	Net Sales	**Cost of Sales**	**Operating Profits**	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	**4%**	**2%**	**37%**	7 %	6 %	6 %
Foreign currency translation	**—**	**—**	**1%**	(1)%	(1)%	(1)%
Acquisitions and divestitures, net	**56%**	**55%**	**74%**	69 %	73 %	33 %
Restructuring costs	**—**	**—**	**2%**	—	1 %	(14)%
Other	**—**	**—**	**—**	—	—	—
Total % change	**60%**	**57%**	**114%**	75 %	79 %	24 %

2013 Compared with 2012

The organic sales growth (4%) primarily reflects an increase in commercial aerospace OEM and commercial aftermarket volume (5%) partially offset by lower military OEM sales volume (1%).

The organic increase in operational profit (37%) primarily reflects the absence of amortization of inventory fair-value adjustments (26%) related to the Goodrich acquisition, lower selling, general and administrative expenses (9%) including the impact of synergies from the integration of Goodrich, lower research and development costs (6%), the profit contribution on higher aftermarket sales volume (6%) and higher licensing and royalty income (3%), partially offset by lower profits on OEM sales (15%) primarily attributable to adverse mix in commercial and military markets. "Acquisitions and Divestitures, net" is principally a result of the acquisition of Goodrich.

2012 Compared with 2011

The organic sales growth (7%) reflects higher commercial aerospace OEM (4%), military aerospace OEM (2%), and aftermarket (1%) volume.

The organic increase in operational profit (6%) primarily reflects the benefit of profit contribution on higher sales (11%) and lower warranty costs (5%) partially offset by higher engineering and development (4%) and pension costs (6%). "Acquisitions and divestitures, net" is principally a result of the acquisition of Goodrich.

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

Current major production programs at Sikorsky include the UH-60M Black Hawk medium-transport helicopters and HH-60M Medevac helicopters for the U.S. and foreign governments, the S-70 Black Hawk for foreign governments, the MH-60S and MH-60R helicopters for the U.S. Navy, the International Naval Hawk for multiple naval missions, and the S-76 and S-92 helicopters for commercial operations. The UH-60M helicopter is the latest and most modern in a series of Black Hawk variants that Sikorsky has been delivering to the U.S. Army since 1978. In July 2012, the U.S. Government and Sikorsky signed a five-year multi-service contract for approximately 650 H-60 helicopters. Actual production quantities will be determined year-by-year over the life of the program based on funding allocations set by Congress and the U.S. Department of Defense acquisition priorities, as well as the U.S. Foreign Military Sales program. Sikorsky is also developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the CH-148 derivative of the H-92 helicopter, a military variant of the S-92 helicopter, for the Canadian Government. See the Aerospace Business section of Management's Discussion and Analysis above, for further discussion of Sikorsky's contract with the Canadian Government.

Sikorsky's aftermarket business includes spare parts sales, mission equipment, overhaul and repair services, maintenance contracts and logistics support programs for helicopters and other aircraft. Sales are principally made to the U.S. and foreign governments, and commercial helicopter operators. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide logistics, maintenance and repair services.

				Total Increase (Decrease) Year-Over-Year for:			
(dollars in millions)	**2013**	2012	2011	**2013 Compared with 2012**		2012 Compared with 2011	
Net Sales	**$ 6,253**	$ 6,791	$ 7,355	**$ (538)**	**(8)%**	$ (564)	(8)%
Cost of Sales	**5,141**	5,643	6,120	**(502)**	**(9)%**	(477)	(8)%
	1,112	1,148	1,235				
Operating Expenses and Other	**518**	436	395				
Operating Profits	**$ 594**	$ 712	$ 840	**$ (118)**	**(17)%**	$ (128)	(15)%

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2013			2012		
	Net Sales	**Cost of Sales**	**Operating Profits**	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	**(8)%**	**(9)%**	**(16)%**	(8)%	(8)%	(7)%
Other	**—**	**—**	**(1)%**	—	—	(8)%
Total % change	**(8)%**	**(9)%**	**(17)%**	(8)%	(8)%	(15)%

2013 Compared with 2012

The organic sales decrease (8%) reflects decreased international military sales (8%), decreased U.S. Government sales (2%) due to lower volume and unfavorable Multi-year 8 reset provisions, lower volume on customer funded development programs (2%) and decreased aftermarket sales (4%) due to lower military spares activity, partially offset by higher commercial aftermarket volume. These decreases were partially offset by increased commercial aircraft sales (8%) due to increased S-92 and S-76D aircraft sales volume and completion services.

The operational profit decrease (16%) reflects lower profitability from the U.S. Government (19%), aftermarket (5%), and customer funded development programs (4%); lower international military aircraft volume (8%); higher export compliance

(5%); other selling, general and administrative costs including pension and salaries (3%); and research and development (1%) costs. The decline in profitability on U.S. Government programs was due to lower aircraft volume, Multi-year 8 pricing reset provisions and aircraft cost performance, while the decline in aftermarket was due to lower military spares volume partially offset by favorable contract performance. These operational profit decreases were partially offset by lower loss provision adjustments for the previously noted CH-148 contract with the Canadian Government (18%) and higher profitability from commercial operations (10%) due to higher S-92 and S-76D aircraft sales and completions volume.

2012 Compared with 2011

The organic sales decrease (8%) reflects reduced aircraft deliveries and completions from foreign military operations (6%) across various programs including four fewer CH-148 aircraft for the Canadian Government, reduced U.S. Government sales (2%) and lower volume from customer funded development programs (2%). These decreases were partially offset by increased commercial aircraft volume (2%) due primarily to increased S-92 sales, which were partially offset by lower S-76 sales as Sikorsky transitions to the new S-76D model.

The operational profit decrease (7%) is a result of lower sales to the U.S. Government (12%), higher engineering and development costs (1%) and lower profits from foreign military operations (8%) due in large part to the previously noted $157 million loss provision for the CH-148 contract with the Canadian Government, partially offset by favorable aircraft mix within the foreign military operations business. These decreases were partially offset by an increase in commercial profits (10%) due primarily to strong S-92 volume and profitability, and increased aftermarket support (5%) due primarily to increased U.S. Government spares sales, favorable contract performance and savings from restructuring initiatives. The 8% decrease in "Other" primarily reflects the absence of a gain recognized on the contribution of a business to a venture in the United Arab Emirates in 2011.

Eliminations and other

	Net Sales			Operating Profits		
(dollars in millions)	**2013**	2012	2011	**2013**	2012	2011
Eliminations and other	**$ (768)**	$ (527)	$ (373)	**$ 22**	$ (72)	$ (228)
General corporate expenses	**—**	—	—	**(481)**	(426)	(419)

Eliminations and other reflects the elimination of sales, other income and operating profit transacted between segments, as well as the operating results of certain smaller businesses. The change in sales in 2013, as compared with 2012, reflects an increase in the amount of inter-segment sales eliminations due to our acquisition of Goodrich. The change in the operating profit elimination in 2013, as compared with 2012, primarily reflects the benefit of lower acquisitions and divestiture costs of approximately $70 million.

LIQUIDITY AND FINANCIAL CONDITION

(dollars in millions)	**2013**	2012
Cash and cash equivalents	**$ 4,619**	$ 4,819
Total debt	**20,241**	23,221
Net debt (total debt less cash and cash equivalents)	**15,622**	18,402
Total equity	**33,219**	27,069
Total capitalization (total debt plus total equity)	**53,460**	50,290
Net capitalization (total debt plus total equity less cash and cash equivalents)	**48,841**	45,471
Total debt to total capitalization	**38%**	46%
Net debt to net capitalization	**32%**	40%

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

The global economic environment has been improving. In the U.S., consumer sentiment and spending continue to improve on strength in the equity and housing markets, partially offset by continued weakness in defense spending. Europe has seen a return to moderate economic growth, while in China, construction starts and property transactions remained strong for 2013. In light of these circumstances, we continue to assess our current business and closely monitor the impact on our customers and suppliers, and have determined that overall there was not a significant adverse impact on our financial position, results of operations or liquidity during 2013.

Our domestic pension funds experienced a positive return on assets of approximately 11% during 2013. Approximately 89% of these domestic pension plans are invested in readily-liquid investments, including equity, fixed income, asset-backed receivables and structured products. The balance of these domestic pension plans (11%) is invested in less-liquid but market-valued investments, including real estate and private equity. Across our global pension plans, the absence of prior pension investment losses, impact of a higher discount rate, as well as the positive returns experienced during 2013, are expected to result in decreased pension expense in 2014 of approximately $500 million as compared to 2013.

As discussed further below, despite the levels of debt we issued to finance the Goodrich acquisition, our strong debt ratings and financial position have historically enabled us to issue long-term debt at favorable market rates, including our issuance of $9.8 billion of long-term debt in June 2012. Our ability to obtain debt financing at comparable risk-based interest rates is partly a function of our existing debt-to-total-capitalization level as well as our current credit standing.

The purchase price of Goodrich of $127.50 per share in cash equated to a total enterprise value of $18.3 billion, including $1.9 billion in net debt assumed. To finance the cash consideration for the Goodrich acquisition and pay related fees, expenses and other amounts due and payable as a result of the acquisition, we utilized the net proceeds of approximately $9.6 billion from the $9.8 billion of long-term notes issued on June 1, 2012, the net proceeds of approximately $1.1 billion from the equity units issued on June 18, 2012, $3.2 billion from the issuance of commercial paper during July 2012 and $2.0 billion of proceeds borrowed on July 26, 2012 pursuant to our April 24, 2012 term loan credit agreement, all of which are discussed below. The $2.0 billion borrowed pursuant to our April 24, 2012 term loan credit agreement was repaid in November and December 2012. For the remainder of the cash consideration, we utilized approximately $0.5 billion of cash and cash equivalents generated from operating activities.

To manage the cash flow and liquidity impacts of these actions, we suspended share repurchases in 2012 and the fourth quarter of 2011, while resuming in 2013 with approximately $1.2 billion in share repurchases. We expect our acquisition spending for 2014 to approximate $1 billion; however, actual acquisition spending may vary depending on the timing, availability and appropriate value of acquisition opportunities.

On August 23, 2013, we redeemed all remaining outstanding 2019 Goodrich 6.125% notes, representing $202 million in aggregate principal, under our redemption notice issued on July 24, 2013. On September 27, 2013, we redeemed all remaining outstanding 2021 Goodrich 3.600% notes, representing $294 million in aggregate principal, under our redemption notice issued on August 28, 2013. On May 7, 2013, we commenced cash tender offers for two series of outstanding notes issued by Goodrich and the 2015 UTC 1.200% Senior Notes. These offers expired on June 4, 2013. Approximately $874.2 million in aggregate principal amount of these outstanding notes were tendered pursuant to these tender offers, including notes validly tendered prior to an early tender date in May 2013 and thereby eligible for an early tender premium. Total payments under these tender offers were approximately $935 million including principal, premium and interest. On June 24, 2013 we redeemed all remaining outstanding 2015 UTC 1.200% Senior Notes, representing $327 million in aggregate principal, under our redemption notice issued on May 24, 2013. We expect full year 2014 debt repayments to be approximately $1 billion.

Approximately $637 million in aggregate principal amount of the outstanding Goodrich notes were tendered under tender offers, the commencement of which were announced December 6, 2012, with $635 million in aggregate principal amount being eligible for an early tender premium. Total payments under these tender offers were approximately $790 million including principal, premium and interest.

In 2012, we approved plans for the divestiture of a number of non-core businesses, which were completed on June 14, 2013 with the sale of Pratt & Whitney Rocketdyne (Rocketdyne) to GenCorp Inc. for $411 million. On May 17, 2013, we completed the sale of the Pratt & Whitney Power Systems business to Mitsubishi Heavy Industries (MHI) for $432 million, excluding contingent consideration valued at approximately $200 million. On December 13, 2012, we completed the sale of the legacy Hamilton Sundstrand Industrial businesses to a private limited liability company formed by affiliates of BC Partners and affiliates of The Carlyle Group for $3.4 billion. The tax expense associated with this transaction was approximately $1.2 billion. Cash generated from these divestitures was used to repay debt incurred to finance the Goodrich acquisition.

On June 1, 2012, we issued a total of $9.8 billion of long-term debt, which is comprised of $1.0 billion aggregate principal amount of 1.200% notes due 2015, $1.5 billion aggregate principal amount of 1.800% notes due 2017, $2.3 billion aggregate principal amount of 3.100% notes due 2022, $3.5 billion aggregate principal amount of 4.500% notes due 2042, $1.0 billion aggregate principal amount of three-month LIBOR plus 0.270% floating rate notes due 2013, and $0.5 billion aggregate

principal amount of three-month LIBOR plus 0.500% floating rate notes due 2015. The three-month LIBOR rate as of December 31, 2013 was approximately 0.2%.

On June 18, 2012, we issued 22,000,000 equity units and received approximately $1.1 billion in net proceeds. Each equity unit has a stated amount of $50 and initially is in the form of a corporate unit consisting of (a) a freestanding stock purchase contract under which the holder will purchase from us on August 1, 2015, a number of shares of our common stock determined pursuant to the terms of the agreement and (b) a 1/20, or 5.0%, undivided beneficial ownership interest in $1,000 principal amount on our 1.55% junior subordinated notes due 2022. Holders of the equity units are entitled to receive quarterly contract adjustment payments at a rate of 5.95% per year of the stated amount of $50 per equity unit, subject to our right to defer such payments.

At December 31, 2013, we had revolving credit agreements with various banks permitting aggregate borrowings of up to $4.0 billion pursuant to a $2.0 billion revolving credit agreement and a $2.0 billion multicurrency revolving credit agreement, both of which expire in November 2016. As of December 31, 2013 and 2012, there were no borrowings under either of these revolving credit agreements. The undrawn portions of our revolving credit agreements are also available to serve as backup facilities for the issuance of commercial paper. As of December 31, 2013, our maximum commercial paper borrowing authority as set by our Board of Directors was $4 billion. We generally use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our common stock.

We continue to have access to the commercial paper markets and our existing credit facilities, and expect to continue to generate strong operating cash flows. While the impact of market volatility cannot be predicted, we believe we have sufficient operating flexibility, cash reserves and funding sources to maintain adequate amounts of liquidity and to meet our future operating cash needs.

Given our extensive international operations, most of our cash is denominated in foreign currencies. We manage our worldwide cash requirements by reviewing available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to capital controls; however, those balances are generally available without legal restrictions to fund ordinary business operations. As discussed in Note 11, with few exceptions, U.S. income taxes have not been provided on undistributed earnings of international subsidiaries. Our intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do so.

On occasion, we are required to maintain cash deposits with certain banks with respect to contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2013 and 2012, the amount of such restricted cash was approximately $47 million and $35 million, respectively.

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

Cash Flow—Operating Activities of Continuing Operations

(dollars in millions)	**2013**	2012	2011
Net cash flows provided by operating activities of continuing operations	**$ 7,505**	$ 6,605	$ 6,460

2013 Compared with 2012

The increase in net cash flows provided by operating activities of continuing operations in 2013 as compared with 2012 was driven by the increase in income from continuing operations primarily attributable to the full year benefit in 2013 of 2012 acquisitions and continued cost reductions, as well as lower global pension contributions. Included in income from continuing operations in 2013 were approximately $248 million of net gains from the sale of the Pratt & Whitney Power Systems business and portfolio transformation activities at UTC Climate, Controls & Security, approximately $95 million of tax benefit as a result of enactment of the American Taxpayer Relief Act of 2012 in January 2013, and approximately $83 million of tax and interest benefits from the conclusion of the examination by the Internal Revenue Service (IRS) of legacy Goodrich's 2009 and 2010 tax years as well as settlements for our tax years prior to 2006. In 2013, the net increase in working capital required a cash outflow of approximately $200 million, compared to a cash inflow of approximately $100 million in 2012. This decrease of $300 million is attributable to an increase in accounts receivable driven by sales volumes and timing, primarily at Pratt & Whitney and UTC Aerospace Systems. Increases in inventories and contracts in progress were largely offset by increases in accounts payable and accrued liabilities.

The funded status of our defined benefit pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. We can contribute cash or UTC shares to our plans at our discretion, subject to applicable regulations. Total cash contributions to our global defined benefit pension plans were $108 million, $430 million and $551 million during 2013, 2012 and 2011, respectively. During 2011, we also contributed $450 million in UTC Common Stock to our defined benefit pension plans. As of December 31, 2013, the total investment by the global defined benefit pension plans in our securities was approximately 3% of total plan assets. We expect to make total contributions of approximately $275 million to our global defined benefit pension plans in 2014. Although our domestic defined benefit pension plans are approximately 98% funded on a projected benefit obligation basis as of December 31, 2013, and we are not required to make additional contributions through the end of 2014, we may elect to make discretionary contributions in 2014. Contributions to our global defined benefit pension plans in 2014 are expected to meet or exceed the current funding requirements.

2012 Compared with 2011

The increase in net cash flows provided by operating activities of continuing operations in 2012 as compared with 2011 was driven primarily by lower working capital cash requirements, and a decrease in global pension contributions of $121 million. Included in income from continuing operations in 2012 were approximately $157 million of net non-cash gains from the portfolio transformation activities at UTC Climate, Controls & Security, an approximately $218 million non-cash tax and interest benefit from the conclusion of the examination by the IRS of our 2006 – 2008 tax years and an approximately $59 million non-cash tax and interest benefit from the resolution of disputes with the Appeals Division of the IRS for our 2004 – 2005 tax years. In 2012, the net decrease in working capital provided positive cash flow of $103 million, including a $157 million loss provision recorded on the CH-148 contract at Sikorsky, compared to a cash outflow of $291 million in 2011. This increase of $394 million was primarily driven by a decrease in accounts receivable due to strong collections, partially offset by an increase in inventories largely associated with anticipated volume changes at Sikorsky and Pratt & Whitney.

Cash Flow—Investing Activities of Continuing Operations

(dollars in millions)	**2013**	2012	2011
Net cash flows used in investing activities of continuing operations	**$ (1,464)**	$ (18,795)	$ (672)

2013 Compared with 2012

Cash flows used in investing activities of continuing operations for 2013 primarily reflect the net proceeds of approximately $1.6 billion from business dispositions, offset by capital expenditures of approximately $1.7 billion and payments related to our collaboration intangible assets and contractual rights to provide product on new aircraft platforms of approximately $930 million. Business dispositions include the sale of the legacy Goodrich pumps and engine controls business to Triumph Group, Inc. on March 18, 2013, the sale of the legacy Goodrich electric power systems business to Safran S.A. on March 26, 2013, and the sale of Pratt & Whitney Power Systems to MHI on May 17, 2013.

In October 2011, Pratt & Whitney and Rolls-Royce announced their intention to form a new partnership to develop an engine to power future mid-size aircraft. In September 2013, following further discussion and because of the current regulatory environment, the parties agreed not to proceed with the partnership. In 2013, we made net payments of $420 million under our 2012 agreement to acquire Rolls-Royce's collaboration interest in IAE and the September 2013 agreement not to proceed with the partnership with Rolls-Royce. Capital expenditures in 2013 primarily relate to investments in new programs at Pratt & Whitney, and continuing Goodrich integration activities at UTC Aerospace Systems. Investments in businesses during 2013 were $151 million and included a number of small acquisitions in our commercial and aerospace businesses.

Customer financing activities were a net use of cash of $135 million and $25 million in 2013 and 2012, respectively. While we expect that 2014 customer financing activity will be a net use of funds, actual funding is subject to usage under existing customer financing commitments during the year. We may also arrange for third-party investors to assume a portion of our commitments. At December 31, 2013, we had commercial aerospace financing and other contractual commitments of approximately $11.1 billion related to commercial aircraft and certain contractual rights to provide product on new aircraft platforms, of which as much as $1.1 billion may be required to be disbursed during 2014. As discussed in Note 1 to the Consolidated Financial Statements, we have entered into certain collaboration arrangements, which may include participation by our collaborators in these commitments. At December 31, 2013, our collaborators' share of these commitments was approximately $3.1 billion of which as much as $342 million may be required to be disbursed to us during 2014. Refer to Note 5 to the Consolidated Financial Statements for additional discussion of our commercial aerospace industry assets and commitments.

2012 Compared with 2011

The increase in cash used in investing activities of continuing operations in 2012 as compared with 2011 was primarily a result of the Goodrich acquisition, which required cash payments, net of cash acquired, of $15.8 billion, as well as payments made to Rolls-Royce, net of cash acquired, to acquire their ownership and collaboration interests in IAE and license its V2500 intellectual property to Pratt & Whitney of approximately $1.7 billion in total, reflected in acquisitions of businesses and as an increase in collaboration intangible assets, respectively. Partially offsetting these increases, concurrent with the closing of the purchase of Rolls-Royce's interests in IAE, Pratt & Whitney entered into a collaboration arrangement with MTU with respect to a portion of the acquired collaboration interest in IAE for consideration of approximately $233 million, with additional payments due to Pratt & Whitney in the future. Investments in businesses during 2012 also included a number of additional small acquisitions in our commercial and aerospace businesses. Capital expenditures increased $460 million primarily at Pratt & Whitney and Otis, reflecting expenditures related to investments in new programs and low-cost manufacturing facilities, as well as at UTC Aerospace Systems due to spending at legacy Goodrich businesses subsequent to acquisition. Customer financing activities were a net use of cash of $25 million in 2012, compared to a net source of cash of $50 million in 2011.

Cash Flow—Financing Activities of Continuing Operations

(dollars in millions)	**2013**	2012	2011
Net cash flows (used in) provided by financing activities of continuing operations	**$ (5,940)**	$ 8,021	$ (3,983)

2013 Compared with 2012

The timing and levels of certain cash flow activities, such as acquisitions and repurchases of our stock, have resulted in the issuance of both long-term and short-term debt. Commercial paper borrowings and revolving credit facilities provide short-term liquidity to supplement operating cash flows and are used for general corporate purposes, including the funding of potential acquisitions and repurchases of our stock. As previously disclosed, in June 2012 we issued approximately $10.9 billion of long-term debt and equity units to finance the Goodrich acquisition, and made repayments of long-term debt of approximately $2.9 billion and $800 million in 2013 and 2012, respectively. We had $200 million and $320 million of commercial paper outstanding at December 31, 2013 and 2012, respectively.

Financing cash outflows for 2013 included the repurchase of 12.6 million shares of our common stock for approximately $1.2 billion. In connection with the Goodrich acquisition, we suspended share repurchases for 2012 and the fourth quarter of 2011. At December 31, 2013, management had authority to repurchase approximately 51.3 million shares under the share repurchase program announced on February 4, 2013. Under this program, shares may be purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. We may also reacquire shares outside of the program from time to time in connection with the surrender of shares to cover taxes on vesting of restricted stock. Our share repurchases vary depending upon various factors including the level of our other investing activities.

In 2013, we paid aggregate dividends on common stock of approximately $1.9 billion, consisting of $0.535 per share in the first quarter of 2013 totaling $465 million, $0.535 per share in the second quarter of 2013 totaling $465 million, $0.535 per share in the third quarter of 2013 totaling $465 million, and $0.59 per share in the fourth quarter of 2013 totaling $512 million. During 2012, an aggregate $1.8 billion of cash dividends were paid to common stock shareowners.

We have an existing universal shelf registration statement filed with the SEC for an indeterminate amount of debt and equity securities for future issuance, subject to our internal limitations on the amount of securities to be issued under this shelf registration statement.

2012 Compared with 2011

In June 2012, we issued $9.8 billion of long-term debt and $1.1 billion of equity units, and in July 2012, we borrowed $2.0 billion from our term loan credit agreement and issued $3.2 billion of commercial paper primarily to partially finance the Goodrich acquisition and pay related fees, expenses and other amounts due and payable by UTC as a result of the acquisition. We had $320 million and $455 million of commercial paper outstanding at December 31, 2012 and 2011, respectively.

In connection with the Goodrich acquisition, we suspended share repurchases for 2012 and the fourth quarter of 2011. Financing cash outflows for 2011 included the repurchase of 26.9 million shares of our common stock for approximately $2.2 billion under the previously announced share repurchase program.

In 2012, we paid aggregate dividends on common stock of approximately $1.8 billion. During 2011, an aggregate $1.6 billion of cash dividends were paid to common stock shareowners.

Cash Flow—Discontinued Operations

(dollars in millions)		**2013**		2012		2011
Net cash flows (used in) provided by discontinued operations	**$**	**(277)**	$	3,015	$	73

2013 Compared with 2012

Cash flows used in discontinued operations in 2013 primarily relate to the completed divestitures of the legacy Hamilton Sundstrand Industrial businesses in December 2012 and Rocketdyne on June 14, 2013. Tax payments related to discontinued operations were approximately $640 million in 2013, primarily related to transactions concluded in 2012 and reported in discontinued operations. We do not expect remaining net tax payments related to these discontinued operations to be significant. Net cash flows used in discontinued operations for 2013 includes positive cash flows of approximately $400 million related to the sale of Rocketdyne, and cash flows from the operating activities of Rocketdyne, and of UTC Power through its date of disposition of February 12, 2013, as well as payments made in settlement of liabilities, transaction costs, and interim funding of UTC Power and of Clipper, which was divested in 2012.

2012 Compared with 2011

Cash flows provided by discontinued operations primarily relate to the completed divestitures of two businesses. As discussed above, on December 13, 2012 we completed the sale of the legacy Hamilton Sundstrand Industrial businesses for $3.4 billion. Also, on August 7, 2012, we completed the disposition of Clipper to a private equity acquirer. The disposition resulted in payments totaling approximately $367 million, which included capitalization of the business prior to sale, transaction fees, and funding of operations as the acquirer took control of a business with significant net liabilities.

CRITICAL ACCOUNTING ESTIMATES

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the Consolidated Financial Statements describes the significant accounting policies used in preparation of the Consolidated Financial Statements. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. The most significant areas involving management judgments and estimates are described below. Actual results in these areas could differ from management's estimates.

Long-Term Contract Accounting. We utilize percentage-of-completion accounting on certain of our long-term contracts. The percentage-of-completion method requires estimates of future revenues and costs over the full term of product and/or service delivery. We also utilize the completed-contract method of accounting on certain lesser value commercial contracts. Under the completed-contract method, sales and cost of sales are recognized when a contract is completed.

Losses, if any, on long-term contracts are provided for when anticipated. We recognize loss provisions on original equipment contracts to the extent that estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs, as appropriate, exceed the projected revenue from the products contemplated under the contractual arrangement. For new commitments, we generally record loss provisions at the earlier of contract announcement or contract signing except for certain requirements contracts under which losses are recorded based upon receipt of the purchase order which obligates us to perform. For existing commitments, anticipated losses on contracts are recognized in the period in which losses become evident. Products contemplated under the contractual arrangement include products purchased under the contract and, in the large commercial engine and wheels and brakes businesses, future highly probable sales of replacement parts required by regulation that are expected to be purchased subsequently for incorporation into the original equipment. Revenue projections used in determining contract loss provisions are based upon estimates of the quantity, pricing and timing of future product deliveries. We measure the extent of progress toward completion on our long-term commercial aerospace equipment and helicopter production type contracts using units-of-delivery. In addition, we use the cost-to-cost method for elevator and escalator sales, installation and modernization contracts in the commercial businesses and certain aerospace development contracts. For long-term aftermarket contracts, we recognize revenue over the contract period in proportion to the costs expected to be incurred in performing services under the contract. Contract accounting also requires estimates of future costs over the performance period of the contract as well as an estimate of award fees and other sources of revenue.

Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management's judgment. The long-term nature of these contracts, the complexity of the products, and the strict safety and performance standards under which they are regulated can affect our ability to estimate costs precisely. As a result, we review and update our cost estimates on significant contracts on a quarterly basis, and no less frequently than annually for all others, and when circumstances change and warrant a modification to a previous estimate. We record changes in contract estimates using the cumulative catch-up method in accordance with the Revenue Recognition Topic of the FASB ASC.

Income Taxes. The future tax benefit arising from net deductible temporary differences and tax carryforwards was $3.2 billion at both December 31, 2013 and 2012. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided.

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

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. See Notes 1 and 11 to the Consolidated Financial Statements for further discussion.

Goodwill and Intangible Assets. Our investments in businesses in 2013 totaled $151 million. The assets and liabilities of acquired businesses are recorded under the acquisition method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying identifiable net assets of acquired businesses. Intangible assets consist of service portfolios, patents, trademarks/tradenames, customer relationships and other intangible assets including a collaboration asset established in connection with the restructuring of IAE as discussed above and in Note 2 to the Consolidated Financial Statements. Also included within other intangible assets are commercial aerospace participation payments made to secure certain contractual rights to provide product on new aircraft platforms. Payments made on these contractual commitments are amortized as a reduction of sales. We amortize these intangible assets based on the pattern of economic benefit, which may result in an amortization method other than straight-line. In the aerospace industry, amortization based on the pattern of economic benefit generally results in lower amortization expense during the development period with increasing amortization expense as programs enter full production and aftermarket cycles. If a pattern of economic benefit cannot be reliably determined, a straight-line amortization method is used. The gross value of these contractual commitments at December 31, 2013 was approximately $3.5 billion, of which approximately $1.1 billion has been paid to date. We record these payments as intangible assets when such payments are no longer conditional. The recoverability of these intangibles is dependent upon the future success and profitability of the underlying aircraft platforms including the associated aftermarket revenue streams.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing using the guidance and criteria described in the *"Intangibles—Goodwill and Other"* Topic of the FASB ASC. This testing compares carrying values to fair values and, when appropriate, the carrying values of these assets are reduced to fair value. In developing our estimates for the fair value of our reporting units, significant judgment is required in the determination of the appropriateness of using a qualitative assessment or quantitative assessment. When quantitative assessments are required or elected to be performed, fair value is primarily based on income approaches using discounted cash flow models which have significant assumptions. Such assumptions are subject to variability from year to year and are directly impacted by global market conditions. We completed our annual impairment testing as of July 1, 2013 and determined that no significant adjustments to the carrying value of goodwill or indefinite lived intangible assets were necessary based on the results of the impairment tests. Although these assets are not currently impaired, there can be no assurance that future impairments will not occur. See Note 2 to the Consolidated Financial Statements for further discussion.

Contingent Liabilities. Our operating units include businesses which sell products and services and conduct operations throughout the world. As described in Note 17 to the Consolidated Financial Statements, contractual, regulatory and other

matters in the normal course of business may arise that subject us to claims or litigation. Additionally, we have significant contracts with the U.S. Government, subject to government oversight and audit, which may require significant adjustment of contract prices. We accrue for liabilities associated with these matters 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 then currently available facts with respect to each matter. When no amount within a range of estimates is more likely, the minimum is accrued. The inherent uncertainty related to the outcome of these matters can result in amounts materially different from any provisions made with respect to their resolution.

Employee Benefit Plans. We sponsor domestic and foreign defined benefit pension and other postretirement plans. Major assumptions used in the accounting for these employee benefit plans include the discount rate, expected return on plan assets, rate of increase in employee compensation levels, and health care cost increase projections. Assumptions are determined based on company data and appropriate market indicators, and are evaluated each year at December 31. A change in any of these assumptions would have an effect on net periodic pension and postretirement benefit costs reported in the Consolidated Financial Statements.

In the following table, we show the sensitivity of our pension and other postretirement benefit plan liabilities and net annual periodic cost to a 25 basis point change in the discount rate as of December 31, 2013:

(dollars in millions)	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Pension plans		
Projected benefit obligation	$ (1,004)	$ 1,040
Net periodic pension cost	(90)	89
Other postretirement benefit plans		
Accumulated postretirement benefit obligation	(18)	18
Net periodic postretirement benefit cost	—	—

Pension expense is also sensitive to changes in the expected long-term rate of asset return. An increase or decrease of 25 basis points in the expected long-term rate of asset return would have decreased or increased 2013 pension expense by approximately $71 million.

The weighted-average discount rate used to measure pension liabilities and costs is set by reference to UTC specific analysis using each plan's specific cash flows and is then compared to high-quality bond indices for reasonableness. Global market interest rates have increased in 2013 as compared with 2012 and, as a result, the weighted-average discount rate used to measure pension liabilities increased from 4.0% in 2012 to 4.7% in 2013. In December 2009, we amended the salaried retirement plans (qualified and non-qualified) to change the retirement formula effective January 1, 2015. At that time, final average earnings (FAE) and credited service will stop under the formula applicable for hires before July 1, 2002. Employees hired after 2009 are not eligible for any defined benefit pension plan and will instead receive an enhanced benefit under the UTC Savings Plan. As of July 26, 2012 the same amendment was applied to legacy Goodrich salaried employees. The absence of prior pension investment losses, impact of a higher discount rate, as well as the positive returns experienced during 2013, are expected to decrease pension expense in 2014 by approximately $500 million as compared to 2013. See Note 12 to the Consolidated Financial Statements for further discussion.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

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

A summary of our consolidated contractual obligations and commitments as of December 31, 2013 is as follows:

		Payments Due by Period			
(dollars in millions)	**Total**	2014	2015 – 2016	2017 – 2018	Thereafter
Long-term debt—principal	**$ 19,643**	$ 112	$ 1,965	$ 2,655	$ 14,911
Long-term debt—future interest	**13,327**	963	1,747	1,520	9,097
Operating leases	**2,373**	586	858	389	540
Purchase obligations	**17,011**	9,045	6,069	982	915
Other long-term liabilities	**5,042**	937	1,228	1,377	1,500
Total contractual obligations	**$ 57,396**	$ 11,643	$ 11,867	$ 6,923	$ 26,963

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

Other long-term liabilities primarily include those amounts on our December 31, 2013 balance sheet representing obligations under product service and warranty policies, performance and operating cost guarantees, estimated environmental remediation costs and expected contributions under employee benefit programs. The timing of expected cash flows associated with these obligations is based upon management's estimates over the terms of these agreements and is largely based upon historical experience.

In connection with the acquisition of Goodrich in 2012, we identified customer contractual obligations on certain OEM development programs where the expected costs exceed the expected revenue under contract. We measured these liabilities under the measurement provisions of the *"Fair Value Measurements and Disclosures"* Topic of the FASB ASC, which is based on the price to transfer the obligation to a market participant at the measurement date, assuming that the liability will remain outstanding in the marketplace. Based on the estimated net cash outflows of the OEM developmental programs plus a reasonable contracting profit margin required to transfer the contracts to market participants, we recorded assumed liabilities of approximately $2.2 billion. These liabilities are being liquidated in accordance with the underlying economic pattern of obligations, as reflected by the net cash outflows incurred on the OEM contracts. Total consumption of the contractual obligations for the year ended December 31, 2013 was approximately $278 million. Total consumption of the contractual obligations is expected to be as follows: $261 million in 2014, $220 million in 2015, $239 million in 2016, $242 million in 2017, $210 million in 2018 and $686 million thereafter. These amounts are not included in the table above.

The above table also does not reflect unrecognized tax benefits of $1,223 million, the timing of which is uncertain, except for approximately $133 million that may become payable during 2014. Refer to Note 11 to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits.

COMMERCIAL COMMITMENTS

The following table summarizes our commercial commitments outstanding as of December 31, 2013.

		Amount of Commitment Expiration per Period			
(dollars in millions)	**Committed**	2014	2015 – 2016	2017 – 2018	Thereafter
Commercial aerospace financing commitments	**$ 4,031**	$ 440	$ 1,641	$ 1,012	$ 938
Other commercial aerospace commitments	**7,227**	656	1,374	1,287	3,910
Commercial aerospace financing arrangements	**615**	10	96	20	489
Unconsolidated subsidiary debt guarantees	**231**	97	49	—	85
Performance guarantees	**150**	58	5	11	76
Total commercial commitments	**$ 12,254**	$ 1,261	$ 3,165	$ 2,330	$ 5,498

In exchange for the increased ownership and collaboration interests and intellectual property license, Pratt & Whitney paid Rolls-Royce $1.5 billion at closing with additional payments due to Rolls-Royce contingent upon each hour flown by the V2500-powered aircraft in service as of June 29, 2012 during the fifteen year period following closing of the purchase. These payments are being capitalized as a collaboration intangible asset and amortized in relation to the economic benefits received

over the projected remaining thirty year life of the V2500 program. The estimated flight hour payments are included in Other commercial aerospace commitments in the table above.

Refer to Notes 1, 5 and 16 to the Consolidated Financial Statements for additional discussion on contractual and commercial commitments.

MARKET RISK AND RISK MANAGEMENT

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

We have evaluated our exposure to changes in foreign currency exchange rates, interest rates and commodity prices in our market risk sensitive instruments, which are primarily cash, debt and derivative instruments, using a value at risk analysis. Based on a 95% confidence level and a one-day holding period, at December 31, 2013, the potential loss in fair value on our market risk sensitive instruments was not material in relation to our financial position, results of operations or cash flows. Our calculated value at risk exposure represents an estimate of reasonably possible net losses based on volatilities and correlations and is not necessarily indicative of actual results. Refer to Notes 1, 9 and 14 to the Consolidated Financial Statements for additional discussion of foreign currency exchange, interest rates and financial instruments.

Foreign Currency Exposures. We have a large volume of foreign currency exposures that result from our international sales, purchases, investments, borrowings and other international transactions. International segment sales, including U.S. export sales, averaged approximately $36 billion over the last three years. We actively manage foreign currency exposures that are associated with committed foreign currency purchases and sales, and other assets and liabilities created in the normal course of business at the operating unit level. More than insignificant exposures that cannot be naturally offset within an operating unit are hedged with foreign currency derivatives. We also have a significant amount of foreign currency net asset exposures. Currently, we do not hold any derivative contracts that hedge our foreign currency net asset exposures but may consider such strategies in the future.

Within aerospace, our sales are typically denominated in U.S. Dollars under accepted industry convention. However, for our non-U.S. based entities, such as P&WC, a substantial portion of their costs are incurred in local currencies. Consequently, there is a foreign currency exchange impact and risk to operational results as U.S. Dollars must be converted to local currencies such as the Canadian Dollar in order to meet local currency cost obligations. In order to minimize the exposure that exists from changes in the exchange rate of the U.S. Dollar against these other currencies, we hedge a certain portion of sales to secure the rates at which U.S. Dollars will be converted. The majority of this hedging activity occurs at P&WC. At P&WC, firm and forecasted sales for both engines and spare parts are hedged at varying amounts up to 24 months on the U.S. Dollar sales exposure as represented by the excess of U.S. Dollar sales over U.S. Dollar denominated purchases. Hedging gains and losses resulting from movements in foreign currency exchange rates are partially offset by the foreign currency translation impacts that are generated on the translation of local currency operating results into U.S. Dollars for reporting purposes. While the objective of the hedging program is to minimize the foreign currency exchange impact on operating results, there are typically variances between the hedging gains or losses and the translational impact due to the length of hedging contracts, changes in the sales profile, volatility in the exchange rates and other such operational considerations.

Interest Rate Exposures. Our long-term debt portfolio consists mostly of fixed-rate instruments. From time to time, we may hedge to floating rates using interest rate swaps. The hedges are designated as fair value hedges and the gains and losses on the swaps are reported in interest expense, reflecting that portion of interest expense at a variable rate. We issue commercial paper, which exposes us to changes in interest rates. Currently, we do not hold any derivative contracts that hedge our interest exposures, but may consider such strategies in the future.

Commodity Price Exposures. We are exposed to volatility in the prices of raw materials used in some of our products and from time to time we may use forward contracts in limited circumstances to manage some of those exposures. In the future, if hedges are used, gains and losses may affect earnings. There were no significant outstanding commodity hedges as of December 31, 2013.

ENVIRONMENTAL MATTERS

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

We have identified 710 locations, mostly in the United States, at which we may have some liability for remediating contamination. We have resolved our liability at 322 of these locations. We do not believe that any individual location's exposure will have a material effect on our results of operations. Sites in the investigation, remediation or operation and maintenance stage represent approximately 94% of our accrued environmental remediation reserve.

We have been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund) at 124 sites. The number of Superfund sites, in and of itself, does not represent a relevant measure of liability because the nature and extent of environmental concerns vary from site to site and our share of responsibility varies from sole responsibility to very little responsibility. In estimating our liability for remediation, we consider our likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations.

At December 31, 2013 and 2012, we had $936 million and $847 million reserved for environmental remediation, respectively. Cash outflows for environmental remediation were $40 million in 2013, $35 million in 2012 and $54 million in 2011. We estimate that ongoing environmental remediation expenditures in each of the next two years will not exceed approximately $87 million.

GOVERNMENT MATTERS

As described in "Critical Accounting Estimates—Contingent Liabilities," our contracts with the U.S. Government are subject to audits. Such audits may recommend that certain contract prices should be reduced to comply with various government regulations. We are also the subject of one or more investigations and legal proceedings initiated by the U.S. Government with respect to government contract matters. See "Legal Proceedings" in Item 1 to this Form 10-K and Note 11 "Income Taxes" and Note 17 "Commitments & Contingencies" of our Consolidated Financial Statements for further discussion of these and other government matters.

Cautionary Note Concerning Factors That May Affect Future Results

This 2013 Annual Report to Shareowners (2013 Annual Report) contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "confident" and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the markets in which we operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction and in both the commercial and defense segments of the aerospace industry, levels of air travel, financial difficulties (including bankruptcy) of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers;
- our ability to realize the intended benefits of recently announced organizational changes;
- future levels of indebtedness and capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure;
- delays and disruption in delivery of materials and services from suppliers;
- new business opportunities;
- customer and Company directed cost reduction efforts and restructuring costs and savings and other consequences thereof;
- the scope, nature or impact of other acquisition and divestiture activity, including among other things integration of acquired businesses into our existing businesses and realization of synergies and opportunities for growth and innovation;
- the development, production, delivery, support, performance and anticipated benefits of advanced technologies and new products and services;
- the anticipated benefits of diversification and balance of operations across product lines, regions and industries;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the outcome of legal proceedings and other contingencies;
- future repurchases of our common stock;
- pension plan assumptions and future contributions; and
- the effect of changes in tax, environmental and other laws and regulations or political conditions in the United States and other countries in which we operate.

In addition, our Annual Report on Form 10-K for 2013 includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the "Notes to Consolidated Financial Statements" under the heading "Note 17: Contingent Liabilities," the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Results of Operations," "Liquidity and Financial Condition," and "Critical Accounting Estimates," and the section titled "Risk Factors." Our Annual Report on Form 10-K for 2013 also includes important information as to these factors in the "Business" section under the headings "General," "Description of Business by Segment" and "Other Matters Relating to Our Business as a Whole," and in the "Legal Proceedings" section. Additional important information as to these factors is included in this 2013 Annual Report in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Restructuring Costs," "Environmental Matters" and "Governmental Matters." The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements are disclosed from time to time in our other filings with the SEC.

Management's Report on Internal Control over Financial Reporting

The management of UTC is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of UTC's internal control over financial reporting as of December 31, 2013. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its *Internal Control—Integrated Framework*, released in 1992. Management concluded that based on its assessment, UTC's internal control over financial reporting was effective as of December 31, 2013. The effectiveness of UTC's internal control over financial reporting, as of December 31, 2013, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ Louis R. Chênevert

Louis R. Chênevert
Chairman & Chief Executive Officer

/s/ Gregory J. Hayes

Gregory J. Hayes
Senior Vice President and Chief Financial Officer

/s/ John E. Stantial

John E. Stantial
Acting Controller and Assistant Controller, Financial Reporting

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF UNITED TECHNOLOGIES CORPORATION:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations, of comprehensive income, of cash flows and of changes in equity present fairly, in all material respects, the financial position of United Technologies Corporation and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Corporation's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 6, 2014

Consolidated Statement of Operations

(dollars in millions, except per share amounts; shares in millions)	**2013**	2012	2011
Net Sales:			
Product sales	**$ 45,253**	$ 40,729	$ 38,882
Service sales	**17,373**	16,979	16,872
	62,626	57,708	55,754
Costs and Expenses:			
Cost of products sold	**34,063**	31,094	29,252
Cost of services sold	**11,258**	11,059	11,117
Research and development	**2,529**	2,371	1,951
Selling, general and administrative	**6,718**	6,452	6,161
	54,568	50,976	48,481
Other income, net	**1,151**	952	573
Operating profit	**9,209**	7,684	7,846
Interest expense, net	**897**	773	496
Income from continuing operations before income taxes	**8,312**	6,911	7,350
Income tax expense	**2,238**	1,711	2,134
Net income from continuing operations	**6,074**	5,200	5,216
Less: Noncontrolling interest in subsidiaries' earnings from continuing operations	**388**	353	385
Income from continuing operations attributable to common shareowners	**5,686**	4,847	4,831
Discontinued operations (Note 3):			
Income (loss) from operations	**63**	(998)	255
(Loss) gain on disposal	**(33)**	2,030	—
Income tax benefit (expense)	**5**	(742)	(97)
Net income from discontinued operations	**35**	290	158
Less: Noncontrolling interest in subsidiaries' earnings from discontinued operations	**—**	7	10
Income from discontinued operations attributable to common shareowners	**35**	283	148
Net income attributable to common shareowners	**$ 5,721**	$ 5,130	$ 4,979
Earnings Per Share of Common Stock—Basic:			
Net income from continuing operations attributable to common shareowners	**$ 6.31**	$ 5.41	$ 5.41
Net income attributable to common shareowners	**$ 6.35**	$ 5.73	$ 5.58
Earnings Per Share of Common Stock—Diluted:			
Net income from continuing operations attributable to common shareowners	**$ 6.21**	$ 5.35	$ 5.33
Net income attributable to common shareowners	**$ 6.25**	$ 5.66	$ 5.49
Dividends Per Share of Common Stock	**$ 2.195**	$ 2.030	$ 1.865
Weighted average number of shares outstanding:			
Basic shares	**901.0**	895.2	892.3
Diluted shares	**915.1**	906.6	906.8

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

(dollars in millions)	**2013**	2012	2011
Net income from continuing operations	**$ 6,074**	$ 5,200	$ 5,216
Net income from discontinued operations	**35**	290	158
Net income	**6,109**	5,490	5,374
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during period	**(523)**	556	(278)
Less: reclassification adjustments for loss (gain) on sale of an investment in a foreign entity recognized in net income	**25**	(100)	115
	(498)	456	(163)
Change in pension and post-retirement benefit plans			
Net actuarial gain (loss) arising during period	**3,987**	(1,542)	(2,692)
Prior service (cost) credit arising during period	**(225)**	211	(21)
Other	**50**	(3)	(9)
Less: amortization of actuarial loss, prior service cost and transition obligation	**906**	689	441
	4,718	(645)	(2,281)
Tax (expense) benefit	**(1,735)**	205	796
	2,983	(440)	(1,485)
Unrealized gain (loss) on available-for-sale securities			
Unrealized holding gain arising during period	**332**	91	78
Less: reclassification adjustments for gain included in net income	**(91)**	(123)	(27)
	241	(32)	51
Tax (expense) benefit	**(90)**	13	(21)
	151	(19)	30
Change in unrealized cash flow hedging			
Unrealized cash flow hedging (loss) gain arising during period	**(136)**	88	(46)
Less: loss (gain) reclassified into Product sales	**25**	(31)	(96)
	(111)	57	(142)
Tax benefit (expense)	**29**	(4)	36
	(82)	53	(106)
Other comprehensive income (loss), net of tax	**2,554**	50	(1,724)
Comprehensive income	**8,663**	5,540	3,650
Less: comprehensive income attributable to noncontrolling interest	**(374)**	(368)	(392)
Comprehensive income attributable to common shareowners	**$ 8,289**	$ 5,172	$ 3,258

See accompanying Notes to Consolidated Financial Statements

Consolidated Balance Sheet

(dollars in millions, except per share amounts; shares in thousands)	2013	2012
Assets		
Cash and cash equivalents	**$ 4,619**	$ 4,819
Accounts receivable (net of allowance for doubtful accounts of $488 and $443)	**11,458**	11,099
Inventories and contracts in progress, net	**10,330**	9,537
Future income tax benefits, current	**1,964**	1,611
Assets held for sale	**—**	1,071
Other assets, current	**1,071**	1,473
Total Current Assets	**29,442**	29,610
Customer financing assets	**1,156**	1,150
Future income tax benefits	**1,236**	1,599
Fixed assets, net	**8,866**	8,518
Goodwill	**28,168**	27,801
Intangible assets, net	**15,521**	15,189
Other assets	**6,205**	5,542
Total Assets	**$ 90,594**	$ 89,409
Liabilities and Equity		
Short-term borrowings	**$ 388**	$ 503
Accounts payable	**6,965**	6,431
Accrued liabilities	**15,335**	15,310
Liabilities held for sale	**—**	421
Long-term debt currently due	**112**	1,121
Total Current Liabilities	**22,800**	23,786
Long-term debt	**19,741**	21,597
Future pension and postretirement benefit obligations	**3,444**	7,520
Other long-term liabilities	**11,279**	9,199
Total Liabilities	**57,264**	62,102
Commitments and contingent liabilities (Notes 5 and 17)		
Redeemable noncontrolling interest	**111**	238
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value; 250,000 shares authorized; None issued or outstanding	**—**	—
Common Stock, $1 par value; 4,000,000 shares authorized; 1,417,724 and 1,407,780 shares issued	**14,764**	13,976
Treasury Stock— 501,038 and 488,931 common shares at average cost	**(20,431)**	(19,251)
Retained earnings	**40,539**	36,776
Unearned ESOP shares	**(126)**	(139)
Total Accumulated other comprehensive loss	**(2,880)**	(5,448)
Total Shareowners' Equity	**31,866**	25,914
Noncontrolling interest	**1,353**	1,155
Total Equity	**33,219**	27,069
Total Liabilities and Equity	**$ 90,594**	$ 89,409

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

(dollars in millions)	**2013**	2012	2011
Operating Activities of Continuing Operations:			
Net income attributable to common shareowners	**$ 5,721**	$ 5,130	$ 4,979
Noncontrolling interest in subsidiaries' earnings	**388**	360	395
Net income	**6,109**	5,490	5,374
Less: Net income from discontinued operations	**35**	290	158
Income from continuing operations	**6,074**	5,200	5,216
Adjustments to reconcile income from continuing operations to net cash flows provided by operating activities of continuing operations:			
Depreciation and amortization	**1,821**	1,524	1,263
Deferred income tax provision	**242**	120	334
Stock compensation cost	**275**	210	221
Change in:			
Accounts receivable	**(531)**	(165)	(697)
Inventories and contracts in progress	**(1,096)**	(539)	(330)
Other current assets	**74**	(4)	(24)
Accounts payable and accrued liabilities	**1,354**	811	760
Global pension contributions	**(108)**	(430)	(551)
Other operating activities, net	**(600)**	(122)	268
Net cash flows provided by operating activities of continuing operations	**7,505**	6,605	6,460
Investing Activities of Continuing Operations:			
Capital expenditures	**(1,688)**	(1,389)	(929)
Increase in customer financing assets	**(245)**	(100)	(42)
Decrease in customer financing assets	**110**	75	92
Investments in businesses	**(151)**	(16,026)	(357)
Dispositions of businesses	**1,560**	425	494
Increase in collaboration intangible assets	**(722)**	(1,543)	—
Other investing activities, net	**(328)**	(237)	70
Net cash flows used in investing activities of continuing operations	**(1,464)**	(18,795)	(672)
Financing Activities of Continuing Operations:			
Issuance of long-term debt	**92**	10,899	59
Repayment of long-term debt	**(2,862)**	(842)	(616)
(Decrease) increase in short-term borrowings, net	**(113)**	(214)	562
Common Stock issued under employee stock plans	**378**	522	226
Dividends paid on Common Stock	**(1,908)**	(1,752)	(1,602)
Repurchase of Common Stock	**(1,200)**	—	(2,175)
Other financing activities, net	**(327)**	(592)	(437)
Net cash flows (used in) provided by financing activities of continuing operations	**(5,940)**	8,021	(3,983)
Discontinued Operations:			
Net cash (used in) provided by operating activities	**(628)**	41	130
Net cash provided by (used in) investing activities	**351**	2,974	(35)
Net cash used in financing activities	**—**	—	(22)
Net cash flows (used in) provided by discontinued operations	**(277)**	3,015	73
Effect of foreign exchange rate changes on cash and cash equivalents	**(41)**	30	(1)
Net (decrease) increase in cash and cash equivalents	**(217)**	(1,124)	1,877
Cash and cash equivalents, beginning of year	**4,836**	5,960	4,083
Cash and cash equivalents, end of year	**4,619**	4,836	5,960
Less: Cash and cash equivalents of businesses held for sale	**—**	17	—
Cash and cash equivalents of continuing operations, end of year	**$ 4,619**	$ 4,819	$ 5,960
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	**$ 1,047**	$ 725	$ 642
Income taxes paid, net of refunds	**$ 2,789**	$ 1,772	$ 1,432
Non-cash investing and financing activities include:			
Contributions of UTC Common Stock to domestic defined benefit pension plans	**$ —**	$ —	$ 450

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Changes In Equity

(dollars in millions)

	Common Stock
Balance at December 31, 2010	**$ 12,597**
Comprehensive income (loss):	
Net income	
Redeemable noncontrolling interest in subsidiaries' earnings	
Other comprehensive income (loss), net of tax	
Common Stock issued under employee plans (7.2 million shares), net of tax benefit of $81	672
Common Stock contributed to defined benefit pension plans (5.7 million shares)	227
Common Stock repurchased (26.9 million shares)	
Dividends on Common Stock	
Dividends on ESOP Common Stock	
Dividends attributable to noncontrolling interest	
Redeemable noncontrolling interest accretion	
Purchase of subsidiary shares from noncontrolling interest	(54)
Sale of subsidiary shares in noncontrolling interest	3
Other changes in noncontrolling interest	
Balance at December 31, 2011	**$ 13,445**
Comprehensive income (loss):	
Net income	
Redeemable noncontrolling interest in subsidiaries' earnings	
Other comprehensive income (loss), net of tax	
Common Stock issued under employee plans (8 million shares), net of tax benefit of $67	643
Treasury Stock reissued under employee plans (3.6 million shares)	138
Equity Units issuance	(216)
Dividends on Common Stock	
Dividends on ESOP Common Stock	
Dividends attributable to noncontrolling interest	
Redeemable noncontrolling interest accretion	
Purchase of subsidiary shares from noncontrolling interest	(34)
Sale of subsidiary shares in noncontrolling interest	
Other changes in noncontrolling interest	
Redeemable noncontrolling interest reclassification to noncontrolling interest	
Balance at December 31, 2012	**$ 13,976**
Comprehensive income (loss):	
Net income	
Redeemable noncontrolling interest in subsidiaries' earnings	
Other comprehensive income (loss), net of tax	
Common Stock issued under employee plans (10.4 million shares), net of tax benefit of $115	**837**
Common Stock repurchased (12.6 million shares)	
Dividends on Common Stock	
Dividends on ESOP Common Stock	
Dividends attributable to noncontrolling interest	
Purchase of subsidiary shares from noncontrolling interest	**(49)**
Sale of subsidiary shares in noncontrolling interest	
Disposition of noncontrolling interest	
Redeemable noncontrolling interest reclassification to noncontrolling interest	
Balance at December 31, 2013	**$ 14,764**

See accompanying Notes to Consolidated Financial Statements

Shareowners' Equity						
Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
$ (17,468)	**$ 30,191**	**$ (166)**	**$ (3,769)**	**$ 947**	**$ 22,332**	**$ 317**
	4,979			395	5,374	
				(25)	(25)	25
			(1,721)	(6)	(1,727)	3
10	(9)	14			687	
223					450	
(2,175)					(2,175)	
	(1,602)				(1,602)	
	(63)				(63)	
				(363)	(363)	(15)
	(9)				(9)	9
				(19)	(73)	(2)
				23	26	
				(12)	(12)	21
$ (19,410)	**$ 33,487**	**$ (152)**	**$ (5,490)**	**$ 940**	**$ 22,820**	**$ 358**
	5,130			360	5,490	
				(24)	(24)	24
			42	2	44	6
18	(20)	13			654	
141					279	
					(216)	
	(1,752)				(1,752)	
	(67)				(67)	
				(337)	(337)	(18)
	(2)				(2)	2
				(4)	(38)	(34)
				52	52	
				66	66	
				100	100	(100)
$ (19,251)	**$ 36,776**	**$ (139)**	**$ (5,448)**	**$ 1,155**	**$ 27,069**	**$ 238**
	5,721			**388**	**6,109**	
				(5)	**(5)**	**5**
			2,568	**(5)**	**2,563**	**(9)**
20	**19**	**13**			**889**	
(1,200)					**(1,200)**	
	(1,908)				**(1,908)**	
	(69)				**(69)**	
				(355)	**(355)**	**(5)**
				(94)	**(143)**	**(3)**
				243	**243**	
				(7)	**(7)**	**(82)**
				33	**33**	**(33)**
$ (20,431)	**$ 40,539**	**$ (126)**	**$ (2,880)**	**$ 1,353**	**$ 33,219**	**$ 111**

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 the prior year amounts to conform to the current year presentation.

Consolidation. The Consolidated Financial Statements include the accounts of United Technologies Corporation (UTC) and its controlled subsidiaries. Intercompany transactions have been eliminated.

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

On occasion, we are required to maintain cash deposits with certain banks with respect to contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2013 and 2012, the amount of such restricted cash was approximately $47 million and $35 million, respectively.

Accounts Receivable. Current and long-term accounts receivable include retainage of $173 million and $172 million and unbilled receivables of $1,495 million and $1,363 million as of December 31, 2013 and 2012, respectively.

Retainage represents amounts that, pursuant to the applicable contract, are not due until project completion and acceptance by the customer. Unbilled receivables represent revenues that are not currently billable to the customer under the terms of the contract. These items are expected to be collected in the normal course of business. See Note 5 for further discussion of additional deferred assets recorded in connection with long-term aftermarket contracts with commercial aerospace industry customers.

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

Inventories and Contracts in Progress. Inventories and contracts in progress are stated at the lower of cost or estimated realizable value and are primarily based on first-in, first-out (FIFO) or average cost methods; however, certain UTC Aerospace Systems and UTC Climate, Controls & Security entities use the last-in, first-out (LIFO) method. If inventories that were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $133 million and $139 million at December 31, 2013 and 2012, respectively.

Costs accumulated against specific contracts or orders are at actual cost. Valuation reserves for excess, obsolete, and slow-moving inventory are estimated by comparing the inventory levels of individual parts to both future sales forecasts or production requirements and historical usage rates in order to identify inventory where the resale value or replacement value is less than inventoriable cost. Other factors that management considers in determining the adequacy of these reserves include whether individual inventory parts meet current specifications and cannot be substituted for a part currently being sold or used as a service part, overall market conditions, and other inventory management initiatives. Manufacturing costs are allocated to current production and firm contracts.

Equity Method Investments. Investments in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are included in Other assets on the Consolidated Balance Sheet. Under this method of accounting, our share of the net earnings or losses of the investee is included in Other income, net on the Consolidated Statement of Operations since the activities of the investee are closely aligned with the operations of the business segment holding the investment. We evaluate our equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period. There were no significant impairment charges recorded in 2013 on our equity method investments.

Goodwill and Intangible Assets. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized. Goodwill and indefinite-lived intangible assets are subject to annual impairment testing using the guidance and criteria described in the FASB ASC Topic *"Intangibles—Goodwill and Other*." This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value.

Intangible assets consist of service portfolios, patents, trademarks/tradenames, customer relationships and other intangible assets including a collaboration asset established in connection with the restructuring of participants' interests in IAE as discussed further in Note 2. Acquired intangible assets are recognized at fair value in purchase accounting and then

amortized to cost of sales and selling, general & administrative expenses over the applicable useful lives. Also included within other intangible assets are commercial aerospace payments made to secure certain contractual rights to provide product on new aircraft platforms. Consideration paid on these contractual commitments is capitalized when it is no longer conditional.

Useful lives of finite-lived intangible assets are estimated based upon the nature of the intangible asset and the industry in which the intangible asset is used. These intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. For both our commercial aerospace collaboration assets and exclusivity arrangements, the pattern of economic benefit generally results in lower amortization during the development period with increasing amortization as programs enter full rate production and aftermarket cycles. If a pattern of economic benefit cannot be reliably determined, a straight-line amortization method is used. The range of estimated useful lives is as follows:

Collaboration asset	30 years
Customer relationships and related programs	2 to 32 years
Purchased service contracts	5 to 30 years
Patents & trademarks	3 to 40 years
Exclusivity assets	3 to 25 years

Other Long-Lived Assets. We evaluate the potential impairment of other long-lived assets when appropriate. If the carrying value of other long-lived assets held and used exceeds the sum of the undiscounted expected future cash flows, the carrying value is written down to fair value.

Long-Term Financing Receivables. Our long-term and financing receivables primarily represent balances related to the aerospace businesses such as long-term trade accounts receivable, leases, and notes receivable. We also have other long-term receivables in our commercial businesses; however, both the individual and aggregate amounts of those other receivables are not significant.

Long-term trade accounts receivable represent amounts arising from the sale of goods and services with a contractual maturity date of greater than one year and are recognized as "Other assets" in our Consolidated Balance Sheet. Notes and leases receivable represent notes and lease receivables other than receivables related to operating leases, and are recognized as "Customer financing assets" in our Consolidated Balance Sheet. The following table summarizes the balance by class of aerospace long-term receivables as of December 31, 2013 and 2012:

(dollars in millions)	**2013**	2012
Long-term trade accounts receivable	**$ 714**	$ 593
Notes and leases receivable	**583**	584
Total long-term receivables	**$ 1,297**	$ 1,177

We determine a receivable is impaired when, based on current information and events, it is probable that we will be unable to collect amounts due according to the contractual terms of the receivable agreement. Factors considered in assessing collectability and risk include, but are not limited to, examination of credit quality indicators and other evaluation measures, underlying value of any collateral or security interests, significant past due balances, historical losses, and existing economic conditions.

We determine credit ratings for each customer in our portfolio based upon public information and information obtained directly from our customers. We conduct a review of customer credit ratings, published historical credit default rates for different rating categories, and multiple third party aircraft value publications as a basis to validate the reasonableness of the allowance for losses on these balances quarterly or when events and circumstances warrant. Customer credit ratings range from an extremely strong capacity to meet financial obligations, to customers whose uncollateralized receivable is in default. There can be no assurance that actual results will not differ from estimates or that consideration of these factors in the future will not result in an increase or decrease to the allowance for credit losses on long-term receivables. Based upon the customer credit ratings, approximately 9% of the total long-term receivables reflected in the table above were considered to bear high credit risk as of both December 31, 2013 and 2012. See Note 5 for further discussion of commercial aerospace industry assets and commitments.

Reserves for credit losses on receivables relate to specifically identified receivables that are evaluated individually for impairment. For notes and leases receivable we determine a specific reserve for exposure based on the difference between the carrying value of the receivable and the estimated fair value of the related collateral in connection with the evaluation of credit risk and collectability. For long-term trade accounts receivable, we evaluate credit risk and collectability individually to determine if an allowance is necessary. Our long-term receivables reflected in the table above, which include reserves of $49 million and $60 million as of December 31, 2013 and 2012, respectively, are individually evaluated for impairment. At both December 31, 2013 and 2012, we did not have any significant balances that are considered to be delinquent, on non-accrual status, past due 90 days or more, or considered to be impaired.

Income Taxes. In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest expense has also been recognized. We recognize accrued interest related to unrecognized tax benefits in interest expense. Penalties, if incurred, would be recognized as a component of income tax expense.

Revenue Recognition. As a result of our diverse product and service mix and customer base, we use multiple revenue recognition practices. We recognize sales for product or services in contracts within the scope of Staff Accounting Bulletin ("SAB") Topic 13, Revenue Recognition. Products and services included within the scope of this SAB Topic include heating, ventilating, air-conditioning and refrigeration systems, non-complex alarm and fire detection and suppression systems, commercially funded research and development contracts and non-complex aerospace components. Sales within the scope of this SAB Topic are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable and collectability is reasonably assured. Subsequent changes in service contracts are accounted for prospectively.

Contract Accounting and Separately Priced Maintenance and Extended Warranty Aftermarket Contracts: For our construction-type and certain production-type contracts, sales are recognized on a percentage-of-completion basis following contract accounting methods. Contracts consist of enforceable agreements which form the basis of our unit of accounting for measuring sales, accumulating costs and recording loss provisions as necessary. Contract accounting requires estimates of award fees and other sources of variable consideration as well as future costs over the performance period of the contract. Cost estimates also include the estimated cost of satisfying our offset obligations required under certain contracts. Cost estimates are subject to change and result in adjustments to margins on contracts in progress. The extent of progress toward completion on our long-term commercial aerospace equipment and production-type helicopter contracts is measured using units of delivery or other contractual milestones. The extent of progress towards completion on our development and other cost reimbursement contracts in our aerospace businesses and elevator and escalator sales, installation, modernization and other construction contracts in our commercial businesses is measured using cost-to-cost based input measures. Contract costs include estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs, as appropriate. Contract costs are primarily averaged until actual costs approximate the average for those units of accounting which use output measures when measuring progress towards completion.

For separately priced product maintenance and extended warranty aftermarket contracts, sales are recognized over the contract period. In the commercial businesses, sales are primarily recognized on a straight-line basis. In the aerospace businesses, sales are primarily recognized in proportion to cost as sufficient historical evidence indicates that costs of performing services under the contract are incurred on an other than straight-line basis.

Losses, if any, on long-term contracts are provided for when evident. Loss provisions on original equipment contracts are recognized to the extent estimated contract costs exceed the estimated consideration from the products contemplated under the contractual arrangement. For new commitments, we generally record loss provisions at the earlier of contract announcement or contract signing except for certain requirements contracts under which losses are recorded upon receipt of the purchase order which obligates us to perform. For existing commitments, anticipated losses on contracts are recognized in the period in which losses become evident. Products contemplated under contractual arrangement include firm quantities of products purchased under contract and, in the large commercial engine and wheels and brakes businesses, future highly probable sales of replacement parts required by regulation that are expected to be purchased subsequently for incorporation into the original equipment. In the large commercial engine and wheels and brakes businesses, when the combined original equipment and aftermarket arrangements for each individual sales campaign are profitable, we record original equipment product losses, as applicable, at the time of delivery.

We review our cost estimates on significant contracts on a quarterly basis, and for others, no less frequently than annually or when circumstances change and warrant a modification to a previous estimate. We record changes in contract estimates using the cumulative catch-up method in accordance with the "*Revenue Recognition"* Topic of the FASB ASC. The net increase in operating profits as a result of significant changes in aerospace contract estimates was $167 million in 2013 driven by several favorable contract adjustments recorded throughout the year largely at the Pratt & Whitney segment. The impact of these adjustments was not considered significant to either the sales or operating profits of the segment in the quarter in which they were recorded other than the impact of a contract termination which was disclosed in the Pratt & Whitney segment results in the first quarter of 2013. The net change in contract estimates also includes the $27 million and $157 million adverse impacts revisions in estimate on the CH-148 Canadian Maritime Helicopter program resulting from ongoing program delays in 2013 and 2012, respectively.

Collaborations: Sales generated from engine programs, spare parts sales, and aftermarket business under collaboration arrangements are recorded consistent with our revenue recognition policies in our consolidated financial statements. Amounts attributable to our collaborators for their share of sales are recorded as an expense in our financial statements based upon the terms and nature of the arrangement. Costs associated with engine programs under collaborative arrangements are expensed as incurred. Under these arrangements, collaborators contribute their program share of engine parts, incur their own production costs and make certain payments to Pratt & Whitney for shared or joint program costs. The reimbursement of a collaborator's share of program costs is recorded as a reduction of the related expense item at that time.

Cash Payments to Customers: UTC Climate, Controls & Security customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in the distribution channels. The principal incentive program provides reimbursements to distributors for offering promotional pricing for our products. We account for incentive payments made as a reduction in sales. In our aerospace businesses, we may make participation payments to certain customers to secure certain contract rights. We classify the subsequent amortization of these acquired intangible assets from our customers as a reduction in sales. Contractually stated prices in arrangements with our customers that include the acquisition of intangible rights within the scope of "*Intangibles - Goodwill and Other"* and deliverables within the scope of the FASB ASC Topic "*Revenue Recognition"* are not presumed to be representative of fair value for determining the amounts to allocate to each element of an arrangement.

Research and Development. Research and development costs not specifically covered by contracts and those related to the company sponsored share of research and development activity in connection with cost-sharing arrangements are charged to expense as incurred. Government research and development support, not associated with specific contracts, is recorded as a reduction to research and development expense in the period earned. Repayment, if any, is in the form of future royalties and is conditioned upon the achievement of certain financial targets including specific aircraft engine sales, total aircraft engine sales volume and total year-over-year sales growth of the entity receiving the government funding. Given the conditional and uncertain nature of any repayment obligations, royalty expense is typically recorded only upon engine shipment or is otherwise accrued monthly based upon the forecasted impact for the current year. The cumulative funding received under existing relationships has been approximately $2.2 billion of which approximately $500 million has been repaid to date in the form of royalties.

Research and development costs incurred under contracts with customers are included as a contract cost and reported as a component of cost of products sold when revenue from such contracts is recognized. Research and development costs in excess of contractual consideration is expensed as incurred.

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

Derivatives and Hedging Activity. We have used derivative instruments, including swaps, forward contracts and options, to help manage certain foreign currency, interest rate and commodity price exposures. Derivative instruments are viewed as risk management tools by us and are not used for trading or speculative purposes. By their nature, all financial instruments involve market and credit risks. We enter into derivative and other financial instruments with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. We limit counterparty exposure and concentration of risk by diversifying counterparties. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties. We enter into transactions that are subject to enforceable master netting arrangements or other similar agreements with various counterparties. However, we have not elected to offset multiple contracts with a single counterparty and, as a result, the fair value of the derivative instruments in a loss position is not offset against the fair value of derivative instruments in a gain position.

Derivatives used for hedging purposes may be designated and effective as a hedge of the identified risk exposure at the inception of the contract. All derivative instruments are recorded on the balance sheet at fair value. Derivatives used to hedge foreign-currency-denominated balance sheet items are reported directly in earnings along with offsetting transaction gains and losses on the items being hedged. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases may be accounted for as cash flow hedges, as deemed appropriate. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income and reclassified to earnings as a component of product sales or expenses, as applicable, when the hedged transaction occurs. To the extent that a previously designated hedging transaction is no longer an effective hedge, any ineffectiveness measured in the hedging relationship is recorded currently in earnings in the period it occurs.

To the extent the hedge accounting criteria are not met, the foreign currency forward contracts are utilized as economic hedges and changes in the fair value of these contracts are recorded currently in earnings in the period in which they occur. Additional information pertaining to foreign currency forward contracts is included in Note 14.

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

Pension and Postretirement Obligations. Guidance under the FASB ASC Topic "*Compensation—Retirement Benefits"* requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under this guidance, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in other comprehensive income, net of tax effects, until they are amortized as a component of net periodic benefit cost.

Product Performance Obligations. We extend performance and operating cost guarantees beyond our normal service and warranty policies for extended periods on some of our products, particularly commercial aircraft engines. Liability under such guarantees is based upon future product performance and durability. In addition, we incur discretionary costs to service our products in connection with product performance issues. We accrue for such costs that are probable and can be reasonably estimated. The costs associated with these product performance and operating cost guarantees require estimates over the full terms of the agreements, and require management to consider factors such as the extent of future maintenance requirements and the future cost of material and labor to perform the services. These cost estimates are largely based upon historical experience. See Note 16 for further discussion.

Collaborative Arrangements. In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into certain collaboration arrangements in which sales, costs and risks are shared. Sales generated from engine programs, spare parts, and aftermarket business under collaboration arrangements are recorded as earned in our financial statements. Amounts attributable to our collaborators for their share of sales are recorded as an expense in our financial statements based upon the terms and nature of the arrangement. Costs associated with engine programs under collaborative arrangements are expensed as incurred. Under these arrangements, collaborators contribute their program share of engine parts, incur their own production costs and make certain payments to Pratt & Whitney for shared or joint program costs. The reimbursement of the collaborators' share of program costs is recorded as a reduction of the related expense item at that time. As of December 31, 2013, the collaborators' interests in all commercial engine programs ranged from 2% to 49%, inclusive of a portion of Pratt & Whitney's interests held by other participants. Pratt & Whitney is the principal participant in all existing collaborative arrangements. There are no individually significant collaborative arrangements and none of the collaborators exceed a 31% share in an individual program. The following table illustrates the income statement classification and amounts attributable to transactions arising from the collaborative arrangements between participants for each period presented:

(dollars in millions)	2013	2012	2011
Collaborator share of sales:			
Cost of products sold	**$ 1,820**	$ 1,295	$ 963
Cost of services sold	**273**	216	36
Collaborator share of program costs (reimbursement of expenses incurred):			
Cost of products sold	**(127)**	(97)	(88)
Research and development	**(194)**	(203)	(220)
Selling, general and administrative	**(5)**	(7)	(4)

NOTE 2: BUSINESS ACQUISITIONS, DISPOSITIONS, GOODWILL AND INTANGIBLE ASSETS

Business Acquisitions and Dispositions. Our investments in businesses in 2013, 2012 and 2011 totaled $151 million, $18.6 billion (including debt assumed of $2.6 billion) and $372 million (including debt assumed of $15 million), respectively.

On May 17, 2013, we completed the sale of the Pratt & Whitney Power Systems business to Mitsubishi Heavy Industries (MHI) for $432 million, excluding contingent consideration valued at approximately $200 million, and we entered into a long-term engineering and manufacturing agreement with MHI. The sale generated a pre-tax gain of approximately $193 million ($132 million after tax). Pratt & Whitney Power Systems has not been reclassified to Discontinued Operations due to our level of continuing involvement in the business post-sale.

On February 7, 2013, we completed the acquisition of Grupo Ascensores Enor, S.A. (Enor), a privately held company headquartered in Spain with operations in Spain and Portugal, which designs, manufactures, installs and services elevators. Enor's 2012 sales were approximately $50 million. Under the terms of the transaction, Zardoya Otis, S.A. (ZOSA), a non-wholly owned subsidiary of the Company, exchanged publicly traded shares of ZOSA with a fair value of approximately $240 million as of the transaction completion date for all of the shares of Enor.

On July 26, 2012, we completed the acquisition of Goodrich, a global supplier of systems and services to the aerospace and defense industry with 2011 sales of $8.1 billion. Goodrich products include aircraft nacelles and interior, actuation, landing and electronic systems. Under the terms of the agreement, Goodrich shareholders received $127.50 in cash for each share of Goodrich common stock they owned on July 26, 2012. This equated to a total enterprise value of $18.3 billion, including $1.9 billion in net debt assumed. The acquired Goodrich businesses were combined with the legacy Hamilton Sundstrand businesses to form the new UTC Aerospace Systems segment. The Goodrich acquisition and the formation of UTC Aerospace Systems provide increased scale, financial strength and complementary product offerings, allowing us to significantly strengthen our position in the aerospace and defense industry, create aftermarket efficiencies for our customers, accelerate our ability to drive innovation within the aerospace industry, and enhance our ability to support our customers with more integrated systems. This acquisition, coupled with our acquisition of an additional interest in IAE, as discussed below, further advances UTC's strategy of focusing on our core businesses.

To finance the cash consideration for the Goodrich acquisition and pay related fees, expenses and other amounts due and payable, we utilized the previously disclosed net proceeds of approximately $9.6 billion from the $9.8 billion of long-term notes issued on June 1, 2012, the net proceeds of approximately $1.1 billion from the equity units issued on June 18, 2012, $3.2 billion from the issuance of commercial paper during July 2012, and $2.0 billion of proceeds borrowed under our April 24, 2012 term loan credit agreement. For the remainder of the cash consideration, we utilized approximately $0.5 billion of cash and cash equivalents generated from operating activities.

Allocation of Consideration Transferred to Net Assets Acquired:

The following amounts represent the final determination as of July 26, 2012 (the closing date of the acquisition of Goodrich) of the fair value of identifiable assets acquired and liabilities assumed from the Goodrich acquisition, including adjustments made during the one year measurement period from the date of acquisition. Measurement period adjustments were not significant and were not retroactively reclassified to prior periods.

(dollars in millions)		
Cash and cash equivalents	$	538
Accounts receivable, net		1,205
Inventories and contracts in progress, net		1,673
Future income tax benefits, current		515
Other assets, current		647
Fixed assets		2,209
Intangible assets:		
Customer relationships and related program assets		8,550
Trademarks		1,550
Other assets		1,501
Short-term borrowings		(84)
Accounts payable		(587)
Accrued liabilities		(1,919)
Long-term debt		(2,961)
Future pension and postretirement benefit obligations		(1,743)
Other long-term liabilities:		
Customer contractual obligations		(2,200)
Other long-term liabilities		(4,013)
Noncontrolling interests		(41)
Total identifiable net assets		4,840
Goodwill		11,580
Total consideration transferred	$	16,420

In order to allocate the consideration transferred for Goodrich, the fair values of all identifiable assets and liabilities needed to be established. For accounting and financial reporting purposes, fair value is defined under the *"Fair Value Measurements and Disclosures"* Topic of the FASB ASC as the price that would be received upon sale of an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. Use of different estimates and judgments could yield different results.

In determining the fair value of identifiable assets acquired and liabilities assumed, a review was conducted for any significant contingent assets or liabilities existing as of the acquisition date. No significant contingencies related to existing legal or government action have been identified which existed as of the opening balance sheet date. Based upon our existing practices and phase II environmental assessments done on a number of Goodrich sites, we determined that environmental liability obligations of $325 million were assumed in connection with the acquisition.

The fair values of the customer relationship and related program intangible assets, which include the related aerospace program OEM and aftermarket cash flows, were determined by using an "income approach" which is the most common valuation approach utilized. Under this approach, the net earnings attributable to the asset or liability being measured are isolated using the discounted projected net cash flows. These projected cash flows are isolated from the projected cash flows of the combined asset group over the remaining economic life of the intangible asset or liability being measured. Both the amount and the duration of the cash flows are considered from a market participant perspective. Our estimates of market participant net cash flows considered historical and projected pricing, remaining developmental effort, operational performance including company specific synergies, aftermarket retention, product life cycles, material and labor pricing, and other relevant customer, contractual and market factors. Where appropriate, the net cash flows are probability-adjusted to reflect the uncertainties associated with the underlying assumptions, as well as the risk profile of the net cash flows utilized in the valuation. The probability-adjusted future cash flows are then discounted to present value using an appropriate discount rate. The customer relationship and related program intangible assets are being amortized on a straight-line basis (which approximates the economic pattern of benefits) over the estimated economic life of the underlying programs of 10 to 25 years.

We also identified customer contractual obligations on certain OEM development programs where the expected costs exceed the expected revenue under contract. We measured these liabilities under the provisions of the *"Fair Value Measurements and Disclosures"* Topic of the FASB ASC, which is based on the price to transfer the obligation to a market participant at the measurement date, assuming that the liability will remain outstanding in the marketplace. Based on the estimated net cash outflows of the OEM developmental programs plus a reasonable contracting profit margin required to transfer the contracts to market participants, we recorded assumed liabilities of approximately $2.2 billion. These liabilities will be liquidated in accordance with the underlying economic pattern of obligations, as reflected by the net cash outflows incurred on the OEM contracts. Total consumption of the contractual obligation for the year ended December 31, 2013 was approximately $278 million. Total consumption of the contractual obligation is expected to be as follows: $261 million in 2014, $220 million in 2015, $239 million in 2016, $242 million in 2017, $210 million in 2018 and $686 million thereafter.

Goodrich had not recorded an income tax liability on the unremitted earnings of its non-U.S. subsidiaries, which were approximately $853 million as of December 31, 2011. In connection with the Goodrich acquisition, UTC has made a determination to repatriate certain of these unremitted earnings, making such amounts subject to both U.S. and non-U.S. income taxes. Accordingly, an income tax liability of $215 million was recorded in purchase accounting for the unremitted earnings no longer considered permanently reinvested.

In 2010, Pratt & Whitney entered into a preferred supplier contract with Goodrich for the development and subsequent production of nacelles for the PW1500G (Bombardier CSeries) and PW1200G (Mitsubishi Regional Jet). That preferred supplier contract replaced previous contracts and preliminary Memorandum of Understandings entered into in 2006 and 2008. Under the 2010 agreement, Pratt & Whitney agreed to fund Goodrich's non-recurring development effort and established a recurring price for the production nacelles. Prior to the date of the Goodrich acquisition, Pratt & Whitney and Goodrich had asserted claims against each other in a contractual dispute and would have ultimately arbitrated the matter were it not for the acquisition. In accordance with ASC Topic 805, pre-existing relationships must be effectively settled at acquisition as the relationships become intercompany relationships upon acquisition and are eliminated in the post-combination financial statements. Any resulting settlement gains or losses should be measured at fair value and recorded on the acquisition date. Accordingly, a $46 million gain was recorded in other income by Pratt & Whitney in the quarter ended September 30, 2012 based upon a third party determination of the probability-weighted outcome had the matter gone to arbitration. No additional gain or loss was recorded in connection with the settlement of these pre-existing relationships as we determined that the terms of these two contracts were consistent with other similar market transactions at the time of our acquisition of Goodrich.

Under Goodrich's pre-existing management continuity arrangements (MCAs), we assumed change-in-control obligations related to certain executives at Goodrich. We evaluated the change-in-control provisions governed by the MCAs and for certain of the executives, we determined that we had assumed liabilities of approximately $74 million as the benefit payments were effectively single trigger arrangements in substance. We measured the assumed liability based on fair value concepts of ASC Topic 820, using weighted average techniques of possible outcomes of the employees electing to receive such benefits. We expensed approximately $12 million in 2012 for MCAs where we amended the term of the MCAs beyond the original expiration date for certain executives. We incurred expense of approximately $9 million in connection with MCA payments made in 2013.

Acquisition-Related Costs:

Acquisition-related costs have been expensed as incurred. In 2012 and 2011, approximately $95 million and $84 million, respectively, of transaction costs (including integration costs) were incurred in addition to approximately $67 million of restructuring costs, including exit costs in connection with the acquisition.

Supplemental Pro-Forma Data:

Goodrich's results of operations have been included in UTC's financial statements for the period subsequent to the completion of the acquisition on July 26, 2012. The following unaudited supplemental pro-forma data presents consolidated information as if the acquisition had been completed on January 1, 2011. There were no significant pro-forma adjustments required for the year ended December 31, 2013. The pro-forma results were calculated by combining the results of UTC with the stand-alone results of Goodrich for the pre-acquisition periods, which were adjusted to account for certain costs which would have been incurred during this pre-acquisition period:

(dollars in millions, except per share amounts)	2012
Net sales	$ 62,173
Net income attributable to common shareowners from continuing operations	5,095
Basic earnings per share of common stock from continuing operations	5.69
Diluted earnings per share of common stock from continuing operations	5.62

The unaudited supplemental pro-forma data above includes the following significant adjustments made to account for certain costs which would have been incurred if the acquisition had been completed on January 1, 2011, as adjusted for the applicable tax impact. As the Goodrich acquisition was completed on July 26, 2012, the pro-forma adjustments for 2012 in the table below only include the required adjustments through July 26, 2012:

(dollars in millions)		2012
Amortization of inventory fair value adjustment [1]	$	(103)
Amortization of acquired Goodrich intangible assets, net [2]		108
Utilization of contractual customer obligation [3]		(96)
Interest expense incurred on acquisition financing, net [4]		63

[1] Removed the expense for inventory fair value adjustments recognized during the last two quarters of 2012, which would have been amortized as the corresponding inventory would have been completely sold during the first two quarters of 2011.

[2] Added the additional amortization of the acquired Goodrich intangible assets recognized at fair value in purchase accounting and eliminated the historical Goodrich intangible asset amortization expense.

[3] Added the additional utilization of the Goodrich contractual customer obligation recognized in purchase accounting.

[4] Added the additional interest expense for the debt incurred to finance our acquisition of Goodrich and reduced interest expense for the debt fair value adjustment which would have been amortized.

The unaudited supplemental pro-forma financial information does not reflect the potential realization of cost savings relating to the integration of the two companies. Further, the pro-forma data should not be considered indicative of the results that would have occurred if the acquisition and related financing had been consummated on January 1, 2011, nor are they indicative of future results.

In connection with regulatory approval of UTC's acquisition of Goodrich, regulatory authorities required UTC to dispose of the Goodrich electric power systems and the Goodrich pumps and engine controls businesses. Pursuant to regulatory obligations, these businesses had been held separately from UTC's and Goodrich's ongoing businesses since the acquisition of Goodrich by UTC. On March 18, 2013, we completed the sale of the Goodrich pumps and engine controls business to Triumph Group, Inc., and on March 26, 2013, we completed the sale of the Goodrich electric power systems business to Safran S.A. Combined proceeds from the sales of the two businesses were approximately $600 million.

Other Acquisition and Disposition Activity:

In 2012, UTC approved plans for the divestiture of a number of non-core businesses. Cash generated from these divestitures was used to repay debt incurred to finance the Goodrich acquisition. See Note 3 for further discussion.

On June 29, 2012, Pratt & Whitney, Rolls-Royce plc (Rolls-Royce), MTU Aero Engines AG (MTU), and Japanese Aero Engines Corporation (JAEC), participants in the IAE collaboration, completed a restructuring of their interests in IAE. Under the terms of the agreement, Rolls-Royce sold its ownership and collaboration interests in IAE to Pratt & Whitney, while also entering into an agreement to license its V2500 intellectual property to Pratt & Whitney. In exchange for the increased ownership and collaboration interests and intellectual property license, Pratt & Whitney paid Rolls-Royce $1.5 billion at closing with additional payments due to Rolls-Royce during the fifteen year period following closing of the purchase, conditional upon each hour flown by V2500-powered aircraft in service at the closing. Payments made to Rolls-Royce under this agreement are capitalized as collaboration intangible assets, as further discussed below. In October 2011, Pratt & Whitney and Rolls-Royce announced their intention to form a new partnership to develop an engine to power future mid-sized aircraft. In September 2013, following further discussion and because of the current regulatory environment, the parties agreed not to proceed with this partnership. As a result of this decision, an additional collaboration intangible asset payment was made to Rolls-Royce in accordance with the underlying agreement.

The collaboration interest and intellectual property licenses are reflected as intangible assets and are amortized in relation to the economic benefits received over the remaining estimated 30 year life of the V2500 program. As a result of these transactions, Pratt & Whitney holds a 61% net interest in the collaboration and a 49.5% ownership interest in IAE. IAE's business purpose is to coordinate the design, development, manufacturing and product support of the V2500 program through involvement with the collaborators. IAE retains limited equity with the primary economics of the V2500 program passed to the participants in the separate collaboration arrangement. As such, we have determined that IAE is a variable interest entity, and Pratt & Whitney is the primary beneficiary under the criteria established in the FASB ASC Topic 810 "Consolidations" and has, therefore, been consolidated. The carrying amounts and classification of assets and liabilities for IAE in our Consolidated Balance Sheet as of December 31, 2013 and 2012 are as follows:

(dollars in millions)	2013	2012
Current assets	$ 1,616	$ 1,308
Noncurrent assets	1,066	899
Total assets	$ 2,682	$ 2,207
Current liabilities	$ 1,895	$ 1,468
Noncurrent liabilities	1,085	781
Total liabilities	$ 2,980	$ 2,249

UTC Climate, Controls & Security continued its portfolio transformation efforts in 2013 with the disposition of a number of businesses, resulting in net a gain of approximately $55 million, including gains from the sale of businesses in Hong Kong and Australia. UTC Climate, Controls & Security portfolio transformation in 2012 included the disposition of a number of businesses resulting in impairment and other charges totaling approximately $180 million. During 2012, UTC Climate, Controls & Security also sold a controlling interest in a manufacturing and distribution joint venture in Asia generating a gain of approximately $215 million, and a controlling interest in a Canadian distribution business generating a gain of approximately $120 million.

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

(dollars in millions)	Balance as of January 1, 2013	Goodwill resulting from business combinations	Foreign currency translation and other	Balance as of December 31, 2013
Otis	$ 1,583	$ 152	$ 6	$ 1,741
UTC Climate, Controls & Security	9,868	2	(143)	9,727
Pratt & Whitney	1,238	—	35	1,273
UTC Aerospace Systems	14,754	301	14	15,069
Sikorsky	353	—	—	353
Total Segments	27,796	455	(88)	28,163
Eliminations and other	5	—	—	5
Total	$ 27,801	$ 455	$ (88)	$ 28,168

Intangible Assets. Identifiable intangible assets are comprised of the following:

(dollars in millions)	2013 Gross Amount	2013 Accumulated Amortization	2012 Gross Amount	2012 Accumulated Amortization
Amortized:				
Service portfolios	$ 2,234	$ (1,295)	$ 2,127	$ (1,202)
Patents and trademarks	380	(181)	412	(167)
IAE collaboration	2,273	—	1,526	—
Customer relationships and other	12,049	(2,199)	11,901	(1,718)
	16,936	(3,675)	15,966	(3,087)
Unamortized:				
Trademarks and other	2,260	—	2,310	—
Total	$ 19,196	$ (3,675)	$ 18,276	$ (3,087)

The customer relationships intangible assets include payments made to our customers to secure certain contractual rights. We amortize these intangible assets based on the pattern of economic benefit, which may result in an amortization method other than straight-line. In accordance with the FASB ASC Topic 605, "Customer Payments and Incentives," we classify amortization of such payments as a reduction of sales. The IAE collaboration intangible asset is being amortized based upon the economic pattern of benefits as represented by the underlying cash flows. As these cash flows have been negative to date, no amortization has yet been recorded. Amortization of intangible assets was $710 million, $547 million and $398 million in 2013, 2012 and 2011, respectively. The following is the expected amortization of intangible assets for 2014 through 2018,

which reflects an increase in expected amortization expense due to the pattern of economic benefit on certain aerospace intangible assets increasing over time.

(dollars in millions)	2014	2015	2016	2017	2018
Amortization expense	$ 706	$ 688	$ 706	$ 732	$ 761

NOTE 3: DISCONTINUED OPERATIONS

In 2012, the UTC Board of Directors approved plans for the divestiture of a number of non-core businesses, which were completed with the sale of Pratt & Whitney Rocketdyne (Rocketdyne) on June 14, 2013, as discussed below. Cash generated from these divestitures was used to repay debt incurred to finance the Goodrich acquisition.

On June 14, 2013, we completed the sale of substantially all operations of Rocketdyne to GenCorp Inc. for $411 million. The sale generated a pre-tax loss of approximately $7 million ($3 million after tax), which has been included in discontinued operations in the accompanying Consolidated Statement of Operations.

On February 12, 2013, we completed the disposition of UTC Power to ClearEdge Power. The disposition resulted in payments by UTC totaling $48 million, which included capitalization of the business prior to the sale and interim funding of operations as the buyer took control of a loss generating business. We have no continuing involvement with the UTC Power business post disposition.

On December 13, 2012, we completed the sale of the legacy Hamilton Sundstrand Industrial businesses to BC Partners and the Carlyle Group for $3.4 billion. The sale generated a pre-tax gain of approximately $2.1 billion ($0.9 billion after tax) which has been included in discontinued operations in the accompanying Consolidated Statement of Operations. The high effective tax rate is primarily attributable to non-deductible goodwill.

On August 7, 2012, we completed the disposition of Clipper Windpower (Clipper) to a private equity acquirer. The disposition resulted in payments totaling approximately $367 million which included capitalization of the business prior to sale, transaction fees, and funding of operations as the acquirer took control of a business with significant net liabilities. These payments are largely reflected in Net cash provided by (used in) investing activities within the discontinued operations section of the Consolidated Statement of Cash Flows. We have no continuing involvement with the Clipper business following disposition.

The legacy Hamilton Sundstrand Industrial businesses, as well as Clipper, Rocketdyne and UTC Power all met the "held-for-sale" criteria in 2012. The results of operations, including the net realized gains and losses on disposition, and the related cash flows which resulted from these non-core businesses, have been reclassified to Discontinued Operations in our Consolidated Statements of Operations and Cash Flows.

The following summarized financial information for our discontinued operations businesses has been segregated from continuing operations and reported as Discontinued Operations:

(dollars in millions)	**2013**	2012
Discontinued Operations:		
Net sales	**$ 309**	$ 2,075
Income (loss) from operations	**$ 63**	$ (998)
Income tax expense	**(32)**	(65)
Income (loss) from operations, net of income taxes	**31**	(1,063)
(Loss) gain on disposal	**(33)**	2,030
Income tax benefit (expense)	**37**	(677)
Net income from discontinued operations	**$ 35**	$ 290

Income (loss) from operations of discontinued operations for 2012 includes pre-tax impairment charges of approximately $1.2 billion. There were no impairment charges for 2013. These amounts were previously included in (loss) gain on disposal of discontinued operations and have been reclassified for consistency of presentation.

NOTE 4: EARNINGS PER SHARE

(dollars in millions, except per share amounts; shares in millions)	**2013**	2012	2011
Net income attributable to common shareowners:			
Net income from continuing operations	**$ 5,686**	$ 4,847	$ 4,831
Net income from discontinued operations	**35**	283	148
Net income attributable to common shareowners	**$ 5,721**	$ 5,130	$ 4,979
Basic weighted average number of shares outstanding	**901.0**	895.2	892.3
Stock awards	**14.1**	11.4	14.5
Diluted weighted average number of shares outstanding	**915.1**	906.6	906.8
Earnings Per Share of Common Stock—Basic:			
Net income from continuing operations	**$ 6.31**	$ 5.41	$ 5.41
Net income from discontinued operations	**0.04**	0.32	0.17
Net income attributable to common shareowners	**6.35**	5.73	5.58
Earnings Per Share of Common Stock—Diluted:			
Net income from continuing operations	**$ 6.21**	$ 5.35	$ 5.33
Net income from discontinued operations	**0.04**	0.31	0.16
Net income attributable to common shareowners	**6.25**	5.66	5.49

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock appreciation rights and stock options when the average market price of the common stock is lower than the exercise price of the related stock awards during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. For 2013, there were no anti-dilutive stock awards excluded from the computation. For 2012, there were 4.7 million anti-dilutive stock awards excluded from the computation. For 2011, there were no anti-dilutive stock awards excluded from the computation. The dilutive impact of our equity units issued in 2012 was not significant for 2013.

NOTE 5: COMMERCIAL AEROSPACE INDUSTRY ASSETS AND COMMITMENTS

We have receivables and other financing assets with commercial aerospace industry customers totaling $6,193 million and $5,731 million at December 31, 2013 and 2012, respectively, including customer financing assets related to commercial aerospace industry customers consisting of products under lease of $662 million and notes and leases receivable of $586 million.

Aircraft financing commitments, in the form of debt, guarantees or lease financing, are provided to commercial aerospace customers. The extent to which the financing commitments will be utilized is not currently known, since customers may be able to obtain more favorable terms from other financing sources. We may also arrange for third-party investors to assume a portion of these commitments. If financing commitments are exercised, debt financing is generally secured by assets with fair market values equal to or exceeding the financed amounts consistent with market terms and conditions. We may also lease aircraft and subsequently sublease the aircraft to customers under long-term non-cancelable operating leases. Lastly, we have made residual value and other guarantees related to various commercial aerospace customer financing arrangements. The estimated fair market values of the guaranteed assets equal or exceed the value of the related guarantees, net of existing reserves.

We also have other contractual commitments, including commitments to secure certain contractual rights to provide product on new aircraft platforms, which are included in "Other commercial aerospace commitments" in the table below. Payments made on these contractual commitments are included within other intangible assets and are to be amortized over the term of underlying economic benefit. Our commercial aerospace financing and other contractual commitments as of December 31, 2013 were approximately $11 billion. We have entered into certain collaboration arrangements, which may include participation by our collaboration partners in these commitments.

The following is the expected maturity of commercial aerospace industry assets and commitments as of December 31, 2013:

(dollars in millions)	Committed	2014	2015	2016	2017	2018	Thereafter
Notes and leases receivable	**$ 586**	$ 107	$ 70	$ 59	$ 59	$ 48	$ 243
Commercial aerospace financing commitments	**$ 4,031**	$ 440	$ 789	$ 852	$ 781	$ 231	$ 938
Other commercial aerospace commitments	**7,227**	656	664	710	689	598	3,910
Collaboration partners' share	**(3,209)**	(342)	(454)	(516)	(487)	(225)	(1,185)
Total commercial commitments	**$ 8,049**	$ 754	$ 999	$ 1,046	$ 983	$ 604	$ 3,663

In exchange for the increased ownership and collaboration interests and intellectual property license, Pratt & Whitney paid Rolls-Royce $1.5 billion at closing with additional payments due to Rolls-Royce contingent upon each hour flown by the V2500-powered aircraft in service as of June 29, 2012 during the fifteen year period following closing of the purchase. These payments are being capitalized as a collaboration intangible asset and amortized in relation to the economic benefits received over the projected remaining 30 year life of the V2500 program. The flight hour payments are included in other commercial aerospace commitments in the table above.

Our financing commitments with customers are contingent upon maintenance of certain levels of financial condition by the customers. In addition, we have residual value and other guarantees of $615 million as of December 31, 2013.

We have long-term aftermarket maintenance contracts with commercial aerospace industry customers for which revenue is recognized in proportion to actual costs incurred relative to total expected costs to be incurred over the respective contract periods. Billings, however, are typically based on factors such as engine flight hours. The timing differences between the billings and the maintenance costs incurred generates both deferred assets and deferred revenues. Deferred assets under these long-term aftermarket contracts totaled $677 million and $391 million at December 31, 2013 and 2012, respectively, and are included in "Other assets" in the accompanying Consolidated Balance Sheet. Deferred revenues generated totaled $3,117 million and $2,760 million at December 31, 2013 and 2012, respectively, and are included in "Accrued liabilities" and "Other long-term liabilities" in the accompanying Consolidated Balance Sheet.

Reserves related to aerospace receivables and financing assets were $243 million and $210 million at December 31, 2013 and 2012, respectively. Reserves related to financing commitments and guarantees were $76 million and $67 million at December 31, 2013 and 2012, respectively.

NOTE 6: INVENTORIES & CONTRACTS IN PROGRESS

(dollars in millions)	2013	2012
Raw materials	**$ 1,983**	$ 1,861
Work-in-process	**4,600**	4,151
Finished goods	**3,360**	3,205
Contracts in progress	**7,929**	7,354
	17,872	16,571
Less:		
Progress payments, secured by lien, on U.S. Government contracts	**(279)**	(274)
Billings on contracts in progress	**(7,263)**	(6,760)
	$ 10,330	$ 9,537

Raw materials, work-in-process and finished goods are net of valuation reserves of $1,025 million and $866 million as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, inventory also includes capitalized contract development costs of $899 million and $823 million, respectively, related to certain aerospace programs. These capitalized costs will be liquidated as production units are delivered to the customer. The capitalized contract development costs within inventory principally relate to capitalized costs on Sikorsky's CH-148 contract with the Canadian Government.

Contracts in progress principally relate to elevator and escalator contracts and include costs of manufactured components, accumulated installation costs and estimated earnings on incomplete contracts.

Our sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. At December 31, 2013 and 2012, approximately 69% and 66%, respectively, of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts, a portion of which is not scheduled for delivery within the next twelve months.

NOTE 7: FIXED ASSETS

(dollars in millions)	Estimated Useful Lives	**2013**	2012
Land		**$ 434**	$ 433
Buildings and improvements	12-40 years	**5,633**	5,436
Machinery, tools and equipment	3-20 years	**11,353**	10,880
Other, including assets under construction		**1,241**	1,316
		18,661	18,065
Accumulated depreciation		**(9,795)**	(9,547)
		$ 8,866	$ 8,518

Depreciation expense was $1,050 million in 2013, $920 million in 2012 and $823 million in 2011.

NOTE 8: ACCRUED LIABILITIES

(dollars in millions)	**2013**	2012
Advances on sales contracts and service billings	**$ 6,444**	$ 5,936
Accrued salaries, wages and employee benefits	**1,901**	2,176
Income taxes payable	**540**	1,143
Litigation and contract matters	**526**	563
Service and warranty accruals	**505**	479
Interest payable	**481**	494
Accrued restructuring costs	**337**	389
Accrued property, sales and use taxes	**280**	291
Accrued workers compensation	**218**	233
Other	**4,103**	3,606
	$ 15,335	**$ 15,310**

NOTE 9: BORROWINGS AND LINES OF CREDIT

(dollars in millions)	**2013**	2012
Short-term borrowings:		
Commercial paper	**$ 200**	$ 320
Other borrowings	**188**	183
Total short-term borrowings	**$ 388**	$ 503

At December 31, 2013, we had revolving credit agreements with various banks permitting aggregate borrowings of up to $4 billion pursuant to a $2 billion revolving credit agreement and a $2 billion multicurrency revolving credit agreement, both of which expire in November 2016. As of December 31, 2013, there were no borrowings under either of these revolving credit agreements. The undrawn portions of these revolving credit agreements are also available to serve as backup facilities for the issuance of commercial paper. As of December 31, 2013, our maximum commercial paper borrowing authority as set by our Board of Directors was $4 billion. We generally use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our common stock.

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 2013 and 2012 were 1.8% and 0.9%, respectively. At December 31, 2013, approximately $1.4 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries.

On September 27, 2013, we redeemed all remaining outstanding 2021 Goodrich 3.600% notes, representing $294 million in aggregate principal, under our redemption notice issued on August 28, 2013. On August 23, 2013, we redeemed all remaining outstanding 2019 Goodrich 6.125% notes, representing $202 million in aggregate principal, under our redemption notice issued on July 24, 2013. On June 24, 2013, we redeemed all remaining outstanding 2015 UTC 1.200% Senior Notes, representing $327 million in aggregate principal, under our redemption notice issued on May 24, 2013. On May 7, 2013, we commenced cash tender offers for two series of outstanding notes issued by Goodrich and the UTC 1.200% Senior Notes. A total of $874 million principal amount of all notes subject to the tender offers, and $36 million of the fair value adjustment related to the notes assumed in the Goodrich acquisition, were repaid, including approximately $103 million principal amount of the 2016 Goodrich 6.290% notes, approximately $98 million principal amount of the 2019 Goodrich 6.125% notes, and approximately $674 million principal amount of the 2015 UTC 1.200% Senior Notes. A combined net extinguishment loss of approximately $23 million was recognized within Interest expense, net in the accompanying Consolidated Statements of Operations.

As previously disclosed, on December 6, 2012, we announced that we had commenced cash tender offers for six series of outstanding notes issued by Goodrich. These offers expired on January 7, 2013. Approximately $637 million in aggregate principal amount of notes subject to the tender offers and $126 million of the fair value adjustment were repaid, with $635 million in aggregate principal amount being eligible for the early tender premium and approximately $2 million in aggregate principal amount being paid on January 8, 2013. An extinguishment loss of approximately $26 million was recognized within Interest expense, net during 2012.

Long-term debt consisted of the following as of December 31:

(dollars in millions)	2013	2012
LIBOR § plus 0.270% floating rate notes due 2013	$ —	$ 1,000
LIBOR § plus 0.500% floating rate notes due 2015	**500**	500
1.200% notes due 2015*	—	1,000
4.875% notes due 2015*	**1,200**	1,200
6.290% notes due 2016‡	**186**	291
5.375% notes due 2017*	**1,000**	1,000
1.800% notes due 2017*	**1,500**	1,500
6.800% notes due 2018‡	**99**	99
6.125% notes due 2019‡	—	300
6.125% notes due 2019*	**1,250**	1,250
8.875% notes due 2019	**272**	272
4.500% notes due 2020*	**1,250**	1,250
4.875% notes due 2020‡	**171**	171
3.600% notes due 2021‡	—	295
8.750% notes due 2021	**250**	250
3.100% notes due 2022*	**2,300**	2,300
1.550% junior subordinated notes due 2022†	**1,100**	1,100
7.100% notes due 2027‡	**141**	141
6.700% notes due 2028	**400**	400
7.500% notes due 2029*	**550**	550
5.400% notes due 2035*	**600**	600
6.050% notes due 2036*	**600**	600
6.800% notes due 2036‡	**134**	134
7.000% notes due 2038‡	**159**	159
6.125% notes due 2038*	**1,000**	1,000
5.700% notes due 2040*	**1,000**	1,000
4.500% notes due 2042*	**3,500**	3,500
Project financing obligations	**86**	100
Other (including capitalized leases)‡	**395**	403
Total principal long-term debt	**19,643**	22,365
Other (fair market value adjustments and discounts)‡	**210**	353
Total long-term debt	**19,853**	22,718
Less current portion	**112**	1,121
Long-term debt, net of current portion	**$ 19,741**	$ 21,597

* We may redeem the above notes, in whole or in part, at our option at any time at a redemption price in U.S. Dollars equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semiannual basis at the adjusted treasury rate plus 10-50 basis points. The redemption price will also include interest accrued to the date of redemption on the principal balance of the notes being redeemed.

† The junior subordinated notes are redeemable at our option, in whole or in part, on a date not earlier than August 1, 2017. The redemption price will be the principal amount, plus accrued and unpaid interest, if any, up to but excluding the redemption date. We may extend or eliminate the optional redemption date as part of a remarketing of the junior subordinated notes which could occur between April 29, 2015 and July 15, 2015 or between July 23, 2015 and July 29, 2015.

‡ Includes notes and remaining fair market value adjustments that were assumed as a part of the Goodrich acquisition on July 26, 2012.

§ The three-month LIBOR rate as of December 31, 2013 was approximately 0.2%.

The project financing obligations noted above are associated with the sale of rights to unbilled revenues related to the ongoing activity of an entity owned by UTC Climate, Controls & Security. The percentage of total short-term borrowings and long-term debt at variable interest rates was 10% and 9% at December 31, 2013 and 2012, respectively. Interest rates on our commercial paper borrowings are considered variable due to their short-term duration and high-frequency of turnover.

The schedule of principal payments required on long-term debt for the next five years and thereafter is:

(dollars in millions)		
2014	**$**	**112**
2015		**1,732**
2016		**233**
2017		**2,534**
2018		**121**
Thereafter		**14,911**
Total	**$**	**19,643**

We have an existing universal shelf registration statement filed with the Securities and Exchange Commission (SEC) for an indeterminate amount of securities for future issuance, subject to our internal limitations on the amount of securities to be issued under this shelf registration statement.

NOTE 10: EQUITY

As of January 1, 2013, we adopted the provisions of the FASB issued ASU No. 2013-02, *"Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income."* As a result of this adoption, we have disclosed below the significant items reclassified to net income in their entirety during the period.

A summary of the changes in each component of accumulated other comprehensive (loss) income, net of tax for the year ended December 31, 2013 is provided below:

(dollars in millions)	Foreign Currency Translation	Defined Benefit Pension and Post-retirement Plans	Unrealized Gains (Losses) on Available-for-Sale Securities	Unrealized Hedging (Losses) Gains	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2012	$ 654	$ (6,250)	$ 145	$ 3	$ (5,448)
Other comprehensive (loss) income before reclassifications, net	(509)	2,409	208	(100)	2,008
Amounts reclassified	25	574	(57)	18	560
Balance at December 31, 2013	**$ 170**	**$ (3,267)**	**$ 296**	**$ (79)**	**$ (2,880)**

Details of the reclassification out of accumulated other comprehensive (loss) income for the year ended December 31, 2013 is provided below:

(dollars in millions)	Amount of Income (Expense) Reclassified from Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statement of Comprehensive Income
Foreign Currency Translation:		
Recognized due to business disposition	$ (25)	Other income, net
Defined Benefit Pension and Post-retirement Plans:		
Amortization of prior-service costs and transition obligation	$ 44	Note (1)
Recognized actuarial net loss	(950)	Note (1)
Total before tax	(906)	
Tax benefit	332	Income tax expense
Net of tax	$ (574)	
Unrealized Gains on Available-for-Sale Securities:		
Realized gain on sale of securities, before tax	$ 91	Other income, net
Tax expense	(34)	Income tax expense
Net of tax	$ 57	
Unrealized Hedging (Losses) Gains:		
Foreign exchange contracts	$ (25)	Product Sales
Other contracts	2	Other income, net
Total before tax	(23)	
Tax benefit	5	Income tax expense
Net of tax	$ (18)	

(1) These accumulated other comprehensive components are included in the computation of net periodic pension cost (see Note 12 for additional details).

Changes in noncontrolling interests that do not result in a change of control, and where there is a difference between fair value and carrying value, are accounted for as equity transactions. A summary of these changes in ownership interests in subsidiaries and the pro-forma effect on Net income attributable to common shareowners had they been recorded through net income is provided below:

(dollars in millions)	2013	2012	2011
Net income attributable to common shareowners	$ 5,721	$ 5,130	$ 4,979
Transfers to noncontrolling interests:			
Increase in common stock for sale of subsidiary shares	—	—	3
Decrease in common stock for purchase of subsidiary shares	(49)	(34)	(54)
Net income attributable to common shareowners after transfers to noncontrolling interests	$ 5,672	$ 5,096	$ 4,928

NOTE 11: INCOME TAXES

Income Before Income Taxes. The sources of income from continuing operations before income taxes are:

(dollars in millions)	2013	2012	2011
United States	$ 3,658	$ 2,595	$ 3,168
Foreign	4,654	4,316	4,182
	$ 8,312	$ 6,911	$ 7,350

With few exceptions, U.S. income taxes have not been provided on undistributed earnings of UTC's international subsidiaries. These earnings relate to ongoing operations and were approximately $25 billion as of December 31, 2013. It is not practicable to estimate the amount of tax that might be payable. We intend to reinvest these earnings permanently outside the U.S. or to repatriate the earnings only when it is tax effective to do so.

Provision for Income Taxes. The income tax expense (benefit) for the years ended December 31, consisted of the following components:

(dollars in millions)	**2013**	2012	2011
Current:			
United States:			
Federal	**$ 616**	$ 403	$ 382
State	**55**	9	96
Foreign	**1,325**	1,179	1,322
	1,996	1,591	1,800
Future:			
United States:			
Federal	**262**	335	526
State	**36**	111	26
Foreign	**(56)**	(326)	(218)
	242	120	334
Income tax expense	**$ 2,238**	$ 1,711	$ 2,134
Attributable to items credited to equity and goodwill	**$ (1,661)**	$ 297	$ 864

Reconciliation of Effective Income Tax Rate. Differences between effective income tax rates and the statutory U.S. federal income tax rate are as follows:

	2013	2012	2011
Statutory U.S. federal income tax rate	**35.0 %**	35.0 %	35.0 %
Tax on international activities	**(5.8)%**	(6.4)%	(4.4)%
Tax audit settlements	**(0.4)%**	(3.4)%	(0.9)%
Other	**(1.9)%**	(0.4)%	(0.7)%
Effective income tax rate	**26.9 %**	24.8 %	29.0 %

The 2013 effective tax rate reflects a favorable non-cash income tax adjustment of approximately $35 million related to the conclusion of the examination of Goodrich's 2009 - 2010 tax years and resolution of a dispute with the IRS for Goodrich's 2001 - 2006 tax years. In addition, the 2013 effective tax rate also reflects a favorable tax impact of $95 million associated with the legislative corporate tax extenders enacted in January 2013, as part of the American Taxpayer Relief Act of 2012, as well as the favorable tax impact of $24 million related to a U.K. tax rate reduction enacted in July 2013.

The 2012 effective tax rate reflects a favorable non-cash income tax adjustment of approximately $203 million related to the conclusion of the IRS's examination of UTC's 2006 – 2008 tax years, as well as a reduction in tax expense of $34 million related to the favorable resolution of disputed tax matters with the Appeals Division of the IRS for the tax years 2004 – 2005. The favorable income tax impact of $225 million related to the release of non-U.S. valuation allowances resulting from internal legal entity reorganizations is also included in the 2012 effective rate. This is reported in the table above in tax on international activities.

The 2011 effective tax rate reflects approximately $63 million of favorable income tax adjustments related to the settlement of two refund claims for years prior to 2004, as well as a favorable tax impact of $17 million related to a U.K. tax rate reduction enacted in 2011. These favorable tax adjustments are partially offset by non-deductible charges accrued in 2011.

Deferred Tax Assets and Liabilities. 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. Current and non-current future income tax benefits and payables within the same tax jurisdiction are generally offset for presentation in the Consolidated Balance Sheet.

The tax effects of net temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 2013 and 2012 are as follows:

(dollars in millions)	2013	2012
Future income tax benefits:		
Insurance and employee benefits	**$ 747**	$ 1,168
Other asset basis differences	**365**	119
Other liability basis differences	**1,187**	1,052
Tax loss carryforwards	**386**	382
Tax credit carryforwards	**1,184**	1,107
Valuation allowances	**(669)**	(618)
	$ 3,200	$ 3,210
Future income taxes payable:		
Insurance and employee benefits	**$ (992)**	$ (2,238)
Other asset basis differences	**4,649**	4,440
Other items, net	**(178)**	(195)
Tax loss carryforwards	**(346)**	(409)
Tax credit carryforwards	**(68)**	(80)
Valuation allowances	**273**	286
	$ 3,338	$ 1,804

The future income taxes payable balances of $3,338 million and $1,804 million, reflected in the table above, for the years ended December 31, 2013 and 2012, respectively, are reported in accrued liabilities and other long-term liabilities on our Consolidated Balance Sheet.

Valuation allowances have been established primarily for tax credit carryforwards, tax loss carryforwards, and certain foreign temporary differences to reduce the future income tax benefits to expected realizable amounts.

During 2012, approximately $225 million of valuation allowances were reversed through income tax expense on our Consolidated Statement of Operations as a result of internal legal entity reorganizations. These internal reorganizations were a component of our ongoing efforts to improve business efficiency. These valuation allowance releases are included in the effective tax rate reconciliation table within the tax on international activities component.

Tax Credit and Loss Carryforwards. At December 31, 2013, tax credit carryforwards, principally state and foreign, and tax loss carryforwards, principally state and foreign, were as follows:

(dollars in millions)	Tax Credit Carryforwards	Tax Loss Carryforwards
Expiration period:		
2014-2018	$ 43	$ 536
2019-2023	16	315
2024-2033	311	794
Indefinite	881	2,245
Total	$ 1,251	$ 3,890

Unrecognized Tax Benefits. At December 31, 2013, we had gross tax-effected unrecognized tax benefits of $1,223 million, $1,163 million of which, if recognized, would impact the effective tax rate. The table below includes both additional unrecognized tax benefits and related interest attributable to the acquisition of Goodrich in 2012. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and interest expense related to unrecognized tax benefits for the years ended December 31, 2013, 2012, and 2011 is as follows:

(dollars in millions)	**2013**	2012	2011
Balance at January 1	**$ 1,073**	$ 946	$ 891
Additions for tax positions related to the current year	**113**	232	71
Additions for tax positions of prior years	**211**	221	71
Reductions for tax positions of prior years	**(41)**	(21)	(24)
Settlements	**(133)**	(305)	(63)
Balance at December 31	**$ 1,223**	$ 1,073	$ 946
Gross interest expense related to unrecognized tax benefits	**$ 51**	$ 40	$ 23
Total accrued interest balance at December 31	**$ 262**	$ 270	$ 165

We conduct business globally and, as a result, UTC or one or more of our subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Belgium, Canada, China, France, Germany, Hong Kong, Italy, Japan, South Korea, Singapore, Spain, the United Kingdom and the United States. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2000.

During the second quarter, the Company recognized a settlement gain of approximately $34 million for interest relating to the closure of IRS audits of UTC through 2005. This gain includes cash and non-cash components in the amounts of approximately $10 million and $24 million, respectively. UTC tax years 2006 through 2008 are currently before the Appeals Division of the IRS (IRS Appeals) for resolution discussions regarding certain proposed adjustments with which UTC does not agree. Tax years 2009 and 2010 are under review by the Examination Division of the IRS. It is currently expected that both the 2006-2008 appeals proceedings and the 2009-2010 examination activity may conclude during 2014. Examination activity for UTC tax years 2011 and 2012 is expected to commence during 2014.

The Company has been engaged in litigation regarding the proper timing of certain deductions taken by Goodrich Corporation in its tax years 2001 and 2002, prior to its acquisition by UTC. Effective settlement was achieved with respect to this matter during the fourth quarter, resulting in recognition of a non-cash settlement gain of approximately $25 million, including $12 million of interest. The Company is also engaged in litigation with respect to a separate issue involving the proper timing of deductions taken by Goodrich Corporation in its tax years 2005 and 2006, prior to its acquisition by UTC. This is a recurring issue and it is expected that the IRS will continue to challenge it in subsequent tax years until the issue is resolved.

During the second quarter, the IRS completed examination activity of Goodrich pre-acquisition tax years 2009 and 2010 and transferred the case to IRS Appeals, resulting in a non-cash settlement gain of approximately $24 million, including $2 million of interest. Goodrich Corporation tax years 2007 through 2010 are currently before IRS Appeals for resolution discussions regarding certain proposed adjustments with which UTC does not agree, including the recurring timing issue described above. It is possible that both the 2005 - 2006 litigation and the 2007 - 2010 appeals proceedings could be resolved during 2014. Examination activity for Goodrich Corporation tax years 2011 and 2012, prior to its acquisition by UTC, is expected to commence during 2014.

During 2012, the IRS completed examination fieldwork for our 2006 through 2008 tax years and issued its audit report. During 2012, we also reached final resolution with the Appeals Division of the IRS for our 2004 and 2005 tax years regarding certain proposed adjustments with which we did not agree. As a result of the above described events with respect to our 2004 - 2005 and 2006 - 2008 tax years, we recorded reductions in tax expense in 2012 in the aggregate amount of $237 million.

During 2011, we reached final resolution with the IRS on two refund claims that had been pending with respect to pre-2004 tax years and refunds were received in accordance with the resolutions. A reduction in tax expense in the amount of $63 million and pre-tax interest income in the amount of $89 million was recognized during 2011 associated with the resolution of these claims.

It is reasonably possible that a net reduction within a range of $215 million to $625 million of unrecognized tax benefits may occur within the next twelve months as a result of additional worldwide uncertain tax positions, the revaluation of current uncertain tax positions arising from developments in examinations, in appeals, or in the courts, or the closure of tax statutes.

As previously disclosed, the French Tax Authority has assessed €237 million (approximately $324 million) related to the proposed disallowance of certain deductions claimed in France for tax years 2008 through 2011. This is a recurring issue and it is expected that similar challenges will be raised in subsequent tax years until the issue is resolved. During the fourth quarter of 2013, the French Tax Authority approached the Company with an offer of proposed settlement and invited the Company to participate in further negotiations. Based on the settlement proposal made by the French Tax Authority, the Company believes there is the potential to achieve resolution and accordingly plans to participate in such further negotiations. As a result of these developments, an accrual was made in the fourth quarter based upon a settlement amount that UTC believes has potential to result in resolution. This accrual is included in the December 31, 2013 unrecognized tax benefit balance reflected above.

See Note 17, Contingent Liabilities, for discussion regarding uncertain tax positions which are not included in the range above related to certain deductions claimed in Germany.

NOTE 12: EMPLOYEE BENEFIT PLANS

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

Employee Savings Plans. We sponsor various employee savings plans. Our contributions to employer sponsored defined contribution plans were $335 million, $256 million and $218 million for 2013, 2012 and 2011, respectively.

Our non-union domestic employee savings plan uses an Employee Stock Ownership Plan (ESOP) for employer matching contributions. External borrowings were used by the ESOP to fund a portion of its purchase of ESOP stock from us. The external borrowings have been extinguished and only re-amortized loans remain between UTC and the ESOP Trust. As ESOP debt service payments are made, common stock is released from an unreleased shares account. ESOP debt may be prepaid or re-amortized to either increase or decrease the number of shares released so that the value of released shares equals the value of plan benefit. We may also, at our option, contribute additional common stock or cash to the ESOP.

Shares of common stock are allocated to employees' ESOP accounts at fair value on the date earned. Cash dividends on common stock held by the ESOP are used for debt service payments. Participants receive additional shares in lieu of cash dividends. Common stock allocated to ESOP participants is included in the average number of common shares outstanding for both basic and diluted earnings per share. At December 31, 2013, 30.6 million common shares had been allocated to employees, leaving 15.5 million unallocated common shares in the ESOP Trust, with an approximate fair value of $1.8 billion.

Pension Plans. We sponsor both funded and unfunded domestic and foreign defined benefit pension plans that cover a large number of our employees. Our plans use a December 31 measurement date consistent with our fiscal year.

(dollars in millions)	2013	2012
Change in Benefit Obligation:		
Beginning balance	**$ 35,708**	$ 27,167
Service cost	**569**	500
Interest cost	**1,373**	1,331
Actuarial (gain) loss	**(3,027)**	2,855
Total benefits paid	**(1,601)**	(1,357)
Net settlement and curtailment gain	**(53)**	(90)
Plan amendments	**224**	(195)
Business combinations	**—**	5,235
Other	**(167)**	262
Ending balance	**$ 33,026**	$ 35,708
Change in Plan Assets:		
Beginning balance	**$ 29,928**	$ 23,542
Actual return on plan assets	**3,019**	3,306
Employer contributions	**236**	516
Benefits paid from plan assets	**(1,601)**	(1,357)
Business combinations	**—**	3,800
Other	**(227)**	121
Ending balance	**$ 31,355**	$ 29,928
Funded Status:		
Fair value of plan assets	**$ 31,355**	$ 29,928
Benefit obligations	**(33,026)**	(35,708)
Funded status of plan	**$ (1,671)**	$ (5,780)
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Noncurrent assets	**$ 768**	$ 643
Current liability	**(74)**	(105)
Noncurrent liability	**(2,365)**	(6,318)
Net amount recognized	**$ (1,671)**	$ (5,780)
Amounts Recognized in Accumulated Other Comprehensive Loss Consist of:		
Net actuarial loss	**$ 5,261**	$ 10,215
Prior service credit	**(37)**	(322)
Net amount recognized	**$ 5,224**	$ 9,893

The amounts included in "Other" in the preceding table reflect the impact of foreign exchange translation, primarily for plans in the U.K. and Canada, and the impact of settlements.

As part of the Goodrich acquisition on July 26, 2012, we assumed approximately $5.2 billion of pension projected benefit obligations and $3.8 billion of plan assets.

Qualified domestic pension plan benefits comprise approximately 74% of the projected benefit obligation. Benefits for union employees are generally based on a stated amount for each year of service. For non-union employees, benefits are generally based on an employee's years of service and compensation near retirement. Effective January 1, 2015, this formula will change to the existing cash balance formula that was adopted in 2003 for newly hired non-union employees and for other non-union employees who made a one-time voluntary election to have future benefit accruals determined under this formula. This plan change resulted in a $623 million reduction in the projected benefit obligation as of December 31, 2009 and an additional $204 million reduction in the projected benefit obligation as of July 26, 2012 when applied to legacy Goodrich salaried employees. Certain foreign plans, which comprise approximately 24% of the projected benefit obligation, are

considered defined benefit plans for accounting purposes. Nonqualified domestic pension plans provide supplementary retirement benefits to certain employees and are not a material component of the projected benefit obligation.

We made no significant contributions to our domestic defined benefit pension plans and made $108 million of cash contributions to our foreign defined benefit pension plans in 2013. In 2012, we made $201 million of cash contributions to our domestic defined benefit pension plans and made $229 million of cash contributions to our foreign defined benefit pension plans.

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

(dollars in millions)	**2013**	2012
Projected benefit obligation	**$ 22,142**	$ 32,278
Accumulated benefit obligation	**21,475**	31,147
Fair value of plan assets	**19,884**	25,889

The accumulated benefit obligation for all defined benefit pension plans was $31.9 billion and $34.4 billion at December 31, 2013 and 2012, respectively.

The components of the net periodic pension cost are as follows:

(dollars in millions)	**2013**	2012	2011
Pension Benefits:			
Service cost	**$ 569**	$ 500	$ 444
Interest cost	**1,373**	1,331	1,298
Expected return on plan assets	**(2,107)**	(1,944)	(1,834)
Amortization of prior service credits	**(34)**	(24)	(12)
Amortization of unrecognized net transition obligation	**—**	1	1
Recognized actuarial net loss	**954**	722	462
Net settlement and curtailment loss	**1**	77	16
Net periodic pension cost - employer	**$ 756**	$ 663	$ 375

Net settlements and curtailment gains for pension benefits includes curtailment gains of approximately $24 million related to, and recorded in, discontinued operations for the year ended December 31, 2013. Net settlements and curtailment losses for pension benefits includes curtailment losses of approximately $17 million related to, and recorded in, discontinued operations for the year ended December 31, 2012.

Other changes in plan assets and benefit obligations recognized in other comprehensive loss in 2013 are as follows:

(dollars in millions)	
Current year actuarial gain	**$ (3,925)**
Amortization of actuarial loss	**(954)**
Current year prior service cost	**226**
Amortization of prior service credit	**34**
Other	**(50)**
Total recognized in other comprehensive loss	**$ (4,669)**
Net recognized in net periodic pension cost and other comprehensive loss	**$ (3,913)**

The estimated amount that will be amortized from accumulated other comprehensive loss into net periodic pension cost in 2014 is as follows:

(dollars in millions)	
Net actuarial loss	**$ 430**
Prior service credit	**(9)**
	$ 421

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

	Benefit Obligation		Net Cost		
	2013	2012	**2013**	2012	2011
Discount rate	**4.7%**	4.0%	**4.0%**	4.6%	5.4%
Salary scale	**4.2%**	4.2%	**4.2%**	4.3%	4.4%
Expected return on plan assets	**—**	—	**7.7%**	7.7%	7.9%

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes, and economic and other indicators of future performance. In addition, we may consult with and consider the opinions of financial and other professionals in developing appropriate capital market assumptions. Return projections are also validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

The plans' investment management objectives include maintaining an adequate level of diversification, reducing interest rate and market risk, and providing adequate liquidity to meet immediate and future benefit payment requirements. Globally, investment strategies target a mix of 55% to 65% of growth seeking assets and 35% to 45% income generating and hedging assets using a wide diversification of asset types, fund strategies and investment managers. The growth seeking allocation consists of global public equities in developed and emerging countries, private equity, real estate and balanced market risk strategies. Within public equities, 10% of the total investment portfolio is an enhanced equity strategy that invests in publicly traded equity and fixed income securities, derivatives and foreign currency. Investments in private equity are primarily via limited partnership interests in buy-out strategies with smaller allocations to distressed debt funds. The real estate strategy is principally concentrated in directly held U.S. core investments with some smaller investments in international, value-added and opportunistic strategies. Within the income generating assets, the fixed income portfolio consists of mainly government and broadly diversified high quality corporate bonds.

The plans have continued their pension risk management techniques designed to reduce the plan's interest rate risk. More specifically, the plans have incorporated liability hedging programs that include the adoption of a risk reduction objective as part of the long-term investment strategy. Under this objective the interest rate hedge is dynamically increased as funded status improves. The hedging programs incorporate a range of assets and investment tools, each with ranging interest rate sensitivity. The investment portfolios are currently hedging approximately 40% to 50% of the interest rate sensitivity of the pension plan liabilities.

The fair values of pension plan assets at December 31, 2013 and 2012 by asset category are as follows:

(dollars in millions)	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	**Total**
Asset Category:				
Public Equities				
Global Equities	$ 6,840	$ 1	$ —	**$ 6,841**
Global Equity Commingled Funds [1]	—	4,881	—	**4,881**
Enhanced Global Equities [2]	261	2,241	500	**3,002**
Private Equities [3]	—	—	1,339	**1,339**
Fixed Income Securities				
Governments	424	1,307	—	**1,731**
Corporate Bonds	—	8,461	296	**8,757**
Structured Products [4]	—	80	—	**80**
Real Estate [5]	—	13	1,800	**1,813**
Other [6]	—	2,110	—	**2,110**
Cash & Cash Equivalents [7]	2	207	—	**209**
Subtotal	$ 7,527	$ 19,301	$ 3,935	**30,763**
Other Assets & Liabilities [8]				**592**
Total at December 31, 2013				**$ 31,355**
Public Equities				
Global Equities	$ 6,413	$ —	$ —	$ 6,413
Global Equity Commingled Funds [1]	—	4,114	—	4,114
Enhanced Global Equities [2]	169	1,959	447	2,575
Private Equities [3]	—	—	1,202	1,202
Fixed Income Securities				
Governments	1,003	1,421	—	2,424
Corporate Bonds	—	7,699	276	7,975
Structured Products [4]	—	21	—	21
Real Estate [5]	—	19	1,785	1,804
Other [6]	—	2,182	—	2,182
Cash & Cash Equivalents [7]	1	364	—	365
Subtotal	$ 7,586	$ 17,779	$ 3,710	29,075
Other Assets & Liabilities [8]				853
Total at December 31, 2012				$ 29,928

Note 1 Represents commingled funds that invest primarily in common stocks.

Note 2 Represents enhanced equity separate account and commingled fund portfolios. A portion of the portfolio may include long-short market neutral and relative value strategies that invest in publicly traded, equity and fixed income securities, as well as derivatives of equity and fixed income securities and foreign currency.

Note 3 Represents limited partner investments with general partners that primarily invest in debt and equity.

Note 4 Represents mortgage and asset-backed securities.

Note 5 Represents investments in real estate including commingled funds and directly held properties.

Note 6 Represents insurance contracts and global balanced risk commingled funds consisting mainly of equity, bonds and some commodities.

Note 7 Represents short-term commercial paper, bonds and other cash or cash-like instruments.

Note 8 Represents trust receivables and payables that are not leveled.

Derivatives in the plan are primarily used to manage risk and gain asset class exposure while still maintaining liquidity. Derivative instruments mainly consist of equity futures, interest rate futures, interest rate swaps and currency forward contracts.

Our common stock represents approximately 3% of total plan assets at December 31, 2013 and 2012. We review our assets at least quarterly to ensure we are within the targeted asset allocation ranges and, if necessary, asset balances are adjusted back within target allocations. We employ a broadly diversified investment manager structure that includes diversification by active and passive management, style, capitalization, country, sector, industry and number of investment managers.

The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed due to the following:

(dollars in millions)	Enhanced Global Equities	Private Equities	Corporate Bonds	Real Estate	Total
Balance, December 31, 2011	$ 239	$ 1,159	$ 110	$ 1,364	$ 2,872
Plan assets acquired	63	—	—	79	142
Realized gains	1	174	3	6	184
Unrealized (losses) gains relating to instruments still held in the reporting period	31	(14)	51	115	183
Purchases, sales, and settlements, net	113	(117)	112	221	329
Balance, December 31, 2012	447	1,202	276	1,785	3,710
Realized gains	**—**	**195**	**—**	**20**	**215**
Unrealized (losses) gains relating to instruments still held in the reporting period	**50**	**(9)**	**2**	**102**	**145**
Purchases, sales, and settlements, net	**3**	**(49)**	**18**	**(107)**	**(135)**
Balance, December 31, 2013	**$ 500**	**$ 1,339**	**$ 296**	**$ 1,800**	**$ 3,935**

Quoted market prices are used to value investments when available. Investments in securities traded on exchanges, including listed futures and options, are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Fixed income securities are primarily measured using a market approach pricing methodology, where observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments. Investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations. Real estate investments are valued on a quarterly basis using discounted cash flow models which consider long-term lease estimates, future rental receipts and estimated residual values. Valuation estimates are supplemented by third-party appraisals on an annual basis.

Private equity limited partnerships are valued quarterly using discounted cash flows, earnings multiples and market multiples. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, generally broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

ESTIMATED FUTURE CONTRIBUTIONS AND BENEFIT PAYMENTS

We expect to make contributions of approximately $275 million to our foreign defined benefit pension plans in 2014. Although we are not required to make contributions to our domestic defined benefit pension plans through the end of 2016, we may elect to make discretionary contributions in 2014. Contributions do not reflect benefits to be paid directly from corporate assets.

Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: $1,710 million in 2014, $1,732 million in 2015, $1,802 million in 2016, $1,886 million in 2017, $1,966 million in 2018, and $10,834 million from 2019 through 2023.

Postretirement Benefit Plans. We sponsor a number of postretirement benefit plans that provide health and life benefits to eligible retirees. Such benefits are provided primarily from domestic plans, which comprise approximately 89% of the benefit obligation. The postretirement plans are unfunded.

(dollars in millions)	2013	2012
Change in Benefit Obligation:		
Beginning balance	**$ 1,106**	$ 784
Service cost	**3**	3
Interest cost	**38**	37
Actuarial (gain) loss	**(62)**	45
Total benefits paid	**(119)**	(107)
Business combinations	**—**	328
Other	**21**	16
Ending balance	**$ 987**	$ 1,106
Change in Plan Assets:		
Beginning balance	**$ —**	$ —
Actual return on plan assets	**—**	—
Employer contributions	**95**	85
Benefits paid from plan assets	**(119)**	(107)
Other	**24**	22
Ending balance	**$ —**	$ —
Funded Status:		
Fair value of plan assets	**$ —**	$ —
Benefit obligations	**(987)**	(1,106)
Funded status of plan	**$ (987)**	$ (1,106)
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Current liability	**$ (86)**	$ (91)
Noncurrent liability	**(901)**	(1,015)
Net amount recognized	**$ (987)**	$ (1,106)
Amounts Recognized in Accumulated Other Comprehensive Loss Consist of:		
Net actuarial gain	**$ (124)**	$ (65)
Prior service credit	**(1)**	(11)
Net amount recognized	**$ (125)**	$ (76)

As part of our acquisition of Goodrich on July 26, 2012, we assumed approximately $328 million of postretirement projected benefit obligations.

We modified the postretirement medical benefits provided to legacy Goodrich salaried employees by eliminating any company subsidy for retirements that occur after January 31, 2014. This resulted in a $16 million reduction in the projected benefit obligation as of July 26, 2012.

The components of net periodic benefit cost are as follows:

(dollars in millions)	**2013**	2012	2011
Other Postretirement Benefits:			
Service cost	**$ 3**	$ 3	$ 3
Interest cost	**38**	37	39
Expected return on plan assets	**—**	—	(1)
Amortization of prior service credit	**(10)**	(4)	(2)
Recognized actuarial net gain	**(4)**	(6)	(8)
Net settlement and curtailment gain	**—**	(2)	(8)
Net periodic other postretirement benefit cost	**$ 27**	$ 28	$ 23

Other changes in plan assets and benefit obligations recognized in other comprehensive loss in 2013 are as follows:

(dollars in millions)	
Current year actuarial gain	**$ (62)**
Current year prior service credit	**(1)**
Amortization of prior service credit	**10**
Amortization of actuarial net gain	**4**
Net settlements and curtailments	**—**
Total recognized in other comprehensive loss	**$ (49)**
Net recognized in net periodic other postretirement benefit cost and other comprehensive loss	**$ 22**

The estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2014 include actuarial net gains of $3 million and prior service credit of $1 million.

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

	Benefit Obligation		Net Cost		
	2013	2012	**2013**	2012	2011
Discount rate	**4.4%**	3.6%	**3.6%**	4.2%	4.9%
Expected return on plan assets	**—**	—	**—**	—	5.0%

Assumed health care cost trend rates are as follows:

	2013	2012
Health care cost trend rate assumed for next year	**7.5%**	8.0%
Rate that the cost trend rate gradually declines to	**5.0%**	5.0%
Year that the rate reaches the rate it is assumed to remain at	**2019**	2019

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

	2013 One-Percentage-Point	
(dollars in millions)	Increase	Decrease
Effect on total service and interest cost	$ 3	$ (2)
Effect on postretirement benefit obligation	69	(59)

ESTIMATED FUTURE BENEFIT PAYMENTS

Benefit payments, including net amounts to be paid from corporate assets and reflecting expected future service, as appropriate, are expected to be paid as follows: $86 million in 2014, $83 million in 2015, $80 million in 2016, $74 million in 2017, $68 million in 2018, and $283 million from 2019 through 2023.

Multiemployer Benefit Plans. We contribute to various domestic and foreign multiemployer defined benefit pension plans. The risks of participating in these multiemployer plans are different from single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Lastly, if we choose to stop participating in some of our multiemployer plans, we may be required to pay those plans a withdrawal liability based on the underfunded status of the plan.

Our participation in these plans for the annual periods ended December 31 is outlined in the table below. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2013 and 2012 is for the plan's year-end at June 30, 2012, and June 30, 2011, respectively. The zone status is based on information that we received from the plan and is certified by the plan's actuary. Our significant plan is in the green zone which represents at least 80 percent funded and does not require a financial improvement plan (FIP) or a rehabilitation plan (RP).

(dollars in millions)		Pension Protection Act Zone Status		FIP/ RP Status	Contributions				
Pension Fund	EIN/Pension Plan Number	**2013**	2012	Pending/ Implemented	**2013**	2012	2011	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
National Elevator Industry Pension Plan	23-2694291	**Green**	Green	No	**$ 71**	$ 63	$ 56	No	July 8, 2017
Other funds					**34**	36	38		
					$ 105	$ 99	$ 94		

For the plan years ended June 30, 2012 and 2011, respectively, we were listed in the National Elevator Industry Pension Plan's Forms 5500 as providing more than 5% of the total contributions for the plan. At the date these financial statements were issued, Forms 5500 were not available for the plan year ending June 30, 2013.

In addition, we participate in several multiemployer arrangements that provide postretirement benefits other than pensions, with the National Elevator Industry Health Benefit Plan being the most significant. These arrangements generally provide medical and life benefits for eligible active employees and retirees and their dependents. Contributions to multiemployer plans that provide postretirement benefits other than pensions were $12 million, $11 million and $10 million for 2013, 2012 and 2011, respectively.

Stock-based Compensation. UTC's long-term incentive plan authorizes various types of market and performance based incentive awards that may be granted to officers and employees. Our Long-Term Incentive Plan (LTIP) was initially approved on April 13, 2005 and amended in 2011 to increase the maximum number of shares available for award under the LTIP to 119 million shares. All equity-based compensation awards are made exclusively through the LTIP. As of December 31, 2013, approximately 32 million shares remain available for awards under the LTIP. The LTIP does not contain an aggregate annual award limit. We expect that the shares awarded on an annual basis will range from 1% to 1.5% of shares outstanding. The LTIP will expire after all shares have been awarded or April 30, 2017, whichever is sooner.

Under the LTIP and predecessor long-term incentive plans, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on that date. Generally, stock appreciation rights and stock options have a term of ten years and a minimum three-year vesting period. In the event of retirement, awards held for more than one year may become vested and exercisable subject to certain terms and conditions. LTIP awards with performance-based vesting generally have a minimum three-year vesting period and vest based on performance against pre-established metrics. In the event of retirement, vesting for awards held more than one year does not accelerate but will vest as scheduled based on actual performance relative to target metrics. We have historically repurchased shares of our common stock in an amount at least equal to the number of shares issued under our equity compensation arrangements and will continue to evaluate this policy in conjunction with our overall share repurchase program.

We measure the cost of all share-based payments, including stock options, at fair value on the grant date and recognize this cost in the statement of operations. For the years ended December 31, 2013, 2012 and 2011, $275 million, $210 million and $221 million, respectively, of compensation cost was recognized in operating results. The associated future income tax benefit recognized was $97 million, $76 million and $75 million for the years ended December 31, 2013, 2012 and 2011, respectively.

For the years ended December 31, 2013, 2012 and 2011, the amount of cash received from the exercise of stock options was $378 million, $381 million and $226 million, respectively, with an associated tax benefit realized of $194 million, $111 million and $101 million, respectively. In addition, for the years ended December 31, 2013, 2012 and 2011, the associated tax

benefit realized from the vesting of performance share units was $26 million, $15 million and $19 million, respectively. Also, in accordance with the *Compensation—Stock Compensation* Topic of the FASB ASC, for the years ended December 31, 2013, 2012 and 2011, $115 million, $67 million and $81 million, respectively, of certain tax benefits have been reported as operating cash outflows with corresponding cash inflows from financing activities.

At December 31, 2013, there was $185 million of total unrecognized compensation cost related to non-vested equity awards granted under long-term incentive plans. This cost is expected to be recognized ratably over a weighted-average period of 1.9 years.

A summary of the transactions under all long-term incentive plans for the year ended December 31, 2013 follows:

	Stock Options		Stock Appreciation Rights		Performance Share Units		Other
(shares and units in thousands)	Shares	Average Price*	Shares	Average Price*	Units	Average Price**	Incentive Shares/Units
Outstanding at:							
December 31, 2012	13,806	$ 52.45	38,421	$ 68.70	2,791	$ 74.77	1,284
Granted	**309**	**87.46**	**6,719**	**86.87**	**942**	**84.03**	**543**
Exercised/earned	**(7,840)**	**49.40**	**(5,747)**	**63.19**	**(886)**	**71.80**	**(233)**
Cancelled	**(36)**	**75.04**	**(1,178)**	**81.31**	**(146)**	**78.63**	**(116)**
December 31, 2013	**6,239**	**$ 57.88**	**38,215**	**$ 72.33**	**2,701**	**$ 78.77**	**1,478**

* weighted-average exercise price

** weighted-average grant stock price

The weighted-average grant date fair value of stock options and stock appreciation rights granted during 2013, 2012 and 2011 was $19.91, $19.32 and $20.26, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2013, 2012, and 2011 was $91.71, $82.15 and $87.65, respectively. The total fair value of awards vested during the years ended December 31, 2013, 2012 and 2011 was $219 million, $187 million and $170 million, respectively. The total intrinsic value (which is the amount by which the stock price exceeded the exercise price on the date of exercise) of stock options and stock appreciation rights exercised during the years ended December 31, 2013, 2012 and 2011 was $608 million, $370 million and $336 million, respectively. The total intrinsic value (which is the stock price at vesting) of performance share units vested was $75 million, $46 million and $59 million during the years ended December 31, 2013, 2012 and 2011, respectively.

The following table summarizes information about equity awards outstanding that are vested and expected to vest and equity awards outstanding that are exercisable at December 31, 2013:

	Equity Awards Vested and Expected to Vest				Equity Awards That Are Exercisable			
(shares in thousands; aggregate intrinsic value in millions)	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**
Stock Options/Stock Appreciation Rights	43,979	$ 69.70	$ 1,939	5.5	27,656	$ 63.44	$ 1,393	3.9
Performance Share Units/Restricted Stock	3,722	—	424	1.1				

* weighted-average exercise price per share

** weighted-average contractual remaining term in years

The fair value of each option award is estimated on the date of grant using a binomial lattice model. The following table indicates the assumptions used in estimating fair value for the years ended December 31, 2013, 2012 and 2011. Lattice-based option models incorporate ranges of assumptions for inputs, those ranges are as follows:

	2013	2012	2011
Expected volatility	**26% – 27%**	30% – 35%	26% – 32%
Weighted-average volatility	**27%**	30%	26%
Expected term (in years)	**7.3 – 7.6**	7.4 – 7.7	7.5 – 8.0
Expected dividends	**2.6%**	2.3%	2.4%
Risk-free rate	**0.1% – 1.9%**	0.0% – 2.0%	0.1% – 3.5%

Expected volatilities are based on the returns of our stock, including implied volatilities from traded options on our stock for the binomial lattice model. We use historical data to estimate equity award exercise and employee termination behavior within the valuation model. Separate employee groups and equity award characteristics are considered separately for valuation purposes. The expected term represents an estimate of the period of time equity awards are expected to remain outstanding. The risk-free rate is based on the term structure of interest rates at the time of equity award grant.

NOTE 13: RESTRUCTURING COSTS

During 2013, we recorded net pre-tax restructuring costs totaling $479 million for new and ongoing restructuring actions. We recorded charges in the segments as follows:

(dollars in millions)		
Otis	$	88
UTC Climate, Controls & Security		97
Pratt & Whitney		154
UTC Aerospace Systems		92
Sikorsky		50
Eliminations and other		—
Restructuring costs recorded within continuing operations		481
Restructuring costs recorded within discontinued operations		(2)
Total	$	479

Restructuring charges incurred in 2013 primarily relate to actions initiated during 2013 and 2012, and were recorded as follows:

(dollars in millions)		
Cost of sales	$	215
Selling, general and administrative		265
Other income, net		1
Restructuring costs recorded within continuing operations		481
Restructuring costs recorded within discontinued operations		(2)
Total	$	479

2013 Actions. During 2013, we initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and consolidation of manufacturing operations. We recorded net pre-tax restructuring costs totaling $421 million for restructuring actions initiated in 2013, consisting of $164 million in cost of sales and $257 million in selling, general and administrative expenses.

We are targeting to complete in 2014 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2013. No specific plans for significant other actions have been finalized at this time. The following table summarizes the accrual balances and utilization by cost type for the 2013 restructuring actions:

(dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination & Other Costs	Total
Net pre-tax restructuring costs	$ 381	$ 15	$ 25	$ 421
Utilization and foreign exchange	(185)	(15)	(6)	(206)
Balance at December 31, 2013	**$ 196**	**$ —**	**$ 19**	**$ 215**

The following table summarizes expected, incurred and remaining costs for the 2013 restructuring actions by segment:

(dollars in millions)	Expected Costs	**Cost Incurred During 2013**	**Remaining Costs at December 31, 2013**
Otis	$ 75	**$ (69)**	**$ 6**
UTC Climate, Controls & Security	124	**(89)**	**35**
Pratt & Whitney	158	**(154)**	**4**
UTC Aerospace Systems	85	**(71)**	**14**
Sikorsky	38	**(38)**	**—**
Eliminations and other	—	**—**	**—**
Discontinued operations	—	**—**	**—**
Total	$ 480	**$ (421)**	**$ 59**

2012 Actions. During 2013, we recorded net pre-tax restructuring costs totaling $60 million for restructuring actions initiated in 2012, consisting of $46 million in cost of sales, $13 million in selling, general and administrative expenses, and $1 million in other income, net. The 2012 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of field operations.

The following table summarizes the restructuring accrual balances and utilization by cost type for the 2012 programs:

(dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Restructuring accruals at January 1, 2013	$ 289	$ —	$ 50	$ 339
Net pre-tax restructuring costs	14	1	45	60
Utilization and foreign exchange	(218)	(1)	(47)	(266)
Balance at December 31, 2013	**$ 85**	**$ —**	**$ 48**	**$ 133**

The following table summarizes expected, incurred and remaining costs for the 2012 programs by segment:

(dollars in millions)	Expected Costs	Costs Incurred During 2012	**Costs Incurred During 2013**	**Remaining Costs at December 31, 2013**
Otis	$ 156	$ (146)	**$ (9)**	**$ 1**
UTC Climate, Controls & Security	147	(123)	**(18)**	**6**
Pratt & Whitney	94	(94)	**—**	**—**
UTC Aerospace Systems	157	(121)	**(21)**	**15**
Sikorsky	62	(47)	**(12)**	**3**
Eliminations and other	19	(19)	**—**	**—**
Discontinued operations	26	(26)	**—**	**—**
Total	$ 661	$ (576)	**$ (60)**	**$ 25**

2011 Actions. During 2013, we recorded net pre-tax restructuring costs totaling $(2) million for restructuring actions initiated in 2011. As of December 31, 2013, there are no remaining costs to complete the 2011 actions.

NOTE 14: FINANCIAL INSTRUMENTS

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under the Derivatives and Hedging Topic of the FASB ASC and those utilized as economic hedges. We operate internationally and, in the normal course of business, are exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. We have used derivative instruments, including swaps, forward contracts and options to manage certain foreign currency, interest rate and commodity price exposures.

The four quarter rolling average of the notional amount of foreign exchange contracts hedging foreign currency transactions was $12.3 billion and $11.8 billion at December 31, 2013 and 2012, respectively. Additional information pertaining to foreign exchange and hedging activities is included in Note 1.

The following table summarizes the fair value of derivative instruments as of December 31, 2013 and 2012 which consist solely of foreign exchange contracts:

	Asset Derivatives		Liability Derivatives	
(dollars in millions)	**2013**	2012	**2013**	2012
Derivatives designated as hedging instruments	**$ 59**	$ 78	**$ 103**	$ 11
Derivatives not designated as hedging instruments	**31**	50	**54**	138

The impact from foreign exchange derivative instruments that qualified as cash flow hedges for the period was as follows:

	December 31,	
(dollars in millions)	**2013**	2012
(Loss) gain recorded in Accumulated other comprehensive loss	**$ (136)**	$ 88
(Loss) gain reclassified from Accumulated other comprehensive loss into Product sales (effective portion)	**(25)**	31

Assuming current market conditions continue, a $35 million pre-tax loss is expected to be reclassified from Accumulated other comprehensive loss into Product sales to reflect the fixed prices obtained from foreign exchange hedging within the next 12 months. At December 31, 2013, all derivative contracts accounted for as cash flow hedges mature by December 2015.

We recognized a gain of $22 million and a loss of $120 million in Other income, net on the Consolidated Statement of Operations from foreign exchange contracts not designated as hedging instruments in 2013 and 2012, respectively.

NOTE 15: FAIR VALUE MEASUREMENTS

The FASB ASC Topic "*Fair Value Measurements and Disclosure"* establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3 - unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

The following table provides the assets and liabilities carried at fair value measured on a recurring and nonrecurring basis as of December 31, 2013 and 2012:

2013 ***(dollars in millions)***		**Total**		**Level 1**		**Level 2**		**Level 3**
Recurring fair value measurements:								
Available-for-sale securities	**$**	**988**	**$**	**988**	**$**	**—**	**$**	**—**
Derivative assets		**90**		**—**		**90**		**—**
Derivative liabilities		**(157)**		**—**		**(157)**		**—**
Nonrecurring fair value measurements:								
Business dispositions		**66**		**—**		**66**		**—**

2012 ***(dollars in millions)***		Total		Level 1		Level 2		Level 3
Recurring fair value measurements:								
Available-for-sale securities	$	781	$	781	$	—	$	—
Derivative assets		128		—		128		—
Derivative liabilities		(149)		—		(149)		—
Nonrecurring fair value measurements:								
Equity method investments		432		—		432		—
Business dispositions		84		—		84		—

During 2013, we recorded an approximately $55 million net gain from UTC Climate, Controls & Security's portfolio transformation, primarily due to a gain on the sale of businesses in Hong Kong and Australia. In addition, we recorded an approximately $193 million gain from the sale of Pratt & Whitney Power Systems business (see Note 2), as well as an approximately $25 million charge to adjust the fair value of a Pratt & Whitney joint venture investment.

During 2012, we recorded net gains on nonrecurring fair value measurements of approximately $157 million within Other income, net from UTC Climate, Controls & Security's portfolio transformation efforts including the integration of the legacy UTC Fire & Security businesses with the legacy Carrier businesses. These net gains include approximately $357 million from the sales of controlling interests in manufacturing and distribution joint ventures in Asia and Canada, of which approximately $272 million was non-cash. These gains were partially offset by $168 million of other-than-temporary impairment charges related to business dispositions and a $32 million loss on the disposition of the U.S. UTC Fire & Security branch operations. In addition, we recorded a $34 million gain on the fair market measurement of the Company's previously held interest in Goodrich.

Valuation Techniques. Our available-for-sale securities include equity investments that are traded in active markets, either domestically or internationally and are measured at fair value using closing stock prices from active markets. Our derivative assets and liabilities include foreign exchange contracts and commodity derivatives that are measured at fair value using internal models based on observable market inputs such as forward rates, interest rates, our own credit risk and our counterparties' credit risks. As of December 31, 2013, there were no significant transfers in and out of Level 1 and Level 2.

As of December 31, 2013, there has not been any significant impact to the fair value of our derivative liabilities due to our own credit risk. Similarly, there has not been any significant adverse impact to our derivative assets based on our evaluation of our counterparties' credit risks.

The following table provides carrying amounts and fair values of financial instruments that are not carried at fair value at December 31, 2013 and 2012:

		December 31, 2013				December 31, 2012		
(dollars in millions)		**Carrying Amount**		**Fair Value**		Carrying Amount		Fair Value
Long-term receivables	**$**	**655**	**$**	**586**	$	499	$	464
Customer financing notes receivable		**394**		**366**		375		371
Short-term borrowings		**(388)**		**(388)**		(503)		(503)
Long-term debt (excluding capitalized leases)		**(19,807)**		**(21,525)**		(22,665)		(25,606)
Long-term liabilities		**(283)**		**(253)**		(182)		(167)

The following table provides the valuation hierarchy classification of assets and liabilities that are not carried at fair value in our Consolidated Balance Sheet as of December 31, 2013:

(dollars in millions)	Total	Level 1	Level 2	Level 3
Long-term receivables	**$ 586**	**$ —**	**$ 586**	**$ —**
Customer financing notes receivable	**366**	**—**	**366**	**—**
Short-term borrowings	**(388)**	**—**	**(200)**	**(188)**
Long-term debt (excluding capitalized leases)	**(21,525)**	**—**	**(21,211)**	**(314)**
Long-term liabilities	**(253)**	**—**	**(253)**	**—**

NOTE 16: GUARANTEES

We extend a variety of financial guarantees to third parties. As of December 31, 2013 and 2012, the following financial guarantees were outstanding:

	December 31, 2013		December 31, 2012	
(dollars in millions)	**Maximum Potential Payment**	**Carrying Amount of Liability**	Maximum Potential Payment	Carrying Amount of Liability
Commercial aerospace financing arrangements (see Note 5)	**$ 615**	**$ 25**	$ 346	$ 7
Credit facilities and debt obligations—unconsolidated subsidiaries (expire 2014 to 2034)	**231**	**6**	240	2
Performance guarantees	**150**	—	33	—

As disclosed in Note 3, we completed the sale of substantially all operations of Rocketdyne to GenCorp Inc. on June 14, 2013. Following the sale, certain guarantees of Rocketdyne's performance under existing contracts remain in place, which resulted in an increase in our performance guarantees of approximately $112 million, with no associated significant carrying amount of a liability as of December 31, 2013.

We also have obligations arising from sales of certain businesses and assets, including those from representations and warranties and related indemnities for environmental, health and safety, tax and employment matters. The maximum potential payment related to these obligations is not a specified amount as a number of the obligations do not contain financial caps. The carrying amount of liabilities related to these obligations was $189 million and $144 million at December 31, 2013 and 2012, respectively. For additional information regarding the environmental indemnifications, see Note 17.

We accrue for costs associated with guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts, and where no amount within a range of estimates is more likely, the minimum is accrued. In accordance with the FASB ASC Topic *"Guarantees"* we record these liabilities at fair value.

We provide service and warranty policies on our products and extend performance and operating cost guarantees beyond our normal service and warranty policies on some of our products, particularly commercial aircraft engines. In addition, we incur discretionary costs to service our products in connection with specific product performance issues. Liabilities for performance and operating cost guarantees are based upon future product performance and durability, and are largely estimated based upon historical experience. Adjustments are made to accruals as claim data and historical experience warrant. The changes in the carrying amount of service and product warranties and product performance guarantees for the years ended December 31, 2013 and 2012 are as follows:

	Year ended December 31,	
(dollars in millions)	**2013**	2012
Balance as of January 1	**$ 1,332**	$ 1,468
Warranties and performance guarantees issued	**313**	325
Settlements made	**(287)**	(277)
Other	**2**	(184)
Balance as of December 31	**$ 1,360**	$ 1,332

The decrease in the above table in "Other" during the year ended December 31, 2012 primarily reflects the impact of warranty reserves reclassified to Liabilities held for sale, as a part of the Clipper disposition, partially offset by an increase in warranty reserves from the Goodrich acquisition. See Notes 2 and 3 for further discussion.

NOTE 17: CONTINGENT LIABILITIES

Except as otherwise noted, while we are unable to predict the final outcome, based on information currently available, we do not believe that resolution of any of the following matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Leases. We occupy space and use certain equipment under lease arrangements. Rental commitments of $2,373 million at December 31, 2013 under long-term non-cancelable operating leases are payable as follows: $586 million in 2014, $494 million in 2015, $364 million in 2016, $233 million in 2017, $156 million in 2018 and $540 million thereafter. Rent expense was $456 million in 2013, $457 million in 2012 and $453 million in 2011.

Additional information pertaining to commercial aerospace rental commitments is included in Note 5 to the Consolidated Financial Statements.

Environmental. Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As described in Note 1 to the Consolidated Financial Statements, we have accrued for the costs of environmental remediation activities and periodically reassess these amounts. We believe that the likelihood of incurring losses materially in excess of amounts accrued is remote. As of December 31, 2013 and 2012, we had $936 million and $847 million reserved for environmental remediation, respectively. Additional information pertaining to environmental matters is included in Note 1 to the Consolidated Financial Statements.

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

Our contracts with the U.S. Government are also subject to audits. Like many defense contractors, we have received audit reports, which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports involved substantial amounts. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and continue to litigate certain cases. In addition, we accrue for liabilities associated with those matters that are probable and can be reasonably estimated. The most likely settlement amount to be incurred is accrued based upon a range of estimates. Where no amount within a range of estimates is more likely, then we accrued the minimum amount.

Legal Proceedings.

F100 Engine Litigation

As previously disclosed, the United States government sued us in 1999 in the United States District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. The claims relate to the “Fighter Engine Competition” between Pratt & Whitney's F100 engine and General Electric's F110 engine. The government alleged that it overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial, which ended in April, 2005, the government claimed Pratt & Whitney's liability to be approximately $624 million. On August 1, 2008, the trial court held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions after the alleged overstatements were made. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in its 1983 initial engine pricing proposal. In the absence of actual damages, the trial court awarded the government the maximum civil penalty of approximately $7 million, or $10,000 for each of the 709 invoices Pratt & Whitney submitted in 1989 and later under the contracts. In September 2008, both the government and UTC appealed the decision to the United States Court of Appeals for the Sixth Circuit. On November 18, 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act, but remanded the case to the trial court for further proceedings on the issues of False Claims Act damages and common law liability and damages.

On June 18, 2012, the trial court found that Pratt & Whitney had breached obligations imposed by common law based on the same conduct with respect to which the court previously found liability under the False Claims Act. Under the common law

claims, the U.S. Air Force is entitled to seek damages for events occurring before March 3, 1989, which are not recoverable under the False Claims Act.

On June 17, 2013, the trial court awarded the government approximately $473 million in damages and penalties, plus prejudgment interest in an amount to be determined. On July 1, 2013, the trial court, after determining the amount of prejudgment interest, entered judgment in favor of the government in the amount of approximately $664 million. The trial court also awarded postjudgment interest on the full amount of the judgment to accrue from July 2, 2013, at the federal variable interest rate determined pursuant to 28 U.S.C. § 1961. The judgment included four different components of damages: (1) common law damages of approximately $109 million; (2) prejudgment interest on common law damages of approximately $191 million; (3) False Claims Act treble damages of approximately $357 million; and (4) penalties of approximately $7 million. The penalty component of the judgment previously was affirmed by the United States Court of Appeals in 2010.

We strongly disagree with the trial court's analysis and conclusions. We filed an appeal from the judgment to the United States Court of Appeals for the Sixth Circuit on August 26, 2013. Based on our analysis, we continue to believe that there is no basis for any common law liability for the inaccurate statements. We also believe that the government suffered no actual damages as a result of the inaccurate statements made in 1983 and, therefore, there is no basis in fact or law for the award of common law damages, prejudgment interest or False Claims Act treble damages. If, contrary to our expectations, all or any portion of the judgment should ultimately be affirmed, we estimate a range of reasonably possible loss from approximately $24 million to $657 million in excess of amounts previously accrued, plus postjudgment interest. The outcome of this matter could result in a material adverse effect on our results of operations in the period in which a liability would be recognized and cash flows for the period in which damages would be paid.

Department of Defense Cost Accounting Standards Claim

As previously disclosed, in December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges that it made to Sikorsky since January 2003 in connection with cost accounting changes approved by the DOD and implemented by Sikorsky in 1999 and 2006. These changes relate to the calculation of material overhead rates in government contracts. The DOD claimed that Sikorsky's liability was approximately $97 million (including interest through December 31, 2013). We believed this claim was without merit and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims. Trial in the matter concluded in January 2013 and on March 22, 2013, the U.S. Court of Federal Claims issued a written decision in favor of Sikorsky determining that the DOD had failed to prove its claims because Sikorsky's calculation of material overhead complied with the cost accounting standards. DOD has appealed this decision.

German Tax Office Appeal

As previously disclosed, UTC has been involved in administrative review proceedings with the German Tax Office, which concern €203 million (approximately $278 million) of tax benefits that we have claimed related to a 1998 reorganization of the corporate structure of Otis operations in Germany. Upon audit, these tax benefits were disallowed by the German Tax Office. On August 3, 2012, we filed suit in the local German Tax Court (Berlin-Brandenburg). In 2008 the German Federal Tax Court ("FTC") denied benefits to another taxpayer in a case involving a German tax law relevant to our reorganization. The determination of the FTC on this other matter was appealed to the European Court of Justice ("ECJ") to determine if the underlying German tax law is violative of European Union (EU) principles. On September 17, 2009, the ECJ issued an opinion in this case that is generally favorable to the other taxpayer and referred the case back to the FTC for further consideration of certain related issues. In May 2010, the FTC released its decision, in which it resolved certain tax issues that may be relevant to our suit and remanded the case to a lower court for further development. In 2012, the lower court decided in favor of the taxpayer and the government appealed the findings to the FTC. After consideration of the ECJ decision, the latest FTC decision and the lower court decision, we continue to believe that it is more likely than not that the relevant German tax law is violative of EU principles and we have not accrued for this matter. We intend to litigate vigorously the matter to conclusion. We cannot reasonably estimate the range of loss, if any, that may result from this matter given the current procedural status of this matter.

Other.

As described in Note 16 to the Consolidated Financial Statements, we extend performance and operating cost guarantees beyond our normal warranty and service policies for extended periods on some of our products. We have accrued our estimate of the liability that may result under these guarantees and for service costs that are probable and can be reasonably estimated.

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

We also have other commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising out of the normal course of business. We accrue contingencies based upon a range of possible outcomes. If no amount within this range is a better estimate than any other, then we accrue the minimum amount.

We are also subject to a number of routine lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the ordinary course of our business. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

NOTE 18: SEGMENT FINANCIAL DATA

Our operations for the periods presented herein are classified into five principal segments. The segments are generally determined based on the management structure of the businesses and the grouping of similar operating companies, where each management organization has general operating autonomy over diversified products and services.

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

UTC Climate, Controls & Security products and related services include HVAC and refrigeration systems, building controls and automation, fire and special hazard suppression systems and equipment, security monitoring and rapid response systems, provided to a diversified international customer base principally in the industrial, commercial and residential property and commercial transportation sectors.

Pratt & Whitney products include commercial, military, business jet and general aviation aircraft engines, parts and services, industrial gas turbines, sold to a diversified customer base, including international and domestic commercial airlines and aircraft leasing companies, aircraft manufacturers, and U.S. and foreign governments. Pratt & Whitney also provides product support and a full range of overhaul, repair and fleet management services and produces land-based power generation equipment.

Effective July 1, 2012, the auxiliary power unit business (APU) of the UTC Aerospace Systems business segment was transferred to the Pratt & Whitney business segment. The APU business designs and manufactures a variety of products for commercial and military aircraft. Annual sales for the APU business are approximately $600 million. The reclassification has been made prospectively; prior year results have not been restated for the transfer of the business.

UTC Aerospace Systems provides aerospace products and aftermarket services for commercial, military, business jet and general aviation customers worldwide. Products include electric power generation, management and distribution systems, flight control systems, engine control systems, intelligence, surveillance and reconnaissance systems, engine components, environmental control systems, fire protection and detection systems, propeller systems, aircraft nacelles, and interior, actuation, landing and electronic systems.

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

We have reported our financial and operational results for the periods presented herein under the five principal segments noted above, consistent with how we have reviewed our business operations for decision-making purposes, resource allocation and performance assessment during 2013.

Segment Information. Total sales by segment include intersegment sales, which are generally made at prices approximating those that the selling entity is able to obtain on external sales. Segment information for the years ended December 31 is as follows:

	Net Sales			Operating Profits		
(dollars in millions)	**2013**	2012	2011	**2013**	2012	2011
Otis	**$ 12,484**	$ 12,056	$ 12,437	**$ 2,590**	$ 2,512	$ 2,815
UTC Climate, Controls & Security	**16,809**	17,090	18,864	**2,590**	2,425	2,212
Pratt & Whitney	**14,501**	13,964	12,711	**1,876**	1,589	1,867
UTC Aerospace Systems	**13,347**	8,334	4,760	**2,018**	944	759
Sikorsky	**6,253**	6,791	7,355	**594**	712	840
Total segment	**63,394**	58,235	56,127	**9,668**	8,182	8,493
Eliminations and other	**(768)**	(527)	(373)	**22**	(72)	(228)
General corporate expenses	**—**	—	—	**(481)**	(426)	(419)
Consolidated	**$ 62,626**	$ 57,708	$ 55,754	**$ 9,209**	$ 7,684	$ 7,846

(dollars in millions)	Total Assets 2013	Total Assets 2012	Total Assets 2011	Capital Expenditures 2013	Capital Expenditures 2012	Capital Expenditures 2011	Depreciation & Amortization 2013	Depreciation & Amortization 2012	Depreciation & Amortization 2011
Otis	**$ 9,354**	$ 8,866	$ 8,717	**$ 122**	$ 141	$ 75	**$ 209**	$ 220	$ 223
UTC Climate, Controls & Security	**21,543**	22,253	21,630	**266**	265	305	**380**	418	432
Pratt & Whitney	**17,062**	15,938	10,705	**617**	462	290	**319**	324	332
UTC Aerospace Systems	**35,461**	35,589	8,593	**510**	367	163	**761**	412	172
Sikorsky	**5,762**	4,975	4,628	**119**	94	92	**85**	85	84
Total segment	**89,182**	87,621	54,273	**1,634**	1,329	925	**1,754**	1,459	1,243
Eliminations and other	**1,412**	1,788	7,179	**54**	60	4	**67**	65	20
Consolidated	**$ 90,594**	$ 89,409	$ 61,452	**$ 1,688**	$ 1,389	$ 929	**$ 1,821**	$ 1,524	$ 1,263

Geographic External Sales and Operating Profit. Geographic external sales and operating profits are attributed to the geographic regions based on their location of origin. U.S. external sales 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. Long-lived assets are net fixed assets attributed to the specific geographic regions.

(dollars in millions)	External Net Sales 2013	External Net Sales 2012	External Net Sales 2011	Operating Profits 2013	Operating Profits 2012	Operating Profits 2011	Long-Lived Assets 2013	Long-Lived Assets 2012	Long-Lived Assets 2011
United States Operations	**$ 35,994**	$ 32,175	$ 28,993	**$ 4,780**	$ 3,663	$ 4,264	**$ 4,483**	$ 4,311	$ 2,974
International Operations									
Europe	**12,652**	11,823	12,344	**2,419**	2,100	2,089	**1,796**	1,804	1,210
Asia Pacific	**8,696**	8,733	9,016	**1,773**	1,648	1,429	**957**	947	883
Other	**5,274**	4,964	5,376	**696**	772	711	**1,203**	1,122	760
Eliminations and other	**10**	13	25	**(459)**	(499)	(647)	**427**	334	374
Consolidated	**$ 62,626**	$ 57,708	$ 55,754	**$ 9,209**	$ 7,684	$ 7,846	**$ 8,866**	$ 8,518	$ 6,201

Sales from U.S. operations include export sales as follows:

(dollars in millions)	2013	2012	2011
Europe	**$ 4,489**	$ 3,117	$ 2,284
Asia Pacific	**4,517**	2,998	2,448
Other	**3,165**	3,086	2,989
	$ 12,171	$ 9,201	$ 7,721

Major Customers. Net Sales include sales under prime contracts and subcontracts to the U.S. Government, primarily related to Pratt & Whitney, UTC Aerospace Systems and Sikorsky products, as follows:

(dollars in millions)	2013	2012	2011
Pratt & Whitney	**$ 3,559**	$ 3,718	$ 2,995
UTC Aerospace Systems	**2,530**	1,742	1,021
Sikorsky	**3,648**	4,512	4,967
Other	**142**	126	125
	$ 9,879	$ 10,098	$ 9,108

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(dollars in millions, except per share amounts)	2013 Quarters				2012 Quarters			
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Net Sales	**$ 14,399**	**$ 16,006**	**$ 15,462**	**$ 16,759**	$ 12,416	$ 13,807	$ 15,042	$ 16,443
Gross margin	**3,934**	**4,454**	**4,442**	**4,475**	3,486	3,873	4,039	4,157
Net income attributable to common shareowners	**1,266**	**1,560**	**1,432**	**1,463**	330	1,328	1,415	2,057
Earnings per share of Common Stock:								
Basic—net income	**$ 1.40**	**$ 1.73**	**$ 1.59**	**$ 1.62**	$ 0.37	$ 1.49	$ 1.58	$ 2.28
Diluted—net income	**$ 1.39**	**$ 1.71**	**$ 1.57**	**$ 1.60**	$ 0.36	$ 1.47	$ 1.56	$ 2.26

COMPARATIVE STOCK DATA (UNAUDITED)

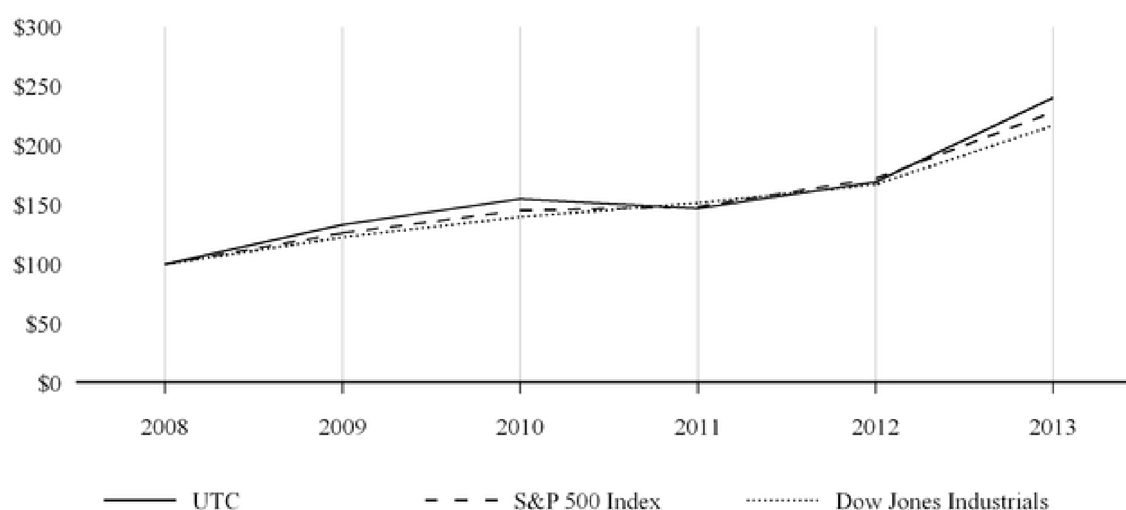
(common stock)	2013			2012		
	High	**Low**	**Dividend**	High	Low	Dividend
First quarter	**$ 93.59**	**$ 83.55**	**$ 0.535**	$ 87.50	$ 73.62	$ 0.480
Second quarter	**$ 97.55**	**$ 91.05**	**$ 0.535**	$ 83.57	$ 70.71	$ 0.480
Third quarter	**$ 112.00**	**$ 93.80**	**$ 0.535**	$ 82.56	$ 70.95	$ 0.535
Fourth quarter	**$ 113.80**	**$ 102.76**	**$ 0.590**	$ 83.64	$ 74.44	$ 0.535

Our common stock is listed on the New York Stock Exchange. The high and low prices are based on the Composite Tape of the New York Stock Exchange. There were approximately 21,364 registered shareholders at January 31, 2014.

PERFORMANCE GRAPH (UNAUDITED)

The following graph presents the cumulative total shareholder return for the five years ending December 31, 2013 for our common stock, as compared to the Standard & Poor's 500 Stock Index and to the Dow Jones 30 Industrial Average. Our common stock price is a component of both indices. These figures assume that all dividends paid over the five-year period were reinvested, and that the starting value of each index and the investment in common stock was $100.00 on December 31, 2008.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN



	December					
	2008	2009	2010	2011	2012	**2013**
United Technologies Corporation	$ 100.00	$ 133.29	$ 154.93	$ 147.23	$ 169.46	**$ 240.42**
S&P 500 Index	$ 100.00	$ 126.46	$ 145.51	$ 148.59	$ 172.37	**$ 228.19**
Dow Jones Industrial Average	$ 100.00	$ 122.68	$ 139.94	$ 151.67	$ 167.19	**$ 216.77**

Board of Directors

Louis R. Chênevert

Chairman & Chief Executive Officer
United Technologies Corporation
(Diversified Manufacturer)

John V. Faraci

Chairman and Chief Executive Officer
International Paper
(Paper, Packaging and Distribution)

Jean-Pierre Garnier
Chairman of the Board

Actelion
(Biopharmaceutical Company)
Operating Partner
Advent International
(Global Private Equity Firm)
Retired Chief Executive Officer

GlaxoSmithKIine

Jamie S. Gorelick
Partner, WilmerHale
(Law Firm)

Former Deputy Attorney General
of the United States
Former General Counsel of the
Department of Defense

Edward A. Kangas

Former Chairman and CEO
Deloitte, Touche, Tohmatsu
(Audit and Tax Services)

Ellen J. Kullman
Chair of the Board & CEO
DuPont

(Diversified Chemicals and Materials)

Marshall O. Larsen

Former Chairman, President
and Chief Executive Officer
Goodrich Corporation

*(Aerospace and Defense Systems
and Services)*

Harold McGraw III
Chairman of the Board

McGraw Hill Financial
*(Ratings, Benchmarks and Analytics
for Financial Markets)*

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

H. Patrick Swygert
President Emeritus
Howard University
(Educational Institution)

André Villeneuve
Chairman
ICE Benchmark Administration Limited

*(Administrator LIBOR
Benchmark Interest Rate)*

Christine Todd Whitman
President

The Whitman Strategy Group

(Environment and Public Policy Consulting)
Former EPA Administrator
Former Governor of New Jersey

PERMANENT COMMITTEES

Audit Committee
Edward A. Kangas, Chair

John V. Faraci
Ellen J. Kullman

Richard B. Myers
H. Patrick Swygert
André Villeneuve

**Committee on Compensation
and Executive Development**

Jean-Pierre Garnier, Chair
Jamie S. Gorelick
Edward A. Kangas
Harold McGraw III
Richard B. Myers
H. Patrick Swygert

Executive Committee
Louis R. Chênevert, Chair
John V. Faraci
Edward A. Kangas

Finance Committee
John V. Faraci, Chair
Louis R. Chênevert

Jamie S. Gorelick
Ellen J. Kullman

Marshall O. Larsen
Harold McGraw III
André Villeneuve

Christine Todd Whitman

Committee on Nominations and Governance
H. Patrick Swygert, Chair

John V. Faraci

Jean-Pierre Garnier

Edward A. Kangas

Harold McGraw III

Richard B. Myers

Christine Todd Whitman

Public Issues Review Committee

Christine Todd Whitman, Chair

Jean-Pierre Garnier

Jamie S. Gorelick

Ellen J. Kullman

Marshall O. Larsen

André Villeneuve

Leadership

Paul R. Adams
President,
Pratt & Whitney

Elizabeth B. Amato
Senior Vice President,
Human Resources and
Organization

David G. Appel
President, Carrier Transicold
& Refrigeration Systems,
UTC Building & Industrial Systems

Alain M. Bellemare
President &
Chief Executive Officer,
UTC Propulsion &
Aerospace Systems

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

Patrick Blethon
President, South Asia Pacific,
UTC Building & Industrial Systems

Carey E. Bond
President,
Commercial Systems & Services,
Sikorsky

Brian Brandewie
Senior Vice President,
Aircraft Systems,
UTC Aerospace Systems

David M. Brantner
President, Commercial Engines,
Pratt & Whitney

Matthew F. Bromberg
President, Aftermarket,
Pratt & Whitney

Benoit Brossoit
Vice President,
Operations

Bernardo Calleja Fernandez
President, South Europe,
UTC Building & Industrial Systems

David B. Carter
Vice President, Engineering
and Technology,
UTC Aerospace Systems

Louis R. Chênevert
Chairman &
Chief Executive Officer

Bennett M. Croswell
President, Military Engines,
Pratt & Whitney

Paolo C. Dal Cin
Vice President,
Operations & Supply Chain,
UTC Aerospace Systems

Geraud Darnis
President &
Chief Executive Officer,
UTC Building & Industrial Systems

Nancy M. Davis
Vice President and
Chief Information Officer

Pierre Dejoux
President, Otis Europe,
UTC Building & Industrial Systems

Philippe Delpech
Chief Operating Officer —
Intercontinental Operations,
UTC Building & Industrial Systems

Danny Di Perna
Senior Vice President,
Engineering & Operations,
Pratt & Whitney

Robin L. Diamonte
Vice President,
Pension Investments

Michael R. Dumais
President,
Power, Controls &
Sensing Systems,
UTC Aerospace Systems

Shane Eddy
Senior Vice President,
Operations, Sikorsky

Charles D. Gill, Jr.
Senior Vice President and
General Counsel

David L. Gitlin
President, Aircraft Systems,
UTC Aerospace Systems

Peter J. Graber-Lipperman
Vice President, Secretary and
Associate General Counsel

Lindsay Harvey
President,
United Kingdom & Benelux,
UTC Building & Industrial Systems

Nicole Parent Haughey
Vice President,
Corporate Strategy

Gregory J. Hayes
Senior Vice President and
Chief Financial Officer

Dennis Jarvi
Vice President,
Development Programs,
Sikorsky

Matti Kuivalainen
President, Germany, Nordics
and Central & Eastern Europe,
UTC Building & Industrial Systems

Michael B. Maurer
President,
Sikorsky

Robert J. McDonough
Chief Operating Officer — Americas,
UTC Building & Industrial Systems

J. Michael McQuade
Senior Vice President,
Science and Technology

Samir B. Mehta
President,
Defense Systems & Services,
Sikorsky

Thomas A. Mepham
Senior Vice President,
Power, Controls &
Sensing Systems,
UTC Aerospace Systems

Mark F. Miller
Vice President, Research &
Engineering, Sikorsky

Christopher Nelson
President, HVAC North America,
UTC Building & Industrial Systems

Kevin J. O'Connor
Vice President,
Global Compliance

Bart Otten
President, Fire & Security, EMEA,
UTC Building & Industrial Systems

David E. Parekh
Vice President, Research, and
Director, United Technologies
Research Center

Thomas W. Prete
Vice President, Engineering,
Pratt & Whitney

Thomas I. Rogan
Vice President, Treasurer

Alain Rué
President, France,
Switzerland & Africa,
UTC Building & Industrial Systems

John Saabas
President,
Pratt & Whitney Canada

Pedro Sainz de Baranda
President, Otis and President,
Intelligent Building Technologies,
UTC Building & Industrial Systems

Richard J. Sanfrey
Senior Vice President, Operations,
UTC Building & Industrial Systems

Andreas Schell
President, Actuation & Propeller Systems,
UTC Aerospace Systems

Ross B. Shuster
President, North Asia,
UTC Building & Industrial Systems

Tobin J. Treichel
Vice President, Tax

Thomas R. Vining
President, Otis Americas,
UTC Building & Industrial Systems

Gregg Ward
Senior Vice President,
Government Relations

James P. Ward
President, Fire Safety Solutions,
UTC Building & Industrial Systems

Peiming Perry Zheng
President, Otis China,
UTC Building & Industrial Systems

Shareowner Information

CORPORATE OFFICE
United Technologies Corporation
United Technologies Building
Hartford, CT 06101
Telephone: 860.728.7000

This report is made available to shareowners in advance of the annual meeting of shareowners to be held at 2 p.m., April 28, 2014, in Charlotte, N.C. The proxy statement will be made available to shareowners on or about March 14, 2014, at which time proxies for the meeting will be requested.

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

STOCK LISTING
New York Stock Exchange

TICKER SYMBOL
UTX

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

Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
Telephone:
Within the U.S.: 1.800.488.9281
Outside the U.S.: 1.781.575.2724
Website: **www.computershare.com/investor**

TDD: 1.800.952.9245
Telecommunications device for the hearing impaired

CERTIFICATIONS
UTC has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2013 filed with the Securities and Exchange Commission certificates of its Chief Executive Officer, Chief Financial Officer and Acting Controller certifying, among other things, the information contained in the Form 10-K.

Annually UTC submits to the New York Stock Exchange (NYSE) a certificate of UTC's Chief Executive Officer certifying that he was not aware of any violation by UTC of NYSE corporate governance listing standards as of the date of the certification.

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

ELECTRONIC ACCESS
Rather than receiving mailed copies, registered shareowners may sign up at the following website for electronic communications, including annual meeting materials, stock plan statements and tax documents:
www.computershare-na.com/green.

For annual meeting materials, your enrollment is revocable until a week before each year's record date for the annual meeting. Beneficial shareowners may be able to request electronic access by contacting their broker or bank, or Broadridge Financial Solutions at: **http://enroll.icsdelivery.com/utc.**

ADDITIONAL INFORMATION

Shareowners may obtain, without charge, a copy of the UTC Annual Report on Form 10-K for fiscal year 2013 filed with the Securities and Exchange Commission by writing to:

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

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

SHAREOWNER INFORMATION SERVICES

Our Internet and telephone services give shareowners fast access to UTC financial results. The 24-hour-a-day, toll-free telephone service includes recorded summaries of UTC's quarterly earnings information and other company news.

To access the service, dial 1.800.881.1914 from any touch-tone phone and follow the recorded instructions.

DIRECT REGISTRATION SYSTEM

If your shares are held in street name through a broker and you are interested in participating in the Direct Registration System, you may have your broker transfer the shares to Computershare Trust Company, N.A., electronically through the Direct Registration System.

ENVIRONMENTALLY FRIENDLY REPORT

This annual report is printed on recycled and recyclable paper.

www.utc.com
www.bis.utc.com
www.otis.com
www.pw.utc.com
www.sikorsky.com
www.utcaerospacesystems.com

United Technologies Corporation **Exhibit 21**
Subsidiary and Affiliate Listing
December 31, 2013

Entity Name	Place of Incorporation
3090445 Nova Scotia Limited	Canada
3234808 Nova Scotia Limited	Canada
Augusta (Gibraltar) Holdings I Limited	Gibraltar
Augusta (Gibraltar) Holdings II Limited	Gibraltar
Australia Holdings Inc.	Delaware
Auxiliary Power International Corporation	Delaware
Beesail Limited	United Kingdom
Bridgecam (Ireland) Limited	Ireland
Cambridge Luxembourg S.à r.l	Luxembourg
Caricor Ltd.	Delaware
Carrier Commercial Refrigeration, Inc.	Delaware
Carrier Corporation	Delaware
Carrier Enterprise, LLC	Delaware
Carrier HVACR Investments B.V.	Netherlands
Carrier Mexico S.A. de C.V.	Mexico
Carrier Technologies ULC	Canada
Ceesail Limited	United Kingdom
Chubb Fire Limited	United Kingdom
Chubb Group Limited	United Kingdom
Chubb Group Security Limited	United Kingdom
Chubb International (Netherlands) BV	Netherlands
Chubb International Holdings Limited	United Kingdom
Chubb International Limited	United Kingdom
Chubb Limited	United Kingdom
Chubb Nederland B.V.	Netherlands
Chubb Security Holdings Australia Pty Ltd	Australia
Commonwealth Luxembourg Holdings S.à r.l	Luxembourg
Delavan Inc.	Delaware
Derco Logistics, Inc.	Wisconsin
Devonshire Switzerland Holdings GmbH	Switzerland
Elevadores Otis Ltda.	Brazil
Empresas Carrier, S. De R.L. De C.V.	Mexico
Fyrnetics (Hong Kong) Limited	Hong Kong
Goodrich Aerospace Canada Ltd	Canada
Goodrich Aftermarket Services Limited	United Kingdom
Goodrich Control Systems	United Kingdom
Goodrich Corporation	New York
Goodrich Limited	United Kingdom
Goodrich Luxembourg Holding S.a.r.l.	Luxembourg
Goodrich Pump & Engine Control Systems, Inc.	Delaware

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2013

Entity Name	Place of Incorporation
Goodrich XCH Luxembourg B.V./S.a.r.l.	Netherlands
Gulf Security Technology Company Limited	China
Hamilton Sundstrand Corporation	Delaware
Hamilton Sundstrand Holdings, Inc.	Delaware
Hamilton Sundstrand International Holdings (Luxembourg) S.à r.l	Luxembourg
HEJ Holding, Inc.	Delaware
Helicopter Support, Inc.	Connecticut
IAE International Aero Engines AG	Switzerland
International Aero Engines, LLC	Delaware
JMS I Corporation	Delaware
Kaysail Limited	United Kingdom
Kidde America Inc.	Delaware
Kidde Graviner Limited	United Kingdom
Kidde Holdings Limited	United Kingdom
Kidde International Limited	United Kingdom
Kidde Limited	United Kingdom
Kidde Technologies Inc. (*)	Delaware
Kidde UK	United Kingdom
Kidde US Holdings Inc.	Delaware
KNA Inc.	Delaware
Latin American Holding, Inc.	Delaware
Lenel Systems International, Inc.	Delaware
Netherlands Parkview Coöperatief U.A.	Netherlands
NSI, Inc.	Delaware
Otis Elevator (China) Company Limited	China
Otis Elevator Company (DE)	Delaware
Otis Elevator Korea	Republic of Korea
Otis Holdings GmbH & Co. OHG	Germany
Otis Limited	United Kingdom
Otis Pacific Holdings B.V.	Netherlands
Otis S.C.S.	France
Parkview Participations LLC	Delaware
Parkview Treasury Services (UK) Limited	United Kingdom
Pratt & Whitney Aero Engines International Services GmbH	Switzerland
Pratt & Whitney Canada Corp.	Canada
Pratt & Whitney Canada Holdings Corp.	Canada
Pratt & Whitney Canada Leasing, Limited Partnership	Canada
Pratt & Whitney Component Solutions Inc.	Michigan
Pratt & Whitney Engine Leasing, LLC	Delaware
Pratt & Whitney Holdings LLC	Cayman Islands
Pratt & Whitney Materials International Sàrl	Switzerland

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2013

Entity Name	Place of Incorporation
Pratt Aero Limited Partnership	Canada
Rohr, Inc.	Delaware
Rosemount Aerospace Inc.	Delaware
Shanghai Yileng Carrier Air Conditioning Equipment Company Limited	China
SICLI Holding SAS	France
Sikorsky Aircraft Corporation	Delaware
Sikorsky Global Helicopters, Inc.	Pennsylvania
Simmonds Precision Products, Inc.	New York
Sirius Korea Limited	United Kingdom
South American Coöperatief U.A.	Netherlands
Trenton Luxembourg S.à r.l	Luxembourg
Trumbull Holdings SCS	France
United Technologies Australia Holdings Limited	Australia
United Technologies Canada, Ltd.	Canada
United Technologies Corporation (DE)	Delaware
United Technologies Cortran, Inc.	Delaware
United Technologies Electronic Controls, Inc.	Delaware
United Technologies Far East Limited	Hong Kong
United Technologies Finance (U.K.) Limited	United Kingdom
United Technologies France SAS	France
United Technologies Holding GmbH	Germany
United Technologies Holdings Italy Srl	Italy
United Technologies Holdings Limited	United Kingdom
United Technologies Holdings SAS	France
United Technologies International Corporation	Delaware
United Technologies International Corporation-Asia Private Limited	Singapore
United Technologies International SAS	France
United Technologies Luxembourg S.à r.l	Luxembourg
United Technologies Paris SNC	France
UT Finance Corporation	Delaware
UT Luxembourg Holding II S.à r.l	Luxembourg
UT Park View, Inc.	Delaware
UTC (US) LLC	Delaware
UTC Canada Corporation	Canada
UTC Corporation	Delaware
UTC Fire & Security Americas Corporation, Inc	Delaware
UTC Fire & Security Corporation	Delaware
UTC Fire & Security Luxembourg S.a r.l.	Luxembourg
UTCL Holdings, Limited	Canada
UTCL Investments B.V.	Netherlands
UTX Holdings S.C.S.	France

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2013

Entity Name	Place of Incorporation
Wytwornia Sprzetu Komunikacyjnego PZL-Rzeszow S.A.	Poland
Xizi Otis Elevator Company Limited	China
Zardoya Otis, S.A.	Spain

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

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, as defined by Rule 1-02 of Regulation S-K.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-188957), and in the Registration Statements on Form S-8 (Nos. 333-183123, 333-177520, 333-177517, 333-175781, 333-150643, 333-125293, 333-110020, 333-100724, 333-100723, 333-100718, 333-77817, and 033-51385) of United Technologies Corporation of our report dated February 6, 2014 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareowners, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 6, 2014 relating to the financial statement schedule, which appears on page S-I of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hartford, Connecticut
February 6, 2014

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 CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2013, 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 3rd day of February, 2014.

/s/ JOHN V. FARACI

John V. Faraci

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2013, 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 3rd day of February, 2014.

/s/ JEAN-PIERRE GARNIER

Jean-Pierre Garnier

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 2014.

/s/ JAMIE S. GORELICK

Jamie S. Gorelick

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 2014.

/s/ EDWARD A. KANGAS

Edward A. Kangas

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 2014.

/s/ ELLEN J. KULLMAN

Ellen J. Kullman

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 CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2013, 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 3rd day of February, 2014.

/s/ MARSHALL O. LARSEN

Marshall O. Larsen

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 2014.

/s/ HAROLD W. MCGRAW III

Harold W. McGraw III

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2013, 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 3rd day of February, 2014.

/s/ RICHARD B. MYERS

Richard B. Myers

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 CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2013, 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 3rd day of February, 2014.

/s/ H. PATRICK SWYGERT

H. Patrick Swygert

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2013, 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 3rd day of February, 2014.

/s/ ANDRÉ VILLENEUVE

André Villeneuve

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2013, 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 3rd day of February, 2014.

/s/ CHRISTINE TODD WHITMAN

Christine Todd Whitman

Exhibit 31.1

CERTIFICATION

I, Louis R. Chênevert, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LOUIS R. CHÊNEVERT

Louis R. Chênevert

Chairman & Chief Executive Officer

Date: February 6, 2014

Exhibit 31.2

CERTIFICATION

I, Gregory J. Hayes, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GREGORY J. HAYES

Gregory J. Hayes

Senior Vice President and Chief Financial Officer

Date: February 6, 2014

Exhibit 31.3

CERTIFICATION

I, John E. Stantial, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN E. STANTIAL

John E. Stantial

Acting Controller and Assistant Controller, Financial Reporting

Date: February 6, 2014

Exhibit 32

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

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

The Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 6, 2014

/s/ LOUIS R. CHÊNEVERT
Louis R. Chênevert
Chairman & Chief Executive Officer

Date: February 6, 2014

/s/ GREGORY J. HAYES
Gregory J. Hayes
Senior Vice President and Chief Financial Officer

Date: February 6, 2014

/s/ JOHN E. STANTIAL
John E. Stantial
Acting Controller and Assistant Controller, Financial Reporting