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, 2010

Commission file number 1-812

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

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

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

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

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

Indicate by check mark 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 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 is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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, 2010 was approximately $60,250,861,135, 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, 2011, there were 920,456,248 shares of Common Stock outstanding.

List hereunder documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) portions of the United Technologies Corporation 2010 Annual Report to Shareowners are incorporated by reference in Parts I, II and IV hereof; and (2) portions of the United Technologies Corporation Proxy Statement for the 2011 Annual Meeting of Shareowners are incorporated by reference in Part III hereof.

Table of Contents

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

Index to Annual Report
on Form 10-K for
Year Ended December 31, 2010

Table of Contents

UNITED TECHNOLOGIES CORPORATION

Annual Report on Form 10-K for
Year Ended December 31, 2010

Whenever reference is made in this Form 10-K to specific sections of UTC's 2010 Annual Report to Shareowners (2010 Annual Report), those sections are incorporated herein by reference. United Technologies Corporation and its subsidiaries' names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of United Technologies Corporation and its subsidiaries. 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" or "UTC," unless the context otherwise requires, mean United Technologies Corporation and its subsidiaries.

PART I

Item 1. Business

General

United Technologies Corporation was incorporated in Delaware in 1934. UTC provides high technology products and services to the building systems and aerospace industries worldwide. Growth is attributable to 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 2010 Annual Report, especially the information contained therein under the heading "Business Overview."

Our operating units include businesses with operations throughout the world. Otis, Carrier and UTC Fire & Security (collectively referred to as the commercial businesses) serve customers in the commercial and residential property industries worldwide. Carrier also serves commercial, industrial, transport refrigeration and food service equipment customers. Pratt & Whitney, Hamilton Sundstrand and Sikorsky (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. Hamilton Sundstrand, Pratt & Whitney and UTC Fire & Security also serve customers in certain industrial markets. For 2010, our commercial and industrial sales (generated principally by our commercial businesses) were approximately 57 percent of our consolidated net sales, and commercial aerospace and military aerospace sales were approximately 22 percent and 21 percent, respectively, of our consolidated net sales. Sales for 2010 from outside the United States, including U.S. export sales, were 60 percent of our total segment 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

We conduct our business through six principal segments: Otis, Carrier, UTC Fire & Security, Pratt & Whitney, Hamilton Sundstrand and Sikorsky. Each segment groups similar operating companies and 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.

Carrier—heating, ventilating, air conditioning (HVAC) and refrigeration systems, controls, services and energy-efficient products for residential, commercial, industrial and transportation applications.

UTC Fire & Security—fire and special hazard detection and suppression systems, firefighting equipment, security, monitoring and rapid response systems and service, and security personnel services.

Pratt & Whitney—commercial, military, business jet and general aviation aircraft engines, parts and services, industrial gas turbines, geothermal power systems and space propulsion.

Hamilton Sundstrand—aerospace products and aftermarket services, including power generation, management and distribution systems, flight control systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units, propeller systems and industrial products, including air compressors, metering pumps and fluid handling equipment.

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

Segment financial data for the years 2008 through 2010, including financial information about foreign and domestic operations and export sales, appears in Note 18 to the Consolidated Financial Statements in our 2010 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 2010 Annual Report. Similarly, total segment backlog as discussed below includes 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, to a limited extent, through sales representatives and distributors.

Sales generated by Otis' international operations were 82 percent and 80 percent of total Otis segment sales in 2010 and 2009, respectively. At December 31, 2010, Otis' backlog was $13,923 million as compared to $14,550 million at December 31, 2009. Of the total Otis backlog at December 31, 2010, approximately $7,874 million is expected to be realized as sales in 2011.

Carrier

Carrier is the world's largest provider of HVAC and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. Carrier also provides installation, retrofit and aftermarket services for the products it sells and those of other manufacturers in the HVAC and refrigeration industries. In 2010, Carrier continued to execute the business transformation strategy it began in 2008 by completing divestitures of several non-core businesses and taking noncontrolling equity interests in ventures with partners in Asia, the U.S., Europe, and the Middle East. These included a distribution venture to distribute Carrier heating and air conditioning products in California and the western United States, the sale of a controlling equity interest in Carrier's Korean air conditioning operations, and the sale of a significant part of Carrier's equity interest in a publicly-traded manufacturer and distributor of residential air conditioning products in Egypt and other parts of Africa. Carrier's products and services are sold under Carrier and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. Through its venture with Watsco, Inc., Carrier 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. Carrier sells directly to end customers and through manufacturers' representatives, distributors, wholesalers, dealers and retail outlets. Certain of Carrier's HVAC businesses are seasonal and can be impacted by weather. Carrier 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 Carrier products. We account for incentive payments made as a reduction to sales.

Sales generated by Carrier's international operations, including U.S. export sales, were 56 percent and 55 percent of total Carrier segment sales in 2010 and 2009, respectively. At December 31, 2010, Carrier's backlog was $2,240 million as compared to $2,199 million at December 31, 2009. Substantially all of the backlog at December 31, 2010 is expected to be realized as sales in 2011.

UTC Fire & Security

UTC Fire & Security is a global provider of security and fire safety products and services. UTC Fire & 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. UTC Fire & Security also provides monitoring, response and security personnel services, including cash-in-transit security, to complement its electronic security and fire safety businesses. In 2010, we completed the acquisition of the GE Security business from General Electric Company. With the acquisition of GE Security, UTC strengthened its 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, and also significantly enhanced UTC Fire & Security's North American presence. UTC Fire & Security products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants and other end-users requiring a high level of security and fire protection for their businesses and residences. UTC Fire & Security provides its products and services under Chubb, Kidde and other brand names and sells directly to the customer as well as through manufacturer representatives, distributors, dealers and U.S. retail distribution.

Sales generated by UTC Fire & Security's international operations, including U.S. export sales, were 84 percent and 82 percent of total UTC Fire & Security segment sales in 2010 and 2009, respectively. At December 31, 2010, UTC Fire & Security's backlog was $1,106 million as compared to $898 million at December 31, 2009. Most of the backlog at December 31, 2010 is expected to be realized as sales in 2011.

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 Global Services 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 aircraft in the commercial and military markets. Pratt & Whitney Power Systems sells aero-derivative engines for industrial applications. Pratt & Whitney Canada (P&WC) is a world leader in the production of engines powering business, regional, light jet, utility and military aircraft and helicopters and provides related maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated space propulsion systems for military and commercial applications, including the U.S. space shuttle program.

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, 2010, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from 14 percent to 48 percent. In addition, Pratt & Whitney has interests in other engine programs, including a 33 percent interest in the International Aero Engines (IAE) collaboration, which sells and supports V2500 engines for the Airbus A320 family of aircraft. At December 31, 2010, portions of Pratt & Whitney's interests in IAE (equivalent to 4 percent of the overall IAE collaboration) were held by third party participants. Pratt & Whitney also has a 50 percent interest in the Engine Alliance (EA), a joint venture with GE Aviation, which markets and manufactures the GP7000 engine for the Airbus A380 aircraft. At December 31, 2010, 40 percent of Pratt & Whitney's 50 percent interest in the EA was held by third party participants. Pratt & Whitney continues to pursue additional collaboration partners.

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. In addition, Pratt & Whitney is currently developing technology intended to enable it to power proposed and future aircraft, including the PurePower PW1000G Geared TurboFan engine. 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 2009, Pratt & Whitney successfully completed ground and flight testing of a demonstrator engine for the PurePower PW1000G engine. In December 2010, Airbus announced that it will offer the PurePower PW1000G engine as a new engine option to power its A320neo family of aircraft scheduled to enter into service in 2016. Additionally, PurePower PW1000G engine models have been selected by Bombardier to power the new CSeries passenger aircraft and by Mitsubishi Heavy Industries to power the new Mitsubishi Regional Jet (MRJ), scheduled to enter into service in 2013 and 2014, respectively. In 2010, the gas generator core of the MRJ version of the PurePower PW1000G engine successfully completed over 260 hours of ground testing and the initial production version of the Bombardier CSeries PurePower PW1000G engine successfully completed over 120 hours of ground testing. Irkut Corporation of Russia has also selected the PurePower PW1000G engine to power the proposed new Irkut MC-21 passenger aircraft, which is planned to enter into service in 2016. The success of these aircraft and the PurePower PW1000G engine is dependent upon many factors including technological challenges, 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. Pratt & Whitney has also received Federal Aviation Authority (FAA) and European Aviation Safety Agency (EASA) certification for the Advantage70 upgrade to its PW4000 engine for Airbus A330 aircraft. The Advantage70 upgrade is intended to reduce maintenance and fuel costs and increase thrust. PWR is developing a liquid fuel J-2X engine to support NASA's vision for space exploration. PWR is also upgrading the performance of the RS-68 engine to support U.S. Air Force launch requirements and NASA requirements. P&WC is developing the PW210 engine for Sikorsky's S-76D helicopter and 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, space launch vehicle providers 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 were 12 percent and 11 percent of total Pratt & Whitney segment sales in 2010 and 2009, respectively, before taking into account discounts or financial incentives offered to customers. Sales to the U.S. government were 32 percent of total Pratt & Whitney segment sales in each of 2010 and 2009.

Sales generated by Pratt & Whitney's international operations, including U.S. export sales, were 52 percent of total Pratt & Whitney segment sales in each of 2010 and 2009. At December 31, 2010, Pratt & Whitney's backlog was $23,533 million, including $5,059 million of U.S. government-funded contracts and subcontracts. At December 31, 2009, these amounts were $22,614 million and $4,577 million, respectively. Of the total Pratt & Whitney backlog at December 31, 2010, approximately $7,065 million is expected to be realized as sales in 2011. Pratt & Whitney's backlog includes certain contracts for which actual costs may ultimately exceed total sales. See Note 1 to the Consolidated Financial Statements in our 2010 Annual Report for a description of our accounting for long-term contracts.

Hamilton Sundstrand

Hamilton Sundstrand is among the world's leading suppliers of technologically advanced aerospace and industrial products and aftermarket services for diversified industries worldwide. Hamilton Sundstrand's aerospace products, such as power generation, management and distribution systems, flight control systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems, serve commercial, military, regional, business and general aviation, as well as military ground vehicle, space and undersea applications. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet maintenance programs. Hamilton Sundstrand sells aerospace products to airframe manufacturers, the U.S. and foreign governments, aircraft operators and independent distributors. Sales to the U.S. government were 24 percent and 26 percent of total Hamilton Sundstrand segment sales in 2010 and 2009, respectively.

Hamilton Sundstrand is engaged in development programs for the Boeing 787 aircraft, the Bombardier CSeries aircraft, the Mitsubishi Regional Jet, the Airbus A350 aircraft, the Irkut MC-21 aircraft, the COMAC C919 aircraft, the Lockheed Martin F-35 Lightning II military aircraft and the Airbus A400M military aircraft. Hamilton Sundstrand 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 and thermal control systems for the U.S. space shuttle program, the international space station and the Orion crew exploration vehicle.

Hamilton Sundstrand's principal industrial products, such as air compressors, metering pumps and fluid handling equipment, serve industries involved with chemical and hydrocarbon processing, oil and gas production, water and wastewater treatment and construction. Hamilton Sundstrand sells these products under the Sullair, Sundyne, Milton Roy and other brand names directly to end users, and through manufacturer representatives and distributors.

Sales generated by Hamilton Sundstrand's international operations, including U.S. export sales, were 49 percent and 50 percent of total Hamilton Sundstrand segment sales in 2010 and 2009, respectively. At December 31, 2010, Hamilton Sundstrand's backlog was $5,119 million, including $719 million of U.S. government-funded contracts and subcontracts. At December 31, 2009, these amounts were $5,077 million and $835 million, respectively. Of the total Hamilton Sundstrand backlog at December 31, 2010, approximately $2,496 million is expected to be realized as sales in 2011.

Sikorsky

Sikorsky is the world's largest helicopter company. 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 and requires significant additional assembly hours relative to the previous variants. In December 2007, the U.S. government and Sikorsky signed a five-year multi-service contract for 537 H-60 helicopters to be delivered to the U.S. Army and U.S. Navy, which include the UH-60M, HH-60M, MH-60S and MH-60R. The contract includes options for an additional 263 aircraft, spare parts, and kits, potentially making it the largest contract in UTC and Sikorsky history. Actual production quantities will be determined year-by-year over the life of the program based on funding allocations set by Congress and Pentagon acquisition priorities. The deliveries of the aircraft are scheduled to be made through 2012. 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, production, and 24-year logistical support of 28 helicopters. This is the largest and most expansive fixed-price development contract in Sikorsky's history. As previously disclosed, in June 2010 Sikorsky and the Canadian government signed contract amendments that revised the delivery schedule and contract specifications, and established the requirements for the first six interim aircraft deliveries to enable initial operational test and evaluation activities prior to the scheduled delivery of final configuration helicopters starting in June 2012. The amendments also included modifications to the liquidated damages schedule, readjustment of payment schedules, resolution of open disputes and other program enhancements. Delivery of the interim configuration helicopters was scheduled to commence in November 2010, but is now expected to begin in the first quarter of 2011.

Sikorsky's aftermarket business includes spare parts sales, overhaul and repair services, maintenance contracts and logistics support programs for helicopters and other aircraft. Sales are 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 68 percent and 63 percent of total Sikorsky segment sales in 2010 and 2009, respectively. Sales generated by Sikorsky's international operations, including U.S. export sales, were 33 percent and 32 percent of total Sikorsky segment sales in 2010 and 2009, respectively. At December 31, 2010, Sikorsky's backlog was $9,287 million, including $4,234 million of U.S. government-funded contracts and subcontracts. At December 31, 2009, these amounts were $10,329 million and $4,957 million, respectively. Of the total Sikorsky backlog at December 31, 2010, approximately $5,421 million is expected to be realized as sales in 2011.

Other

UTC Power is a world leader in the application of fuel cell technology for stationary and transportation applications. UTC Power has delivered more than 280 of its 200kW phosphoric acid fuel cell power plants for stationary installations since 1992. UTC Power ceased production of the 200kW unit in 2009 and began deliveries of its 400kW phosphoric acid fuel cell. This new fuel cell is expected to have greater durability than any other large stationary fuel cell currently available in the market. UTC Power's automotive and bus transportation fuel cell power plants are based on proton exchange membrane (PEM) technology. PureMotion 120 power plants are currently used in revenue service in transit bus applications in Connecticut, California and Europe. UTC Power is currently developing PEM fuel cells for submarine applications. In addition, UTC Power is the maker of alkaline-based fuel cells used to provide electricity and drinking water to the U.S. space shuttle.

Although fuel cells are generally believed to be superior to conventional power generation technologies in terms of total system efficiency and environmental characteristics, the technology is still in either early commercialization or the development stage. Continued technology advancement and cost reduction are required to achieve wide-scale market acceptance. Government support is needed to fully commercialize fuel cell technology. There is still significant uncertainty as to whether and when commercially viable fuel cells will be produced.

In January 2010, we acquired a 49.5% equity stake in Clipper Windpower Plc (Clipper), a California-based wind turbine manufacturer. In December 2010, we completed the acquisition of all of the remaining shares of Clipper. This investment is intended to expand our power generation portfolio and allow us to enter the wind power market by leveraging our expertise in blade technology, turbines and gearbox design.

The results of UTC Power and Clipper are included in the "Eliminations and other" category in the segment financial data in Note 18 to the Consolidated Financial Statements in our 2010 Annual Report.

Other Matters Relating to Our Business as a Whole

Competition and Other Factors Affecting Our Businesses

As worldwide businesses, our operations can be affected by a variety of economic and other factors, including those described in this section, in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2010 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 United States and other countries, and each competes on the basis of price, delivery schedule, product performance and service.

Our aerospace businesses are subject to substantial competition from domestic manufacturers, foreign manufacturers (whose governments sometimes provide research and development assistance, marketing subsidies and other assistance for their national 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, see Notes 4, 14 and 15 to the Consolidated Financial Statements in our 2010 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 and Turbomeca.

Research and Development

Since changes in technology can have a significant impact on our operations and competitive position, we spend substantial amounts of our own funds on research and development. These expenditures, which are charged to expense as incurred, were $1,746 million or 3.2 percent of total sales in 2010, as compared with $1,558 million or 3.0 percent of total sales in 2009 and $1,771 million or 3.0 percent of total sales in 2008. We also perform research and development work under contracts funded by the U.S. government and other customers. This contract research and development, which is performed principally in the Pratt & Whitney segment and to a lesser extent in the Hamilton Sundstrand and Sikorsky segments, amounted to $1,951 million in 2010, as compared to $2,124 million in 2009 and $2,101 million in 2008. These contract research and development costs include amounts that are expensed as incurred, through cost of products sold, and amounts that are capitalized into inventory to be subsequently recovered through production aircraft shipments. Of the total contract research and development costs, $1,890 million, $2,095 million and $2,008 million were expensed in 2010, 2009 and 2008, respectively. The remaining costs have been capitalized.

U.S. Government Contracts

U.S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. In the case of a termination for convenience, we would normally be entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. Most of our U.S. government sales are made under fixed-price type contracts, while approximately $2,961 million or 5.5 percent of our total sales for 2010 were made under cost-reimbursement type contracts.

Our contracts with the U.S. government are also subject to audits. Like many defense contractors, we have received audit reports from the U.S. government which recommend that we reduce certain contract prices because cost or pricing data we submitted in negotiation of the contract prices or cost accounting practices may not have conformed to government regulations. Some of these audit reports have 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 2010 Annual Report for further discussion.

Compliance with Environmental and Other Government Regulations

Our operations are subject to and affected by environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. We have incurred and will likely continue to incur liabilities under various government statutes for the cleanup of pollutants previously released into the environment. We do not anticipate that compliance with current provisions relating to the protection of the environment or that any payments we may be required to make for cleanup liabilities will have a material adverse effect upon our cash flows, competitive position, financial condition or results of operations. Environmental matters are further addressed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 1 and 17 to the Consolidated Financial Statements in our 2010 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, elevator safety codes and fire safety regulations are important to the businesses of Carrier, Otis and UTC Fire & Security, respectively, while government safety and performance regulations, restrictions on aircraft engine noise and emissions and government procurement practices can impact our aerospace businesses.

Intellectual Property and Raw Materials and Supplies

We maintain a portfolio of patents, trademarks, licenses and franchises related to our businesses. While this portfolio is cumulatively important to our business, we do not believe that the loss of any one or group of related patents, trademarks, licenses or franchises would have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

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 United States, we are largely dependent upon foreign sources for certain raw materials requirements such as cobalt (Finland, Norway, Russia and Canada), tantalum (Australia and Canada), chromium (South Africa, Kazakhstan, Zimbabwe and Russia) and rhenium (Chile, Kazakhstan and Germany). We have a number of ongoing programs to manage this dependence and the accompanying risk, including long-term agreements and the conservation of materials through scrap reclamation and new manufacturing processes. We believe that our supply management practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Although recent high prices for some raw materials important to some of our businesses (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 cash flows, competitive position, financial condition or results of operations. 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, 2010, our total number of employees was approximately 208,200, approximately 65 percent of which represents employees based outside the United States. The number of employees increased in 2010, as compared to 2009, reflecting the impact of acquisitions across the company, most notably the 2010 acquisition of the GE Security business, which we are in the process of integrating within the UTC Fire & Security segment. The increase in the number of employees in 2010 associated with acquisition activity was partially offset by headcount reductions associated with initiated restructuring actions. During 2010, we renegotiated eight domestic multi-year collective bargaining agreements, the largest of which covered certain workers at Pratt & Whitney, Hamilton Sundstrand and Sikorsky. In 2011, numerous collective bargaining agreements are subject to renegotiation, the largest of which cover certain workers at Carrier. Although some previous contract renegotiations have had a significant impact on our financial condition or results of operations, particularly at Sikorsky, we do not anticipate that the renegotiation of these contracts will have a material adverse effect on our cash flows, competitive position, financial condition or results of operations. For discussion of the effects of our restructuring actions on employment, see Item 1A, “Risk Factors” and Item 3, “Legal Proceedings” in this Form 10-K and under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 12 to the Consolidated Financial Statements in our 2010 Annual Report.

For a discussion of other matters which may affect our cash flows, competitive position, 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 2010 Annual Report.

Cautionary Note Concerning Factors That May Affect Future Results

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

- future sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance;

- the effect of economic conditions in the markets in which we operate and in the United States 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 the financial condition of our customers and suppliers;
- delays and disruption in delivery of materials and services from suppliers;
- new business opportunities;
- cost reduction efforts and restructuring costs and savings and other consequences thereof;
- the scope, nature or impact of acquisition and divestiture activity, including integration of acquired businesses into our existing businesses;
- 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;
- future levels of indebtedness and capital and research and development spending;
- future availability of credit;
- pension plan assumptions and future contributions; and
- the effect of changes in tax, environmental and other laws and regulations in the United States and other countries in which we operate.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. This Form 10-K includes important information as to factors that may cause actual results to vary materially from those stated in the forward-looking statements. See the “Notes to Consolidated Financial Statements” under the heading “Contingent Liabilities,” the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Overview,” “Critical Accounting Estimates,” “Results of Operations,” and “Liquidity and Financial Condition,” and the section titled “Risk Factors.” This Form 10-K also includes important information as to these risk 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 2010 Annual Report in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Environmental Matters” and “Restructuring and Other Costs.” For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with the SEC from time to time.

Item 1A. Risk Factors

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, including, but not limited to, those set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion in the “Business” section under the headings “Other Matters Relating to Our Business as a Whole” and “Cautionary Note Concerning Factors That May Affect Future Results” in this Form 10-K and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to Consolidated Financial Statements” in our 2010 Annual Report.

Our Global Growth Is Subject to a Number of Economic Risks

The global economy, which experienced a significant downturn throughout 2008 and 2009, including widespread recessionary conditions, record levels of unemployment, significant distress of financial institutions, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others, began showing signs of gradual improvement in 2010. However, while some economic indicators trended positively, the overall rate of global recovery experienced during the course of 2010 has been uneven and uncertainty continues to exist over the stability of the recovery. Global gross domestic product growth in 2010 was led by emerging markets. In the developed economies, particularly in Europe, where the recovery is sluggish, the unwinding of fiscal stimuli and lingering high unemployment have encouraged the use of expansionary monetary policies to sustain economic recoveries. Although consumer confidence in the U.S. has improved since the economic downturn, it still remains low, while unemployment remains high and the housing market remains depressed. There can be no assurance that any of the recent economic improvements will be broad based and sustainable, or that they will enhance conditions in markets relevant to us. Further, there can be no assurance that we will not experience further adverse effects that may be material to our cash flows, competitive position, financial condition, results of operations, or our ability to access capital. While these economic developments have not impaired our ability to access credit markets and finance our operations to date, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies. These economic developments 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 airline customers and business jet operators, and government procurement. Strengthening of the rate of exchange for the U.S. Dollar against certain major currencies such as the Euro, the Canadian Dollar and other currencies also adversely affects our results.

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 57% of our consolidated net sales in 2010, 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, the tightening of the U.S. credit markets and other global and political factors. A slowdown in building and remodeling activity can adversely impact Carrier’s business. In addition to these factors, Carrier’s financial performance can also be influenced by production and utilization of transport equipment and, in its residential business, weather conditions.

The results of our commercial and military aerospace businesses, which generated approximately 43% of our consolidated net sales in 2010, 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 in 2010, uncertainty continues to exist. As a result, financial difficulties, including bankruptcy, of one or more of the major commercial airlines could result in significant cancellations of orders, reductions in our aerospace sales and losses under existing contracts. In addition, capital spending and demand for aircraft engine 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, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, corporate profitability, and backlog levels, all of which could reduce both the demand for air travel and the aftermarket sales and margins of our aerospace businesses. Future terrorist actions or pandemic health issues could dramatically reduce both the demand for air travel and our aerospace businesses aftermarket sales and margins. Also, since a substantial portion of the backlog for commercial aerospace customers is scheduled for delivery beyond 2011, 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. The defense industry is also affected by a changing global political environment, continued pressure on U.S. and global defense spending and U.S. foreign policy and the level of activity in military flight operations. Spare parts sales and aftermarket service trends are affected by similar factors, including usage, pricing, 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 cash flows, competitive position, financial condition or results of operations.

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), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could subject us to fines, penalties, repayments and treble and other damages. The U.S. government could void any contracts found to be tainted by fraud. The U.S. government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other seriously improper conduct. Debarment generally does not exceed three years. Independently, failure to comply with U.S. laws and regulations related to the export of goods and technology outside the United States could result in civil or criminal penalties and suspension or termination of our export privileges. In addition, we are also sensitive to U.S. military budgets, which may fluctuate to reflect the policies of a new administration or Congress.

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 60% of our total 2010 segment 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 may also 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 United States are incurred in the applicable local currency (principally the Euro and the Canadian dollar). For operating units with U.S. dollar sales and local currency costs, there is a 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 13 to the Consolidated Financial Statements in our 2010 Annual Report for a 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 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 civil disturbances, health concerns, 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 cash flows, competitive position, financial condition or results of operations.

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

Our reliance on suppliers, third party contract manufacturing and commodity markets to secure raw materials, parts, components and sub-systems used in our products exposes us to volatility in the prices and availability of these materials. In 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 or third party contract manufacturers, supplier capacity constraints, supplier and third party 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 cash flows, competitive position, financial condition or results of operations.

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 may continue to do so in the future. The success of these transactions will depend on our ability to integrate assets and personnel acquired in connection with these transactions, apply our internal controls processes to these acquired businesses, and cooperate with our strategic partners. However, 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. 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. These divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. Under these arrangements, nonperformance by those divested businesses could result in obligations imposed on us and could affect our future financial results.

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 that pursue advancements in a wide range of technologies, products and services. Our ability to realize the anticipated benefits of these advancements depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules; execution of internal and external performance plans; availability of 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. These factors involve significant risks and uncertainties. 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 currently anticipate. We or our suppliers and subcontractors may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. 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 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. Furthermore, we cannot be sure that our competitors will not develop competing technologies which gain market acceptance in advance 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 affect on our cash flows, competitive position, financial condition or results of operations.

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

We are subject to a variety of litigation, tax and legal compliance risks. These risks include, among other things, possible liability relating to product liability matters, personal injuries, intellectual property rights, government contracts, taxes, environmental matters and compliance with U.S. and foreign export 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), or suspension or debarment from government contracts. Independently, failure of us or one of our business units to comply with applicable export and trade practice laws could result in civil or criminal penalties and suspension or termination of export privileges. 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.

In the area of taxes, 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 legal proceedings and contingencies will arise from time to time. Our results may be affected by the outcome of legal proceedings and other contingencies that cannot be predicted with certainty.

For non-income tax risks, we estimate material loss contingencies and establish reserves as required by generally accepted accounting principles based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a liability or as a reserve against assets in our financial statements and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid. For a description of current legal proceedings, see Part I, Item 3 “Legal Proceedings,” in this Form 10-K. For income tax risks, we recognize tax benefits based on our assessment that a tax benefit has a greater than 50% likelihood of being sustained upon ultimate settlement with the applicable taxing authority that has full knowledge of all relevant facts. For those income tax positions where we assess that there is not a greater than 50% likelihood that such tax benefits will be sustained, we do not recognize a tax benefit in our financial statements. Subsequent events may cause us to change our assessment of the likelihood of sustaining a previously-recognized benefit which could result in a material adverse effect on our financial condition or results of operations in the period in which such event occurs or on our cash flows in the period in which the ultimate settlement with the applicable taxing authority occurs.

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 costs reductions or may otherwise harm our business, which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

We Depend On Our Intellectual Property, and Infringement or Failure to Protect Intellectual Property Could Adversely Affect Our Future Growth and Success

We rely on a combination of patents, trademarks, copyrights, trade secrets and nondisclosure agreements to protect our proprietary intellectual property. Our efforts to protect our 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. In addition, our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us.

Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, subject us to judgments, penalties and significant litigation costs, and/or temporarily or permanently disrupt our sales and marketing of the affected products or services.

Item 1B. Unresolved Staff Comments

None.

Table of Contents

Item 2. Properties

Location	Otis	Carrier	UTC Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
	Number of Facilities - Owned							
Manufacturing:								
North America	—	8	5	36	20	6	—	75
Europe & Middle East	7	7	7	3	17	1	—	42
Asia	4	1	—	6	2	1	—	14
Emerging Markets*	12	17	5	8	11	—	—	53
	23	33	17	53	50	8	—	184
Non-Manufacturing:								
North America	4	7	4	28	4	2	11	60
Europe & Middle East	15	12	4	—	1	—	—	32
Asia	1	2	5	1	—	—	—	9
Emerging Markets*	4	9	4	2	—	—	—	19
	24	30	17	31	5	2	11	120

Location	Otis	Carrier	UTC Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
	Number of Facilities - Leased							
Manufacturing:								
North America	1	3	6	20	9	19	3	61
Europe & Middle East	1	1	12	1	13	1	1	30
Asia	—	1	—	4	2	—	—	7
Emerging Markets*	3	1	13	—	5	—	—	22
	5	6	31	25	29	20	4	120
Non-Manufacturing:								
North America	3	33	18	12	3	7	7	83
Europe & Middle East	10	21	13	—	—	—	—	44
Asia	3	3	7	1	—	—	—	14
Emerging Markets*	6	5	4	—	—	—	—	15
	22	62	42	13	3	7	7	156

* For purposes of this table, emerging markets is based on the countries included in the MSCI Emerging Markets Index℠.

Our fixed assets as of December 31, 2010 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, 2010 are in good operating condition, are well-maintained and substantially all are in regular use.

Item 3. Legal Proceedings

As previously disclosed, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the “Fighter Engine Competition” between Pratt & Whitney’s F100 engine and General Electric’s F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial of this matter, completed in December 2004, the government claimed Pratt & Whitney’s liability to be $624 million. On August 1, 2008, the trial court judge held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in its 1983 offer. In the absence of actual damages, the trial court judge awarded the DOJ the maximum civil penalty of

$7.09 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 DOJ and UTC appealed the decision to the Sixth Circuit Court of Appeals. In November 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act and remanded the case to the U.S. District Court for further proceedings on the question of damages. Should the government ultimately prevail, 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 or cash flows for the period in which damages would be paid.

As previously disclosed, on February 21, 2007, the European Commission's Competition Directorate (EU Commission) ruled that Otis' subsidiaries in Belgium, Luxembourg and the Netherlands, and a portion of the business of Otis' German subsidiary, violated European Union (EU) competition rules and assessed a €225 million (approximately $300 million) civil fine against Otis, its relevant local entities, and UTC, which was paid during 2007. In May 2007, we filed an appeal of the decision before the General Court of the European Court of Justice. A decision on the appeal is expected within the next twelve months. Depending upon the outcome, a further appeal by either party to the European Court of Justice is possible.

As previously disclosed, in December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges it has incurred 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 claims that Sikorsky's liability is approximately $88 million (including interest through December 2010). We believe this claim is without merit, and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims, which is pending.

As previously disclosed, in September 2009, Pratt & Whitney announced plans to close a repair facility in East Hartford, Connecticut by the second quarter of 2010 and an engine overhaul facility in Cheshire, Connecticut by early 2011. The International Association of Machinists (IAM) subsequently filed a lawsuit in the U.S. District Court for the District of Connecticut in Hartford, Connecticut alleging that Pratt & Whitney's decision to close these facilities and transfer certain work to facilities outside Connecticut breached the terms of its collective bargaining agreement with the IAM and seeking to enjoin Pratt & Whitney from moving the work for the duration of the collective bargaining agreement. In February 2010, following a trial on the merits, the District Court issued a declaratory judgment permanently enjoining Pratt & Whitney from closing the facilities and transferring the work for the duration of its current collective bargaining agreement. The parties negotiated a resolution of these outstanding issues as part of a new collective bargaining agreement between the IAM and Pratt & Whitney, which IAM members ratified on December 5, 2010. Among other things, the new collective bargaining agreement includes a plant-closure agreement covering the closure of the two facilities, both of which are expected to take place in 2011.

As previously disclosed, on August 27, 2010, Rolls-Royce plc (Rolls-Royce) sued Pratt & Whitney in the U.S. District Court for the Eastern District of Virginia, alleging that fan blades on certain engines manufactured by Pratt & Whitney infringe a U.S. patent held by Rolls-Royce. Rolls-Royce seeks damages in an unspecified amount plus interest, an injunction, a finding of willful infringement, and attorneys' fees. We intend to vigorously defend the case and believe that Rolls-Royce's patent is invalid and that Pratt & Whitney's products do not infringe it. Trial in the matter could take place as early as March 2011. Should the plaintiff ultimately prevail, 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 or cash flows for the period in which damages would be paid. On November 5, 2010, Pratt & Whitney amended its previously-disclosed complaint against Rolls-Royce in the U.S. District Court for the District of Connecticut, adding Rolls-Royce Group plc (Rolls-Royce Group), the parent of Rolls-Royce, as a party, omitting previously asserted claims, and alleging that certain turbomachinery blades, engines and components manufactured by Rolls-Royce infringe a U.S. patent held by Pratt & Whitney. Pratt & Whitney seeks an injunction, damages, interest, attorney's fees and other relief. On November 5, 2010, Pratt & Whitney also filed complaints against Rolls-Royce in the High Court of Justice, Chancery Division, Patent Court (HCJ) in the United Kingdom (UK) and with the U.S. International Trade Commission (ITC). The HCJ action alleges similar infringement claims against Rolls-Royce based upon a UK patent held by Pratt & Whitney and seeks damages plus interest and all other relief to which Pratt & Whitney is entitled, including attorney's fees, expenses, and a permanent order preventing further infringements. The ITC complaint seeks a permanent exclusion order barring the importation into the U.S. of infringing turbomachinery blades, engines and engine components manufactured by Rolls-Royce and Rolls-Royce Group, and requests a permanent cease-and-desist order against Rolls-Royce and Rolls-Royce Group preventing further importing, marketing, advertising, demonstrating, testing, distributing, licensing, offering for sale, or use of such infringing turbomachinery blades, engines and engine components.

Like many other industrial companies in recent years, we or our subsidiaries are 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 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. Based on the information currently available, we do not believe that resolution of these asbestos-related matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

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.

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

Item 4. (Removed and Reserved)

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 2010 Annual Report containing the following data relating to our common stock: shareholder return, principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends are hereby incorporated by reference.

Issuer Purchases of Equity Securities

The following table provides information about our repurchases of equity securities that are registered by us pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the quarter ended December 31, 2010.

	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	1,926	$ 73.68	1,926	39,202
November 1 - November 30	2,984	74.81	2,979	36,223
December 1 - December 31	2,355	78.62	2,355	33,868
Total	7,265	$ 75.75	7,260	

We repurchase shares under a program announced on March 10, 2010, which authorized the repurchase of up to 60 million shares of our common stock. Under the 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. These repurchases are included within the scope of the overall repurchase program authorized in March 2010. 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. Approximately 5,000 shares were reacquired in transactions outside the program during the quarter ended December 31, 2010.

Item 6. Selected Financial Data

The Five-Year Summary appearing in our 2010 Annual Report is hereby incorporated by reference. See “Notes to Consolidated Financial Statements” in our 2010 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

We hereby incorporate by reference in this Form 10-K the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2010 Annual Report.

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 2010 Annual Report and under the heading “Foreign Exchange and Hedging Activity” in Note 1 and Note 13 to the Consolidated Financial Statements in our 2010 Annual Report.

Item 8. Financial Statements and Supplementary Data

The 2010 and 2009 Consolidated Balance Sheet, and other financial statements for the years 2010, 2009 and 2008, together with the report thereon of PricewaterhouseCoopers LLP dated February 10, 2011 in our 2010 Annual Report are incorporated by reference in this Form 10-K. The 2010 and 2009 unaudited Selected Quarterly Financial Data appearing in our 2010 Annual Report is incorporated by reference in this Form 10-K.

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

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, 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 Vice President, Controller (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 United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework*. Our management concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2010. The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in our 2010 Annual Report.

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 2011 Annual Meeting of Shareowners titled “General Information Concerning the Board of Directors,” “Nominees,” and “Committees of the Board” (under the headings “The Audit Committee” and “The Committee on Nominations and Governance”).

Table of Contents

Executive Officers of the Registrant

The following persons are executive officers of United Technologies Corporation:

Name	Title	Other Business Experience Since 1/1/2006	Age 2/10/2011
Alain Bellemare	President, Hamilton Sundstrand Corporation (since 2009)	President, Pratt & Whitney Canada	49
J. Thomas Bowler, Jr.	Senior Vice President, Human Resources and Organization (since 2007)	Vice President, Human Resources, United Technologies Corporation; Vice President, Human Resources and Organization, Pratt & Whitney	58
William M. Brown	President, UTC Fire & Security (since 2006)	President, Asia Pacific, Carrier Corporation	48
Louis R. Chênevert	Director (since 2006), Chairman (since 2010), President (since 2006) & Chief Executive Officer (since 2008)	President and Chief Operating Officer, United Technologies Corporation; President, Pratt & Whitney	53
Geraud Darnis	President, Carrier Corporation (since 2001)	____	51
Charles D. Gill	Senior Vice President and General Counsel (since 2007)	Vice President, General Counsel, and Secretary, Carrier Corporation; Executive Assistant to Chairman and Chief Executive Officer, United Technologies Corporation	46
Gregory J. Hayes	Senior Vice President and Chief Financial Officer (since 2008)	Vice President, Accounting and Finance, United Technologies Corporation; Vice President, Accounting and Control, United Technologies Corporation; Vice President, Controller, United Technologies Corporation	50
David P. Hess	President, Pratt & Whitney (since 2009)	President, Hamilton Sundstrand Corporation; President, Hamilton Sundstrand Aerospace Power Systems	55
Peter F. Longo	Vice President, Controller (since January 2011)	Vice President, Finance, Hamilton Sundstrand Corporation; Vice President, Finance, Sikorsky Aircraft	51
Didier Michaud-Daniel	President, Otis Elevator (since 2008)	President, Otis United Kingdom and Central Europe Area, Otis Elevator	53
Jeffrey P. Pino	President, Sikorsky Aircraft (since 2006)	Senior Vice President, Corporate Strategy, Marketing & Commercial Programs, Sikorsky Aircraft	56
Thomas I. Rogan	Vice President, Treasurer (since 2001)	____	58

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 2011 Annual Meeting of Shareowners titled “Other Matters” under the heading “Section 16(a) Beneficial Ownership Reporting Compliance.” We have adopted a code of ethics that applies to all our directors, officers, employees and representatives. This code is publicly available on our website at 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 2011 Annual Meeting of Shareowners titled "Executive Compensation" and "Director Compensation."

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

The information relating to security ownership of certain beneficial owners and management and the Equity Compensation Plan Information required by Item 12 is incorporated herein by reference to the sections of our Proxy Statement for the 2011 Annual Meeting titled "Security Ownership of Directors, Nominees, Executive Officers and Certain Beneficial Owners" 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 2011 Annual Meeting titled "General Information Concerning the Board of Directors," "Director Independence," and "Other Matters" (under the heading "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 2011 Annual Meeting titled "Appointment of a Firm of Independent Registered Public Accountants to Serve as Independent Auditors for 2011," 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 by reference from the 2010 Annual Report):

	Page Number in Annual Report
Report of Independent Registered Public Accounting Firm	27
Consolidated Statement of Operations for the three years ended December 31, 2010	28
Consolidated Balance Sheet as of December 31, 2010 and 2009	29
Consolidated Statement of Cash Flows for the three years ended December 31, 2010	30
Consolidated Statement of Changes in Equity for the three years ended December 31, 2010	31
Notes to Consolidated Financial Statements	33
Selected Quarterly Financial Data (Unaudited)	59

(2) Financial Statement Schedule for the three years ended December 31, 2010:

	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.

Table of Contents

Exhibit Number	
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 fiscal year ended December 31, 2006.
3(ii)	Bylaws as amended and restated effective December 10, 2008, incorporated by reference to Exhibit 3(ii) to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on December 12, 2008.
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, and 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 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 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 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 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 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 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.*
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 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 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 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 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 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 June 10, 2009, incorporated by reference to Exhibit 10.7 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2009.
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), effective December 22, 2010.*

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 10.2 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on March 24, 2006.
10.14	United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as amended and restated October 13, 2010, 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.
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 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 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 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 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 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 9, 2008, 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 11, 2008.
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 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 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 fiscal year ended December 31, 2008.

Table of Contents

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 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 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 fiscal year ended December 31, 2009.
10.32	Services Agreement by and between United Technologies Corporation and Ari Bousbib, effective September 1, 2010, incorporated by reference to Exhibit 10.32 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for quarter ended September 30, 2010.
11	Statement Re: Computations of Per Share Earnings.*
12	Statement Re: Computation of Ratios.*
13	Annual Report for the year ended December 31, 2010 (except for the information therein expressly incorporated by reference in this Form 10-K, the Annual Report is provided solely for the information of the SEC and is not to be deemed "filed" as part of this Form 10-K).*
14	Code of Ethics. The UTC Code of Ethics may be accessed via UTC's website at 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, Charles R. Lee, Richard D. McCormick, 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-20101231.xml)
101.SCH	XBRL Taxonomy Extension Schema Document.* (File name: utx-20101231.xsd)
101.CAL	XBRL Taxonomy Calculation Linkbase Document.* (File name: utx-20101231_cal.xml)
101.DEF	XBRL Taxonomy Definition Linkbase Document.* File name: utx-20101231_def.xml)
101.LAB	XBRL Taxonomy Label Linkbase Document.* (File name: utx-20101231_lab.xml)
101.PRE	XBRL Taxonomy Presentation Linkbase Document.* (File name: utx-20101231_pre.xml)

Notes to Exhibits List:

* Submitted electronically herewith.

Exhibits 10.1 through 10.32 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, 2010, (ii) Consolidated Balance Sheet as of December 31, 2010 and 2009, (iii) Consolidated Statement of Cash Flows for the three years ended December 31, 2010, (iv) Consolidated Statement of Changes in Equity for the three years ended December 31, 2010, (v) Notes to Consolidated Financial Statements, and (vi) Financial Schedule of Valuation and Qualifying Accounts.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Table of Contents

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/ PETER F. LONGO
Peter F. Longo
Vice President, Controller

Date: February 10, 2011

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 10, 2011
/s/ GREGORY J. HAYES **(Gregory J. Hayes)**	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 10, 2011
/s/ PETER F. LONGO **(Peter F. Longo)**	Vice President, Controller (Principal Accounting Officer)	February 10, 2011
/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/ CHARLES R. LEE * **(Charles R. Lee)**	Director	
/s/ RICHARD D. MCCORMICK * **(Richard D. McCormick)**	Director	

Table of Contents

Signature	Title	Date
/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 10, 2011

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 10, 2011 appearing in the 2010 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 10, 2011

Table of Contents

SCHEDULE II

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Three Years Ended December 31, 2010
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:	
Balance December 31, 2007	$ 368
Provision charged to income	159
Doubtful accounts written off (net)	(129)
Other adjustments	(12)
Balance December 31, 2008	386
Provision charged to income	145
Doubtful accounts written off (net)	(80)
Balance December 31, 2009	451
Provision charged to income	**58**
Doubtful accounts written off (net)	**(47)**
Other adjustments	**(14)**
Balance December 31, 2010	**$ 448**
Future Income Tax Benefits - Valuation allowance:	
Balance December 31, 2007	$ 545
Additions charged to income tax expense	146
Reductions charged to goodwill, due to acquisitions	(152)
Reductions credited to income tax expense	(11)
Other adjustments	170
Balance December 31, 2008	698
Additions charged to income tax expense	186
Additions charged to goodwill, due to acquisitions	3
Reductions credited to income tax expense	(16)
Other adjustments	32
Balance December 31, 2009	903
Additions charged to income tax expense	**93**
Reductions charged to goodwill, due to acquisitions	**(3)**
Reductions credited to income tax expense	**(44)**
Other adjustments	**(38)**
Balance December 31, 2010	**$ 911**

UNITED TECHNOLOGIES CORPORATION
SENIOR EXECUTIVE SEVERANCE PLAN
AMENDMENT

WHEREAS, the Board of Directors has from time to time, approved modifications to benefits and contract terms under the Senior Executive Severance Plan (the "Plan"), resulting in different benefits, terms and conditions for Participants, depending on their date of participation;

WHEREAS, the Board of Directors wishes to provide the same level of benefits and contract terms for all executives covered by the Plan;

WHEREAS, each Participant has agreed to amend their Plan Agreement to provide, in the event of a Change in Control, a cash severance benefit equal to 2.99 times base salary and target bonus following an involuntary termination or termination following a material adverse change in job responsibilities, location, compensation, or benefits (i.e. a termination for "Good Reason");

WHEREAS, each Participant has agreed to the following benefit reductions to the extant their own agreements provided for any of the following benefits:

(i) Elimination of three years of additional pension service credit and benefit continuation;

(ii) Elimination of reimbursement for excise taxes imposed under Internal Revenue Code Section 280(G) and income taxes due on such reimbursement; and

(iii) Elimination of the ability to resign from the Corporation following a Change in Control and receive Plan benefits. Plan benefits will be provided only if the Participant is involuntarily terminated or terminates for "Good Reason" (as defined in Attachments A and B); and

WHEREAS, the Board of Directors has closed the Plan to new Participants effective June 15, 2009;

NOW THEREFORE, the Plan is hereby amended as follows:

1. The following paragraph shall be added under the Section captioned **"Agreements"**:

   Each Participant who became covered under the Plan prior to December 10, 2003 shall enter into an amendment of their Plan Agreement substantially in the form set forth in Attachment A and each Participant who became covered under the Plan after December 10, 2003 shall enter into an amendment of their Plan Agreement substantially in the form set forth in Attachment B (the "Amendment"). Plan benefits will be limited in accordance with each Participant's amended Agreement, notwithstanding anything to the contrary in the Plan or Agreement as in effect prior to the date of such Amendment.

2. The following paragraph is hereby added to the Plan following the Section captioned **"Miscellaneous"**:

   Closure of the Plan. Effective June 15, 2009, no executive or other person shall become a Participant under this Plan.

Attachment A

Senior Executive Severance Agreement
Amendment

WHEREAS, _____________, (the "Executive") has been selected by the Board of Directors of the Corporation to participate in the Senior Executive Severance Plan (the "Plan"); and

WHEREAS, the Board of Directors has, from time to time, amended the Plan prospectively for new Executives; and

WHEREAS, the Board of Directors has approved the amendment of existing Senior Executive Plan Agreements for the purpose of conforming certain Plan benefits and benefit eligibility requirements to those specified by the most recent amendment to the Plan adopted effective June 11, 2008; and

WHEREAS, the Executive hereby consents and agrees to such a conforming amendment of his Agreement, including for the purposes of: (i) prohibiting the payment of benefits for voluntary termination unless such resignation of employment is for "Good Reason", as defined herein; and (ii) modifying and reducing certain change in control severance related benefits presently provided for in his Agreement;.

NOW THEREFORE, the Executive and the Corporation hereby agree to amend the Executive's Agreement as follows:

1. The paragraph that immediately precedes Section A is hereby deleted and the following is substituted in lieu thereof:

   The Executive shall be entitled to the benefits provided for in this Agreement In the event the Corporation or any subsidiary or affiliate terminates the Executive's employment within two years after a Change in Control. The Executive will not receive these benefits if employment terminates by reason of death, disability, retirement on or after normal retirement age or if the Executive voluntarily terminates employment, unless such voluntary termination is for "Good Reason". Good Reason shall mean, without the Executive's express written consent, the occurrence of any one or more of the following:

   (i) The assignment of the Executive to duties materially inconsistent with the Executive's authorities, duties, responsibilities, and status (including reporting relationships) as an employee of the Corporation, or a reduction or alteration in the nature or status of the Executive's authorities, duties, or responsibilities from those in effect immediately preceding the Change of Control;

   (ii) The Corporation's requiring the Executive to be based at a location which is at least fifty (50) miles further from the current primary residence than is such residence from the Corporation's current headquarters, except for required travel on the Corporation's business to an extent substantially consistent with the Executive's business obligations immediately preceding the Change of Control;

   (iii) A reduction by the Corporation in the Executive's base salary as in effect on the Effective Date or as the same shall be increased from time to time;

   (iv) A material reduction in the Executive's level of participation in any of the Corporation's short- and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or arrangements in which the Executive participates, from the levels in place during the fiscal year immediately preceding the Change of Control; provided, however, that reductions in the levels of participation in any such plans shall not be deemed to be "Good Reason" if the Executive's reduced level of participation or benefits in each such program remains substantially consistent with the average level of participation of other executives who have positions commensurate with the Executive's position; or

   (v) The failure of the Corporation to obtain a satisfactory agreement from any successor to the Corporation to assume and agree to perform its obligations under this Agreement.

   In the event of any of the foregoing occurrences, the Executive shall notify the Corporation of the event constituting the basis for a termination for Good Reason. The Corporation may then take action to cure the Good Reason event or condition. If the Corporation does not remedy the basis for a Good Reason termination within 30 days of receipt of notice from the Executive, the Executive may then terminate his employment for Good Reason and qualify for the benefits provided for in this Agreement.

   The existence of Good Reason shall not be affected by the Executive's temporary incapacity due to physical or mental illness not constituting a Disability. The Executive's Retirement shall constitute a waiver of the Executive's rights with respect to any circumstance constituting Good Reason. The Executive's continued employment shall not constitute a waiver of the Executive's rights with respect to any circumstance constituting Good Reason.

2. Section A of the Agreement is amended and restated as follows:

   A. **Lump Sum Cash Payment**. On or before the Executive's last day of employment with the Corporation, the Corporation will pay to the Executive, as compensation for services rendered to the Corporation, a lump sum cash amount (subject to any applicable payroll or other taxes required to be withheld) equal to 2.99 multiplied by the sum of (a) the Executive's current annual base salary plus (b) the amount of incentive compensation award that would be payable to the Executive in respect of the calendar year in which the Change in Control occurs, calculated on the basis of target level performance. (The incentive compensation referred to in this paragraph is that amount paid or payable under the Annual Executive Incentive Compensation Plan, or any successor plans, of the Corporation.) In the event there are fewer than thirty-six (36) whole or partial months remaining from the date of the Executive's termination to his or her normal retirement date, the amount calculated in this paragraph will be reduced by multiplying it by a fraction the numerator of which is the number of whole or partial months so remaining to his normal retirement date and the denominator of which is thirty-six (36).

3. Section B of the Agreement is amended and restated as follows:

   B. **Long Term Incentive Awards.**

   (i) **Performance Based Long Term Incentive Awards.** Performance based Long Term Incentive Awards granted under the Corporation's 2005 Long Term Incentive Plan (and any predecessor or successor long term incentive plan) shall vest as of the date of the Change in Control. The value of any such award will be determined on the basis of target level performance unless actual measured performance exceeds target, in which case actual performance will determine vesting and award value.

   (ii) **Vesting of Stock Options and Stock Appreciation Rights**. The vesting period for stock option and stock appreciation rights granted under the 2005 Long Term Incentive Plan (and any predecessor or successor long term incentive plan) will be changed, effective as of the date of the Change in Control, to the earlier of: (i) the **scheduled** vesting date; or (ii) the one year anniversary of the date the award was granted. In addition, regardless of the Executive's age or retirement eligibility, the period to exercise stock options and stock appreciation rights will not be less than seven months following termination of employment.

4. Section C, **"Special Retirement Benefits"** is hereby deleted from the Agreement. There will be no enhancement to pension benefits by reason of a Change in Control.

5. Section D, **"Other Provisions"** is hereby amended as follows:

   (a) Subsection (i), **"Insurance and Other Special Benefits"** is deleted in its entirety. The Executive's right to extended coverage under health, life insurance, disability and other benefit plans following termination of employment shall be determined in accordance with the terms of such plans as then in effect and shall not be enhanced by reason of a Change in Control. There will be no post-termination continuation of fringe benefits.

   (b) Subsection (ii), "**Relocation Assistance"** is deleted in its entirety.

   (c) Subsection (iii), "**Incentive Compensation**" is deleted in its entirety, provided however, that deletion of this subsection is not intended and shall not be construed to eliminate or reduce the Executive's right to any Annual Incentive Compensation Plan award that may be payable in accordance with the terms of such plan.

   (d) Subsection (iv), "**Savings and Other Plans**" is deleted in its entirety.

6. Section E, **"Certain Additional Payments by the Corporation"** is deleted in its entirety and replaced by the following:

   E. **Taxes.** The Executive shall be responsible for all taxes due on payments and benefits provided under this Agreement, including any excise taxes that may be due under Section 280G of the Internal Revenue Code. The Corporation shall withhold taxes to the extent required by law.

7. The following subsection shall be added to Section G of the Agreement:

(vii) **Compliance with Section 409A.** Notwithstanding any other provision of this Agreement, if and to the extent that rights or payments provided here are determined to be subject to Section 409A of the Internal Revenue Code, the Executive agrees to make any amendments to this Agreement that may be required to comply with Section 409A. If the Executive is a "specified employee" under Section 409A, any payments subject to Section 409A will be deferred for six months from the date of termination of employment, to the extent required by Section 409A. Any deferred payments shall be credited with interest at the rate credited to fixed income accounts in the Corporation's Deferred Compensation Plan.

Any capitalized terms used herein shall have the same meaning as defined in the Agreement or Plan, as applicable. The Agreement continues in full force and effect except for the provisions specifically amended herein.

Attachment B

Senior Executive Severance Agreement
Amendment

WHEREAS, _____________ (the "Executive") has been selected by the Board of Directors of the Corporation to participate in the Senior Executive Severance Plan (the "Plan"); and

WHEREAS, the Board of Directors has, from time to time, amended the Plan prospectively for new Executives; and

WHEREAS, the Board of Directors has approved the amendment of existing Senior Executive Plan Agreements for the purpose of conforming certain Plan benefits and benefit eligibility requirements to those specified by the most recent amendment to the Plan adopted effective June 11, 2008; and

WHEREAS, the Executive hereby consents and agrees to such a conforming amendment of his Agreement, including for the purposes of: (i) prohibiting the payment of benefits for voluntary termination unless such resignation of employment is for "Good Reason", as defined herein; and (ii) modifying and reducing certain change in control severance related benefits presently provided for in his Agreement;.

NOW THEREFORE, the Executive and the Corporation hereby agree to amend the Executive's Agreement as follows:

1. The paragraph that immediately precedes Section A is hereby deleted and the following is substituted in lieu thereof:

The Executive shall be entitled to the benefits provided for in this Agreement In the event the Corporation or any subsidiary or affiliate terminates the Executive's employment within two years after a Change in Control. The Executive will not receive these benefits if employment terminates by reason of death, disability, retirement on or after normal retirement age or if the Executive voluntarily terminates employment, unless such voluntary termination is for "Good Reason". Good Reason shall mean, without the Executive's express written consent, the occurrence of any one or more of the following:

(i) The assignment of the Executive to duties materially inconsistent with the Executive's authorities, duties, responsibilities, and status (including reporting relationships) as an employee of the Corporation, or a reduction or alteration in the nature or status of the Executive's authorities, duties, or responsibilities from those in effect immediately preceding the Change of Control;

(ii) The Corporation's requiring the Executive to be based at a location which is at least fifty (50) miles further from the current primary residence than is such residence from the Corporation's current headquarters, except for required travel on the Corporation's business to an extent substantially consistent with the Executive's business obligations immediately preceding the Change of Control;

(iii) A reduction by the Corporation in the Executive's base salary as in effect on the Effective Date or as the same shall be increased from time to time;

(iv) A material reduction in the Executive's level of participation in any of the Corporation's short- and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or arrangements in which the Executive participates, from the levels in place during the fiscal year immediately preceding the Change of Control; provided, however, that reductions in the levels of participation in any such plans shall not be deemed to be "Good Reason" if the Executive's reduced level of participation or benefits in each such program remains substantially consistent with the average level of participation of other executives who have positions commensurate with the Executive's position; or

(v) The failure of the Corporation to obtain a satisfactory agreement from any successor to the Corporation to assume and agree to perform its obligations under this Agreement.

In the event of any of the foregoing occurrences, the Executive shall notify the Corporation of the event constituting the basis for a termination for Good Reason. The Corporation may then take action to cure the Good Reason event or condition. If the Corporation does not remedy the basis for a Good Reason termination within 30 days of receipt of notice from the Executive, the Executive may then terminate his employment for Good Reason and qualify for the benefits provided for in this Agreement.

The existence of Good Reason shall not be affected by the Executive's temporary incapacity due to physical or mental illness not constituting a Disability. The Executive's Retirement shall constitute a waiver of the Executive's rights with respect to any circumstance constituting Good Reason. The Executive's continued employment shall not constitute a waiver of the Executive's rights with respect to any circumstance constituting Good Reason.

2. Section A of the Agreement, **"Lump Sum Cash Payment"** is amended by deleting clause (b) of the first sentence ("(b) the amount of the Executive's most recent incentive compensation award") and restating it as follows:

   (b) the amount of incentive compensation award that would be payable to the Executive in respect of the calendar year in which the Change in Control occurs, calculated on the basis of target level performance.

3. Section B, **"Certain Additional Payments by the Corporation"** is deleted in its entirety and replaced by the following:

   B. **Taxes.** The Executive shall be responsible for all taxes due on payments and benefits provided under this Agreement, including any excise taxes that may be due under Section 280G of the Internal Revenue Code. The Corporation shall withhold taxes to the extent required by law.

4. The following subsection shall be added to Section D of the Agreement:

   (viii) **Compliance with Section 409A.** Notwithstanding any other provision of this Agreement, if and to the extent that rights or payments provided here are determined to be subject to Section 409A of the Internal Revenue Code, the Executive agrees to make any amendments to this Agreement that may be required to comply with Section 409A. If the Executive is a "specified employee" under Section 409A, any payments subject to Section 409A will be deferred for six months from the date of termination of employment, to the extent required by Section 409A. Any deferred payments shall be credited with interest at the rate credited to fixed income accounts in the Corporation's Deferred Compensation Plan.

Any capitalized terms used herein shall have the same meaning as defined in the Agreement or Plan, as applicable. The Agreement continues in full force and effect except for the provisions specifically amended herein.

Exhibit 10.12

United Technologies Corporation
Long Term Incentive Plan

Executive Leadership Group
Restricted Share Unit Retention
Award

Schedule of Terms

United Technologies Corporation (the “Corporation”) hereby awards to the executive designated in the Statement of Award (the “Recipient”), who has accepted membership in the Corporation’s Executive Leadership Group (the “ELG”), Restricted Share Units (an “Award”) pursuant to the United Technologies Corporation 2005 Long Term Incentive Plan as amended and restated on April 9, 2008, including subsequent amendments (the “LTIP”). The Award is subject to this Schedule of Terms and the terms, definitions, and provisions of the LTIP.

Restricted Share Unit

A Restricted Share Unit (an “RSU”) is equal in value to one share of Common Stock of the Corporation (“Common Stock”). RSUs are convertible into shares of Common Stock if the Recipient remains a member of the ELG and retires from the Corporation on or after age 62 with at least three years of ELG service (see “Vesting” below).

Acknowledgement and Acceptance of Award

The number of RSUs is set forth in the Statement of Award. The Recipient must acknowledge and accept the terms and conditions of the RSU Award by signing and returning the appropriate portion of the Statement of Award to the Stock Plan Administrator.

Vesting

RSUs vest upon retirement from the Corporation on or after age 62 with completion of at least three years of service as a member of the ELG (the “Vesting Date”). All RSU’s will be forfeited in the event of termination from employment before age 62 for any reason, including death, total and permanent disability and retirement before age 62. All RSU’s will also be forfeited if the Recipient’s membership in the ELG ceases for any reason.

No shareowner rights

An RSU is the right to receive a share of Common Stock in the future, subject to continued employment and membership in the ELG. The holder of an RSU has no voting, dividend or other rights accorded to owners of Common Stock.

Conversion of RSUs/Distribution of Shares

RSUs will be converted into shares of Common Stock, effective as of the date on which the shares are distributed (the “Distribution Date”). If the Recipient is not a Specified Employee on the Vesting Date, the shares of Common Stock will be distributed on the first business day of the first month following the Vesting Date. Except as provided in the following sentence, if the Recipient is among the Corporation’s 50 highest paid employees (i.e., a “Specified Employee” as defined in the LTIP) on the Vesting Date, the distribution will be made on the first business day of the seventh month following the Vesting Date (or, if later, on July 2, 2012). If the Recipient is a Specified Employee on the Vesting Date, and the Recipient dies after the Vesting Date and before the scheduled Distribution Date, the shares of Common Stock will be distributed to the Recipient’s beneficiary on the first business day of the first month following the Recipient’s death.

Dividend Equivalents

Although the Recipient will not receive dividend payments in respect of RSUs, each RSU will be credited with an amount equal to the dividend paid on a share of Common Stock, resulting in additional RSUs credited to the Recipient equal in value to the number of RSUs held multiplied by the dividend paid on a share of Common Stock.

Adjustments

If the Corporation effects a subdivision or consolidation of shares of Common Stock or other capital adjustment, the number of RSUs (and the number of shares of Common Stock that will be issued upon conversion) shall be adjusted in the same manner and to the same extent as all other shares of Common Stock of the Corporation. In the event of material changes in the capital structure of the Corporation resulting from: the payment of a special dividend (other than regular quarterly dividends) or other distributions to shareowners without receiving consideration therefore; the spin-off of a subsidiary; the sale of a substantial portion of the Corporation's assets; a merger or consolidation in which the Corporation is not the surviving entity; or other extraordinary non-recurring events affecting the Corporation's capital structure and the value of Common Stock, equitable adjustments shall be made in the terms of outstanding Awards, including the number of RSUs and underlying shares of Common Stock as the Committee on Compensation and Executive Development of the Corporation's Board of Directors (the "Committee"), in its sole discretion, determines are necessary or appropriate to prevent the dilution or enlargement of the rights of Award Recipients.

ELG Covenants

Acceptance of the ELG RSU Award constitutes agreement and acceptance by the Recipient of the following ELG covenants:

- Pre-Vesting Date Covenants

(a) During the period of the Recipient's employment, and for a period of two years following termination of employment, the Recipient will not disclose "Company Information".

"Company Information" as used in this Agreement means (i) confidential or proprietary information including without limitation information received from third parties under confidential or proprietary conditions; (ii) information subject to the Corporation's attorney-client or work-product privilege; and (iii) other technical, business or financial information, the use or disclosure of which might reasonably be construed to be contrary to the Corporation's interests.

(b) During the Period of the Recipient's employment, and for a period of two years following termination of employment, the Recipient will not initiate, cause or allow to be initiated (under those conditions which he or she controls) any action which would reasonably be expected to encourage or to induce any employee of the Corporation or any of its affiliated entities to leave the employ of the Corporation or its affiliated entities. In this regard, the Recipient agrees that he or she will not directly or indirectly recruit any executive or other employee of the Corporation or provide any information or make referrals to personnel recruitment agencies or other third parties in connection with executives of the Corporation and other employees.

- Post-Vesting Date Covenants

(c) The pre-Vesting Date covenants described in (a) and (b) above will remain in effect for three years following the Vesting Date.

(d) To further ensure the protection of Company Information, the Recipient agrees not to accept employment in any form (including entering into consulting relationships or similar arrangements) for a period of three years after the Vesting Date with any business that: (i) competes directly or indirectly with any of the Corporation's businesses; or (ii) is a material customer of or a material supplier to any of the Corporation's businesses unless the Recipient has obtained the written consent from the Senior Vice President, Human Resources & Organization (or the successor to such position), which consent shall be granted or withheld in his or her sole discretion. The Recipient agrees that the terms of this paragraph are reasonable. However, if any portion of this paragraph is held by competent authority to be unenforceable, this paragraph shall be deemed amended to limit its scope to the broadest scope that such authority determines is enforceable, and as so amended shall continue in effect.

(e) For three years after the Vesting Date, the Recipient will not make any statements or disclose any items of information which, in either case are or may reasonably be considered to be adverse to the interests of the Corporation. The Recipient agrees that he or she will not disparage the Corporation, its executives, directors or products.

The ELG covenants set forth in this Schedule of Terms are in addition to other obligations and commitments of the ELG program, the terms and conditions of the LTIP and the Recipient's intellectual property agreement with the Corporation (and as each may be amended from time to time).

Change of Control

In the event of a Change-in-Control of the Corporation, the Committee may, in its discretion, take certain actions with respect to outstanding Awards to assure fair and equitable treatment of LTIP Award Recipients. However, there will be no adjustment in respect of this RSU Award if the Recipient receives benefits under the Senior Executive Severance Plan as a result of a change in control.

Nonassignability

Unless otherwise prescribed by the Committee, no assignment or transfer of any right or interest of a Recipient in any RSU, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted except by will or the laws of descent and distribution. Any attempt to assign such rights or interest shall be void and without force or effect.

Notices

Every notice or other communication relating to the LTIP, this Award or this Schedule of Terms shall be delivered electronically or mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party. Notices by the Recipient to the Corporation shall be mailed to or delivered to the Corporation at its office at United Technologies Building, MS504, Hartford, CT 06101, Attention: Stock Plan Administrator, or emailed to stockoptionplans@utc.com. All notices by the Corporation to the Recipient shall be transmitted to the Recipient's email address or mailed to his or her address as shown on the records of the Corporation.

Administration

Awards granted pursuant to the LTIP shall be interpreted and administered by the Committee. The Committee shall establish such procedures as it deems necessary and appropriate to administer Awards in a manner that is consistent with the terms of the LTIP. The Committee's decision on any matter related to an Award shall be binding and conclusive.

Awards Not to Affect or Be Affected by Certain Transactions

RSU Awards shall not in any way affect the right or power of the Corporation or its shareowners to effect: (a) any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation's capital structure or its business; (b) any merger or consolidation of the Corporation; (c) any issue of bonds, debentures, shares of stock preferred to, or otherwise affecting the Common Stock of the Corporation or the rights of the holders of such Common Stock; (d) the dissolution or liquidation of the Corporation; (e) any sale or transfer of all or any part of its assets or business; or (f) any other corporate act or proceeding.

Taxes/Withholding

Recipients are responsible for any income or other tax liability attributable to an Award.

The value of the Award as of the Recipient's 62nd birthday (or following three years of ELG service, if later) will be subject to FICA withholding in that same calendar year. The closing price of Common Stock on the New York Stock Exchange on the date of the Recipient's 62nd birthday (or on the date when the Recipient completes three years of ELG service, if later) will be used to calculate the value of the Award.

The closing price of Common Stock on the New York Stock Exchange on the Distribution Date will be used to calculate income realized from the vesting of RSUs. The Corporation shall take such steps as are appropriate to assure compliance with applicable federal, state and local tax withholding requirements. The Corporation shall, to the extent required by law, have the right to deduct directly from any payment or delivery of shares due to a Recipient or from a Recipient's regular compensation, all federal, state and local taxes of any kind required by law to be withheld with respect to the vesting of an RSU. Acceptance of an Award constitutes consent by the recipient to such withholding. Recipients not based in the United States and foreign nationals who are not permanent residents of the United States must pay the appropriate taxes as required by any country where they are subject to tax. A discussion of U.S. Federal tax treatment of RSUs may be found in the LTIP prospectus.

Right of Discharge Reserved

Nothing in the LTIP or in any RSU Award shall confer upon any Recipient the right to continue in the employment or service of the Corporation or any affiliate thereof for any period of time, or affect any right that the Corporation or any subsidiary or division may have to terminate the employment or service of such Recipient at any time for any reason.

Forfeiture of Interests and Gains

RSUs shall be forfeited if a Recipient is terminated for “cause”. Termination for cause means termination related to a violation of the ELG covenants, criminal conduct involving a felony in the U.S. or the equivalent of a felony under the laws of other countries, material violations of civil law related to the Recipient’s job responsibilities, fraud, dishonesty, self-dealing, breach of the Recipient’s intellectual property agreement or willful misconduct that the Committee determines to be injurious to the Corporation. A Recipient will be obligated to repay the value realized from the conversion of RSUs into shares of unrestricted Common Stock if the Recipient violates any of the ELG covenants, or, if following termination, the Corporation determines that the Recipient engaged in conduct that would have constituted the basis for termination for cause. The foregoing provisions shall be applicable through the Distribution Date to Recipients who remain employed after age 62.

Nature of Payments

All Awards made pursuant to the LTIP are in consideration of services performed for the Corporation or the business unit employing the Recipient. Any gains realized pursuant to such Awards constitute a special incentive payment to the Recipient and shall not be taken into account as compensation for purposes of any of the employee benefit plans of the Corporation or any business unit. RSUs will not be funded by the Corporation. In this regard, a Recipient’s rights to RSUs are those of a general unsecured creditor of the Corporation.

Data Privacy

The Corporation maintains electronic records for the purpose of administering the LTIP and individual Awards. In the normal course of plan administration, electronic data may be transferred to different sites within the Corporation and to outside service providers. Acceptance of an Award constitutes consent by the recipient to the transmission and holding of personal data required for the administration and management of the Award and the LTIP to the Corporation or its third party administrators within or outside the country in which the recipient resides or works. All such transmission and holding of data shall comply with applicable privacy protection requirements.

Government Contract Compliance

The “UTC Policy Statement on Business Ethics and Conduct in Contracting with the United States Government” calls for compliance with the letter and spirit of government contracting laws and regulations. In the event of a violation of government contracting laws or regulations, the Committee reserves the right to revoke any outstanding Award.

Interpretations

This Schedule of Terms and each Statement of Award are subject in all respects to the terms of the LTIP. In the event that any provision of this Schedule of Terms or any Statement of Award is inconsistent with the terms of the LTIP, the terms of the LTIP shall govern. Any question of administration or interpretation arising under the Schedule of Terms or any Statement of Award shall be determined by the Committee or its delegate, and such determination to be final and conclusive upon all parties in interest.

Governing Law

The LTIP, this Schedule of Terms and the Statement of Award shall be governed by and construed in accordance with the laws of the State of Delaware.

Additional Information

Questions concerning the Plan or Awards and requests for Plan documents shall be directed to:

Stock Plan Administrator
United Technologies Corporation
1 Financial Plaza, MS 504
Hartford, CT 06101
stockoptionplans@utc.com

The Corporation and/or its approved Stock Plan Administrator will send any Award-related communications to the recipient’s email address or physical address on record. It is the responsibility of the recipient to ensure that both the e-mail and physical address on record are up-to-date and accurate at all times to ensure delivery of Award-related communications.

Exhibit 11

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

(Dollars in millions, except per share amounts)	Full year 2010	2009	2008	2007	2006
Net income attributable to common shareowners	$ 4,373	$ 3,829	$ 4,689	$ 4,224	$ 3,732
Basic earnings for period	$ 4,373	$ 3,829	$ 4,689	$ 4,224	$ 3,732
Diluted earnings for period	$ 4,373	$ 3,829	$ 4,689	$ 4,224	$ 3,732
Basic average number of shares outstanding during the period (thousands)	907,900	917,400	937,800	963,900	980,000
Stock awards (thousands)	14,800	11,400	18,600	24,900	25,700
Diluted average number of shares outstanding during the period (thousands)	922,700	928,800	956,400	988,800	1,005,700
Basic earnings per common share	$ 4.82	$ 4.17	$ 5.00	$ 4.38	$ 3.81
Diluted earnings per common share	$ 4.74	$ 4.12	$ 4.90	$ 4.27	$ 3.71

Exhibit 12

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)	Full year 2010	2009	2008	2007	2006
Fixed Charges:					
Interest expense[1]	$ 750	$ 705	$ 689	$ 666	$ 606
Interest capitalized	17	18	19	16	19
One-third of rents[2]	148	154	168	146	96
Total fixed charges	$ 915	$ 877	$ 876	$ 828	$ 721
Earnings:					
Income before income taxes	$6,538	$5,760	$6,936	$6,384	$5,492
Fixed charges per above	915	877	876	828	721
Less: capitalized interest	(17)	(18)	(19)	(16)	(19)
	898	859	857	812	702
Amortization of interest capitalized	17	17	9	8	8
Total earnings	$7,453	$6,636	$7,802	$7,204	$6,202
Ratio of earnings to fixed charges	8.15	7.57	8.91	8.70	8.60

[1] Pursuant to the guidance in the Income Taxes Topic of the FASB ASC, interest related to unrecognized tax benefits recorded was approximately $27 million, $21 million, $39 million, $56 million and $38 million for the years 2010, 2009, 2008, 2007 and 2006, respectively. The ratio of earnings to fixed charges would have been 8.39, 7.75, 9.32, 9.33 and 9.08 for the years 2010, 2009, 2008, 2007 and 2006, respectively, if such interest were excluded from the calculation.

[2] Reasonable approximation of the interest factor.

Exhibit 13
FIVE-YEAR SUMMARY

(Dollars in millions, except per share amounts)	**2010**	2009	2008	2007	2006
For the year					
Net sales	**$ 54,326**	$ 52,425	$ 59,119	$ 54,876	$ 47,940
Research and development	**1,746**	1,558	1,771	1,678	1,529
Restructuring and other costs	**443**	830	357	166	288
Net income	**4,711**	4,179	5,053	4,548	3,998
Net income attributable to common shareowners	**4,373**	3,829	4,689	4,224	3,732
Earnings per share:					
Basic:					
Net income attributable to common shareowners	**4.82**	4.17	5.00	4.38	3.81
Diluted:					
Net income attributable to common shareowners	**4.74**	4.12	4.90	4.27	3.71
Cash dividends per common share	**1.70**	1.54	1.35	1.17	1.02
Average number of shares of Common Stock outstanding:					
Basic	**908**	917	938	964	980
Diluted	**923**	929	956	989	1,006
Cash flow from operations	**5,906**	5,353	6,161	5,330	4,803
Capital expenditures	**865**	826	1,216	1,153	954
Acquisitions, including debt assumed [4]	**2,797**	703	1,448	2,336	1,049
Repurchase of Common Stock	**2,200**	1,100	3,160	2,001	2,068
Dividends paid on Common Stock [1]	**1,482**	1,356	1,210	1,080	951
At year end					
Working capital	**$ 5,778**	$ 5,281	$ 4,665	$ 4,602	$ 3,636
Total assets [2,4]	**58,493**	55,762	56,837	54,888	47,382
Long-term debt, including current portion [3]	**10,173**	9,490	10,453	8,063	7,074
Total debt [3]	**10,289**	9,744	11,476	9,148	7,931
Debt to total capitalization [2,3]	**32%**	32%	41%	29%	30%
Total equity [2,3]	**22,332**	20,999	16,681	22,064	18,133
Number of employees [4]	**208,200**	206,700	223,100	225,600	214,500

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

Note 2 During 2006, we adopted the accounting related to Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans which resulted in an approximately $1.8 billion non-cash charge to equity and a $2.4 billion non-cash reduction to total assets. In addition, we early-adopted the measurement date provisions of this standard effective January 1, 2007, which increased shareowners' equity by approximately $425 million and decreased long-term liabilities by approximately $620 million.

Note 3 The increase in the 2008 debt to total capitalization ratio, as compared to 2007, reflects unrealized losses of approximately $4.2 billion, net of taxes, associated with the effect of market conditions on our pension plans, and the 2008 debt issuances totaling $2.25 billion. The decrease in the 2009 debt to total capitalization ratio, as compared to 2008, reflects the reversal of unrealized losses in our pension plans of approximately $1.1 billion, the beneficial impact of foreign exchange rate movement of approximately $1.0 billion, and the reduction of approximately $1.7 billion of total debt.

Note 4 The increase in 2010, as compared with 2009, includes the impact of acquisitions across the company, most notably the 2010 acquisition of the GE Security business within the UTC Fire & Security segment. The increase in the number of employees in 2010 associated with acquisition activity was partially offset by headcount reductions associated with initiated restructuring actions.

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

Business Overview

We are a global provider of high technology products and services to the building systems and aerospace industries. Our operations are classified into six principal business segments: Otis, Carrier, UTC Fire & Security, Pratt & Whitney, Hamilton Sundstrand and Sikorsky. Otis, Carrier and UTC Fire & Security are collectively referred to as the "commercial businesses," while Pratt & Whitney, Hamilton Sundstrand and Sikorsky are collectively referred to as the "aerospace businesses." Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. We previously reported "Other income, net," which included "Interest income," as a component of "Revenues." "Other income, net," excluding "Interest income," is now reflected as a component of "Costs, Expenses and Other," while "Interest income" is now netted with "Interest expense" for financial statement presentation.

The commercial businesses generally serve customers in the worldwide commercial and residential property industries, although Carrier also serves customers in the commercial and transport refrigeration industries. The aerospace businesses serve commercial and government aerospace customers in both the original equipment and aftermarket parts and services markets. In addition, a portion of these businesses serve customers in certain industrial markets. Our consolidated net sales were derived from the commercial and aerospace businesses as follows (sales from Hamilton Sundstrand's and Pratt & Whitney's industrial markets are included in "commercial and industrial"):

	2010	2009	2008
Commercial and industrial	**57%**	58%	61%
Military aerospace and space	**21%**	21%	17%
Commercial aerospace	**22%**	21%	22%
	100%	100%	100%

In each of 2010 and 2009, approximately 58% of our consolidated sales were original equipment and 42% were aftermarket parts and services, while in 2008 the amounts were 60% and 40%, respectively.

As worldwide businesses, our 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 businesses include both commercial and aerospace operations, original equipment manufacturing (OEM) and extensive related aftermarket parts and services businesses, as well as the combination of shorter cycles in our commercial and industrial businesses, particularly Carrier, and longer cycles in our aerospace businesses. Our customers include companies in the private sector and governments, 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 United States, including U.S. export sales, in dollars and as a percentage of total segment sales, is as follows:

(Dollars in millions)	2010	2009	2008	2010	2009	2008
Europe	**$11,957**	$12,216	$15,129	**22%**	23%	25%
Asia Pacific	**7,986**	7,173	8,218	**14%**	14%	14%
Other Non-U.S.	**5,374**	4,991	6,432	**10%**	9%	11%
U.S. Exports	**7,724**	6,996	7,262	**14%**	13%	12%
International segment sales	**$33,041**	$31,376	$37,041	**60%**	59%	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. At December 31, 2010, the net assets in any one of these countries did not exceed 7% of consolidated shareowners' equity.

The global economy, which experienced a significant downturn through 2008 and 2009, began showing signs of gradual improvement in 2010; however, the overall rate of global recovery experienced during the course of 2010 has been uneven. Global gross domestic product growth in 2010 was led by emerging markets. In the developed economies, particularly in Europe where the recovery is sluggish, the unwinding of fiscal stimuli and lingering high unemployment have encouraged the use of expansionary monetary policies to sustain economic recoveries. Although consumer confidence in the U.S. has improved since the economic downturn, it remains low, while unemployment remains high and the housing market depressed. Conversely, global aerospace markets are trending favorably with commercial airline traffic, pricing, and capacity utilization continuing to increase. We are beginning to see a modest recovery in the commercial construction markets in the U.S., although, globally, construction markets remain generally weak, with the exception of some emerging markets. The combination of these market factors led to consolidated net sales growth of 4%, when compared with 2009, including 2% organic sales growth. The organic sales growth was led by increases at Carrier, Sikorsky and at Pratt & Whitney. These net increases more than offset the organic sales contraction at both Otis and UTC Fire & Security as certain of their markets have been slower to recover from the economic downturn.

Despite the uneven economic recovery throughout 2010, our fourth quarter short cycle shipments and order rates were robust and consistent with our expectations for sales growth in 2011. In the fourth quarter of 2010, as compared with the same period in 2009, commercial aerospace spares orders at Pratt & Whitney and Hamilton Sundstrand increased 45% and 31%, respectively, and Carrier's shipments of U.S. residential systems improved 9%. For the full year 2010 as compared with 2009, commercial aerospace spares orders at Pratt & Whitney and Hamilton Sundstrand increased 18% and 16%, respectively, and Carrier's shipments of U.S. residential systems improved 4%. These improvements contributed to the 2% organic sales growth noted above and should also contribute positively to 2011. Orders in our longer cycle businesses also improved for the full year, as compared with 2009, as Otis new equipment orders grew 7%, global new equipment orders at Carrier's commercial HVAC business grew 7% and total orders at UTC Fire & Security, driven by the acquisition of the GE Security business, grew approximately 25% year-over-year, as compared with 2009.

Consistent with prior years, our backlog includes both short cycle orders that are expected to be realized in the near term, as well as longer cycle orders that may be recognized over a period of years. With improving end market environments and the expected conversion of a portion of backlog into sales in 2011, we are expecting organic sales growth in 2011 to range from 3% to 5%.

Although the projected increase in organic growth, if realized, will contribute to operating profit growth, we continue to invest in new platforms and markets that position us for growth, while remaining focused on structural cost reduction, operational improvements and disciplined cash redeployment. These actions contributed to our earnings growth and operating profit margin expansion during 2010. The strategies we initiated in late 2008 and early 2009 to address the then expected global economic challenges and volume declines have better positioned us for earnings growth as the global economy recovers. As disclosed in 2009, we announced a significant restructuring initiative in early 2009 designed to reduce structural and overhead costs across all of our businesses in order to partially mitigate the adverse volume impact. Restructuring costs in 2010 and 2009 totaled $443 million and $830 million, respectively. As a result of the higher sales volumes, the beneficial impact from our continued focus on cost reduction and previously initiated restructuring actions and lower year-over-year restructuring costs, segment operating margin increased 140 basis points from 13.2% in 2009 to 14.6% in 2010. This year-over-year increase includes a 40 basis point net benefit from lower restructuring charges and non-recurring items. While we expect to benefit in 2011 from cost reductions realized on the restructuring actions undertaken in prior years, we also expect an adverse impact on operating profits in 2011 from gross commodity cost increases of approximately $150 million and incremental research and development investment of approximately $175 million.

As discussed below in "Results of Operations," operating profit in each of 2010 and 2009 includes the impact from non-recurring items including the adverse effect of asset impairment charges in 2010, and the beneficial impact of gains related to business divestiture activities, primarily related to Carrier's ongoing portfolio transformation, in both 2009 and 2010. 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 $2.8 billion (including debt assumed of $39 million) and $703 million in the acquisition of businesses across the entire company in 2010 and 2009, respectively. Our investment in businesses in 2010 principally reflects the acquisitions of the General Electric (GE) Security business and Clipper Windpower Plc (Clipper). Acquisitions in 2009 consisted principally of a number of small acquisitions in both our aerospace and commercial businesses.

On March 1, 2010, we completed the acquisition of the GE Security business for approximately $1.8 billion, including debt assumed of $32 million. The GE Security business, which is being integrated into our UTC Fire & Security segment, supplies security and fire safety technologies for commercial and residential applications through a broad product portfolio that includes fire detection and life safety systems, intrusion alarms, and video surveillance and access control systems. This business enhanced UTC Fire & Security's geographic diversity with its strong North American presence and also increased UTC Fire & Security's product and technology offerings. In connection with this transaction, we recorded approximately $600 million of identifiable intangible assets and $1.1 billion of goodwill. The goodwill recorded reflects synergies expected to be realized through the combination of GE Security's products, resources and management talent with those of the existing UTC Fire & Security business to enhance competitiveness, accelerate the development of certain product offerings, drive improved operational performance and secure additional service channels. Additionally, the combined businesses have provided the opportunity for significant improvements to the cost structure through the rationalization of general and administrative expenditures as well as research and development efforts.

During 2010, we also completed the acquisition of Clipper, a publicly-held California-based wind turbine manufacturer. This investment is intended to expand our power generation portfolio and allow us to enter the wind power market by leveraging our expertise in blade technology, turbines and gearbox design. In the first half of 2010, we acquired a 49.9% equity stake in Clipper. In December 2010, we completed the acquisition of all of the remaining shares of Clipper. The total cost of our investment in Clipper is approximately £240 million (approximately $385 million). In connection with this transaction, we recorded approximately $400 million of goodwill and identifiable intangible assets. Prior to the December 2010 purchase of the remaining shares of Clipper, we accounted for this investment under the equity method of accounting. During the quarter ended September 30, 2010, we recorded a $159 million other-than-temporary impairment charge, on our investment in Clipper, in order to write-down our investment to market value as of September 30, 2010. This impairment is recorded within "Other income, net" on our Consolidated Statement of Operations. In December 2010, as a result of the acquisition of a controlling interest and the remaining shares of Clipper, we recorded a $21 million gain from the re-measurement to fair value of our previously held equity interest. The financial results of Clipper are included within the "Eliminations and other" category in the segment financial data in Note 18 to the Consolidated Financial Statements.

Both acquisition and restructuring costs associated with a business combination 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 the acquisitions.

During 2010, we recorded approximately $86 million of asset impairment charges, for assets that have met the held-for-sale criteria, related to disposition activity within both Carrier and Hamilton Sundstrand. These asset impairment charges are recorded within Cost of products sold on our Consolidated Statement of Operations. The asset impairment charges consist of a $58 million charge associated with Carrier's ongoing portfolio transformation to a higher returns business and a $28 million charge at Hamilton Sundstrand related to the expected disposition of an aerospace business as part of Hamilton Sundstrand's efforts to implement low cost sourcing initiatives.

For additional discussion of acquisitions and restructuring, see "Liquidity and Financial Condition," "Restructuring and Other Costs" and Notes 2 and 12 to the Consolidated Financial Statements.

Results of Operations

Net Sales

(Dollars in millions)	**2010**	2009	2008
Net sales	**$54,326**	$ 52,425	$59,119
Percentage change year-over-year	**3.6%**	(11.3)%	7.7%

The 4% increase in consolidated net sales in 2010, as compared with 2009, reflects organic sales growth (2%), the beneficial impact of foreign currency translation (1%) and the impact of net acquisitions (1%). The impact of net acquisitions primarily reflects the acquisition of the GE Security business at UTC Fire & Security, net of the impact of dispositions from the portfolio transformation efforts undertaken at Carrier. As discussed above in the "Business Overview," the organic sales increase was largely led by Carrier, Sikorsky, and Pratt & Whitney. These organic increases were partially offset by organic sales contraction at both Otis and UTC Fire & Security. The organic sales growth at Carrier was driven by continuing strength in the transport refrigeration business, while Sikorsky's growth was primarily attributable to higher military sales. The organic contraction at Otis was due to a decline in new equipment sales as a result of continued commercial and residential market weakness. In addition, the decline at UTC Fire & Security reflects contraction in the service and install business as a result of weak economic conditions in principal markets.

The 11% decline in consolidated net sales in 2009, as compared with 2008, reflects organic sales contraction (7%), the adverse impact from foreign currency translation (3%) and the impact of net divestitures (1%) resulting from the portfolio rationalization efforts undertaken, principally at Carrier. The organic decline in net sales reflects volume decreases at most of our businesses resulting from the challenging global economic conditions experienced during 2009. The depressed residential housing and commercial construction markets drove volume declines across all of our commercial businesses, while declines in aerospace aftermarket sales at both Pratt & Whitney and Hamilton Sundstrand, coupled with the adverse impact from a depressed business jet market, led to an overall decline in aerospace sales. Record aircraft deliveries at Sikorsky helped to partially mitigate the effect of other aerospace volume losses.

Cost of Products and Services Sold

(Dollars in millions)	**2010**	2009	2008
Cost of products sold	**$28,956**	$ 28,905	$32,833
Percentage of product sales	**74.9%**	77.4%	75.9%
Cost of services sold	**$10,458**	$ 9,956	$10,804
Percentage of service sales	**66.7%**	66.0%	68.0%
Total cost of products and services sold	**$39,414**	$ 38,861	$43,637
Percentage change year-over-year	**1.4%**	(10.9)%	6.7%

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

	2010	2009
Organic volume	**1 %**	(7)%
Foreign currency translation	**1 %**	(3)%
Acquisitions and divestitures, net	**—**	(2)%
Restructuring	**(1)%**	1 %
Total % Change	**1 %**	(11)%

Year-over-year, both total cost of products and services sold and overall sales volumes increased in 2010, as compared with 2009, and decreased in 2009, as compared with 2008. The year-over-year increase in total cost of products and services sold in 2010, as compared with 2009, reflects an increase in costs as a result of increased sales volumes. Total cost of products and services sold increased organically (1%) at a rate lower than organic sales growth of 2% reflecting the beneficial impact from operational improvements, cost savings and restructuring actions taken. The 11% year-over-year reduction in 2009 in total cost of products and services sold, as compared with 2008, primarily reflects a decline in costs associated with the lower organic sales volumes as well as the favorable impact of foreign currency translation.

Gross Margin

(Dollars in millions)	2010	2009	2008
Gross margin	**$14,912**	$13,564	$15,482
Percentage of net sales	**27.4%**	25.9%	26.2%

The 2010 year-over-year increase in gross margin as a percentage of sales of 150 basis points, was driven primarily by increased volumes and lower cost of sales resulting from continued focus on cost reductions, savings from previously initiated restructuring actions and net operational efficiencies. Gross margin as a percentage of sales in 2010 also reflects the benefits of the shift in mix from new equipment sales to higher margin service sales at Otis, the increase in higher margin aerospace aftermarket sales at the aerospace businesses, and the beneficial impact from net acquisition/disposition activity. The beneficial impact of lower year-over-year restructuring charges (20 basis points) was offset by the adverse impact of asset impairment charges (20 basis points) recorded in 2010, related to disposition activity at Carrier and Hamilton Sundstrand.

The 2009 year-over-year decrease in gross margin as a percentage of sales of 30 basis points primarily reflects higher year-over-year restructuring charges (50 basis points). Continued focus on cost reduction, savings from previously initiated restructuring actions, net operational efficiencies, margin growth experienced at Otis from lower commodity prices and the continued shift toward higher margin contractual maintenance sales offset the adverse impacts of lower sales volumes, particularly in our higher margin aerospace aftermarket and transport refrigeration businesses.

Research and Development

(Dollars in millions)	2010	2009	2008
Company-funded	**$1,746**	$1,558	$1,771
Percentage of net sales	**3.2%**	3.0%	3.0%
Customer-funded	**$1,890**	$2,095	$2,008
Percentage of net sales	**3.5%**	4.0%	3.4%

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 Boeing 787 program at Hamilton Sundstrand, and various programs at Sikorsky. The year-over-year increase in company-funded research and development in 2010, compared with 2009, primarily reflects increases at Pratt & Whitney associated with the next generation product family, increases at both Hamilton Sundstrand and Sikorsky as they continue to ramp up new product development programs, and an increase at UTC Fire & Security related to the acquisition in 2010 of the GE Security business. The decrease in company-funded research and development in 2009, compared with 2008, principally reflects lower expenditures at Pratt & Whitney and Hamilton Sundstrand resulting from shifts in the timing of program development activities, lower requirements on key development programs, and the continued focus on cost reduction. The decrease at Pratt & Whitney was driven largely by the timing of program development activities, while the decrease at Hamilton Sundstrand primarily reflects lower expenditures on the Boeing 787-8 program with the first flight having taken place in December 2009.

Company-funded research and development spending for 2011 is expected to increase by approximately $175 million from 2010 levels as a result of our continued focus on developing new technologies, led by Pratt & Whitney.

The decrease in customer-funded research and development in 2010, compared with 2009, was primarily driven by a decrease at Pratt & Whitney related to a reduction in development spending on the Joint Strike Fighter program. The increase in customer-funded research and development in 2009, compared with 2008, largely reflects increases on various commercial and space programs at Hamilton Sundstrand, and higher development spending on the CH-53K program at

Sikorsky, partially offset by reduced expenditures at Pratt & Whitney on the Joint Strike Fighter development program as it nears completion.

Selling, General and Administrative

(Dollars in millions)	**2010**	2009	2008
Selling, general and administrative	**$ 6,024**	$ 6,036	$ 6,724
Percentage of net sales	**11.1%**	11.5%	11.4%

The decrease in selling, general and administrative expenses in 2010, as compared with 2009, is due primarily to a continued focus on cost reduction and the impact from restructuring and cost saving initiatives undertaken in 2009 in anticipation of adverse economic conditions. These improvements were partially offset by the impact of recent acquisitions. As a percentage of sales, the 40 basis point year-over-year decrease primarily reflects the impact of lower restructuring costs.

Similar to the year-over-year change in 2010, the decrease in selling, general and administrative expenses in 2009, as compared with 2008, is due primarily to a continued focus on cost reduction and the impact from restructuring and cost saving initiatives undertaken in 2008 and 2009 in anticipation of adverse economic conditions. As a percentage of sales, selling, general and administrative expenses increased 10 basis points from 2008 to 2009 reflecting higher restructuring costs (approximately 30 basis points) and lower sales volumes. The benefit from cost reduction actions in such areas as travel, employee attrition, employee salary related reductions, and the favorable impact of foreign exchange more than offset the adverse impact of the higher restructuring costs.

Other Income, Net

(Dollars in millions)	**2010**	2009	2008
Other income, net	**$ (44)**	$(407)	$(522)

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 items and non-recurring items. The year-over-year change in other income, net in 2010, as compared with 2009, largely reflects a $159 million other-than-temporary impairment charge recorded in 2010 on our then equity investment in Clipper in order to bring the investment to market value, the absence of an approximately $60 million gain recognized in 2009 from the contribution of the majority of Carrier's U.S. Residential Sales and Distribution business into a new venture, the absence of a $52 million gain recognized in 2009 at Otis on the re-measurement to fair value of an interest in a joint venture as well as the absence of gains from 2009 related to business divestiture activity across the company. The decline in other income, net year-over-year also reflects the adverse impact from an approximately $30 million valuation allowance charge recorded in 2010 related to an unconsolidated foreign venture at Carrier, equity losses associated with our recently acquired Clipper business, and costs associated with the early extinguishment of some debt in 2010. These adverse impacts were partially offset by a $21 million non-taxable gain recognized in the fourth quarter of 2010 on the re-measurement to fair value of our previously held equity interest in Clipper resulting from the purchase of a controlling interest.

The year-over-year change in other income, net in 2009, as compared with 2008, largely reflects the absence of gains from the sale of marketable securities, lower royalties across the businesses, lower net year-over-year gains on various fixed asset disposals, lower joint venture equity income at Carrier, and lower net year-over-year gains generated from business divestiture activity. These decreases were partially offset by lower net hedging costs on our cash management activities in 2009.

Interest Expense, Net

(Dollars in millions)	**2010**	2009	2008
Interest expense	**$ 750**	$ 705	$ 689
Interest income	**(102)**	(88)	(116)
Interest expense, net	**$ 648**	$ 617	$ 573
Average interest expense rate during the year on:			
Short-term borrowings	**1.8%**	3.1%	5.6%
Total debt	**5.6%**	5.8%	5.9%

The increase in interest expense in 2010 as compared with 2009 largely reflects the impact of long-term debt issuances during the course of the year, partially offset by the absence of interest associated with the early redemption and repayment of long-term debt in 2010. Interest expense on our long-term debt increased as a result of the issuance of two series of fixed rate long-term notes totaling $2.25 billion in February 2010 (see further discussion in the "Liquidity and Financial Condition" section). This impact was partially offset by the absence of interest associated with the repayment at maturity in May 2010 of our $600 million of 4.375% notes due 2010, the early redemption in June 2010 of the entire $500 million outstanding principal amount of our 7.125% notes that would have otherwise been due November 2010, and the early redemption in September 2010 of the entire $500 million outstanding principal amount of our 6.350% notes that would have otherwise been due March 2011. Aside from the impact of debt repayments and redemptions noted above, the additional interest associated with the issuance of the long-term debt in February 2010 was also partially offset by the absence of interest related to the repayment in June 2009 of our $400 million 6.500% notes due 2009. Interest expense also reflects the lower cost associated with our commercial paper borrowings. Interest income in 2010 includes a favorable pre-tax interest adjustment of approximately $24 million associated with the resolution of an uncertain temporary tax item in the second quarter.

The increase in interest expense in 2009, as compared with 2008, is primarily attributable to higher interest charges related to our deferred compensation plan. Increased interest expense resulting from the issuances of $1.25 billion and $1.0 billion of long-term debt in December and May 2008, respectively, was partially offset by lower interest expense resulting from the absence of interest on $933 million in notes that were redeemed in 2009 and to the lower cost associated with our commercial paper borrowings. The redemptions as well as the lower cost of borrowing noted above resulted in a decline in the average interest rate in 2009 as compared with 2008. Interest income in 2009 includes $17 million of favorable pre-tax interest income adjustments pertaining to global tax examination activity related primarily to the completion of our review of the 2004 to 2005 Internal Revenue Service (IRS) audit report.

The weighted-average interest rate applicable to debt outstanding at December 31, 2010 was 6.3% for short-term borrowings and 5.9% for total debt as compared to 4.8% and 6.1%, respectively, at December 31, 2009. The three month LIBOR rate as of December 31, 2010, 2009 and 2008 was 0.3%, 0.3% and 1.4%, respectively.

Income Taxes

	2010	2009	2008
Effective income tax rate	**27.9%**	27.4%	27.1%

The effective income tax rates for 2010, 2009 and 2008 reflect tax benefits associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States. The 2010 effective income tax rate increased as compared to 2009 due to the absence of certain discrete items which had a net favorable impact in 2009, as disclosed below. The 2010 effective income tax rate reflects a non-recurring tax expense reduction associated with management's decision to repatriate additional high tax dividends from the current year to the U.S. in 2010 as a result of recent U.S. tax legislation. This is partially offset by the non-deductibility of impairment charges, the adverse impact from the health care legislation related to the Medicare Part D program and other increases to UTC's effective income tax rate.

The 2009 effective income tax rate reflects approximately $38 million of tax expense reductions relating to re-evaluation of our liabilities and contingencies based on global examination activity during the year including the IRS's completion of 2004 and 2005 examination fieldwork and our related protest filing. As a result of the global examination activity, we recognized approximately $18 million of associated pre-tax interest income adjustments during 2009.

The 2008 effective income tax rate reflects approximately $62 million of tax expense reductions, principally relating to re-evaluation of our liabilities and contingencies based upon resolution of disputed tax matters with the Appeals Division of the IRS for tax years 2000 through 2003.

We expect our full year annual effective income tax rate in 2011 to be approximately 30.5%. As a result of 2010 U.S. tax legislation and the impact on our tax rate, we anticipate variability in the tax rate quarter to quarter with a higher rate in the first half of 2011. This is due to the tax impacts associated with planned internal legal entity reorganizations that are expected to occur during 2011 with completion of the predominant portion of these projects expected in the second half.

For additional discussion of income taxes, see "Critical Accounting Estimates – Income Taxes" and Note 10 to the Consolidated Financial Statements.

Net Income and Earnings Per Share

(Dollars in millions, except per share amounts)	**2010**	2009	2008
Net income	**$4,711**	$4,179	$5,053
Less: Noncontrolling interest in subsidiaries' earnings	**338**	350	364
Net income attributable to common shareowners	**$4,373**	$3,829	$4,689
Diluted earnings per share	**$ 4.74**	$ 4.12	$ 4.90

Although the average foreign exchange rate of the U.S. dollar was stronger in 2010, as compared to 2009, against certain currencies such as the Euro, the impact of foreign currency generated a net positive impact of $.12 per diluted share on our operational performance in 2010. This year-over-year impact primarily represents the beneficial impact of hedging at Pratt & Whitney Canada (P&WC), which more than offset the net adverse foreign currency translation impact. The weakness of the U.S. dollar against the Canadian dollar in 2010 generated an adverse foreign currency translation impact as the majority of P&WC's sales are denominated in U.S. dollars, while a significant portion of its costs are incurred in local currencies. 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 P&WC. As a result of hedging programs currently in place, P&WC's 2011 full year operating results are expected to include an adverse impact of hedging of $75 million. In 2009, foreign currency generated an adverse impact on our operational results of $.22 per share while in 2008, foreign currency had a favorable impact of $.06 per share. For additional discussion of foreign currency exposure, see "Market Risk and Risk Management – Foreign Currency Exposures."

Diluted earnings per share for 2010 include a net charge of $.29 per share from restructuring and non-recurring items. Besides the restructuring charges of $443 million, non-recurring items included the $159 million other-than-temporary impairment charge on our investment in Clipper, $86 million of asset impairment charges related to disposition activity within both Carrier and Hamilton Sundstrand, a $140 million net tax benefit associated with management's decision to repatriate additional high tax dividends from the current year to the U.S. in 2010 and 2011 as a result of recent U.S. tax legislation, an approximately $55 million net tax benefit associated with the completion of the acquisition of all the remaining shares of Clipper, $53 million of net gains from dispositions related to Carrier's ongoing portfolio transformation, a favorable pre-tax interest adjustment of $24 million associated with the resolution of an uncertain tax item, and a $21 million non-cash, non-taxable gain recognized on the re-measurement to fair value of our previously held equity interest in Clipper.

Restructuring and Other Costs

We recorded net pre-tax restructuring and other costs totaling $443 million in 2010 and $830 million in 2009 for new and ongoing restructuring actions. We recorded these charges in the segments as follows:

(Dollars in millions)	**2010**	2009
Otis	**$ 83**	$158
Carrier	**75**	210
UTC Fire & Security	**78**	112
Pratt & Whitney	**138**	190
Hamilton Sundstrand	**37**	88
Sikorsky	**14**	7
Eliminations and other	**18**	62
General corporate expenses	**—**	3
Total	**$443**	$830

The 2010 charges consist of $283 million in cost of sales, $159 million in selling, general and administrative expenses and $1 million in other income, net, and, as described below, primarily relate to actions initiated during 2010 and 2009. Restructuring costs reflected in Eliminations and other largely reflect curtailment charges required under our domestic pension plans due to the significant headcount reductions associated with the various restructuring actions. The 2009 charges consist of $420 million in cost of sales, $364 million in selling, general and administrative expenses and $46 million in other income, net. The 2009 charges relate principally to actions initiated during 2009.

Restructuring actions are an essential component of our operating margin improvement efforts and relate to both existing operations and those recently acquired. As a result of the severity of the global economic downturn, the level of restructuring initiated in 2009 was significantly in excess of that incurred in prior years. These actions were initiated to help mitigate the impact of the global economic downturn and better position us for a resumption of expected future earnings growth. When completed, these actions will result in global employment reductions, primarily in overhead and selling, general and administrative functions of approximately 14,400. We have also acquired certain businesses at beneficial values in past years, such as Kidde and Initial Electronic Security Group (IESG), with the expectation of restructuring the underlying cost structure in order to bring operating margins up to expected levels. Restructuring actions typically focus on streamlining costs through workforce reductions, the consolidation of manufacturing, sales and service facilities, and the transfer of work to more cost-effective locations. For acquisitions prior to January 1, 2009, the costs of restructuring actions at the acquired company contemplated at the date of acquisition are recorded under purchase accounting and actions initiated subsequently are recorded through operating results by being expensed. However, effective January 1, 2009 under the Business Combinations Topic of the FASB ASC, restructuring costs associated with a business combination are expensed. We expect to incur additional restructuring costs in 2011 of approximately $150 million to $200 million, including trailing costs related to prior actions, associated with our continuing cost reduction efforts and to the integration of acquisitions. The expected adverse impact on earnings in 2011 from anticipated additional restructuring costs is expected to be offset by the beneficial impact from non-recurring items. 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.

2010 Actions. During 2010, we initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and consolidation of field operations. We recorded net pre-tax restructuring and other charges totaling $371 million as follows: Otis $87 million, Carrier $74 million, UTC Fire & Security $64 million, Pratt & Whitney $84 million, Hamilton Sundstrand $29 million, Sikorsky $15 million and Eliminations and other $18 million. The charges consist of $221 million in cost of sales and $150 million in selling, general and administrative expenses. Those costs consist of $301 million for severance and related employee termination costs, $19 million for asset write-downs and $51 million for facility exit, lease termination and other related costs.

We expect the actions initiated in 2010, once fully complete, to result in net workforce reductions of approximately 5,000 hourly and salaried employees, the exiting of approximately 3.9 million net square feet of facilities and the disposal of assets associated with the exited facilities. As of December 31, 2010, we have completed, with respect to the actions initiated in 2010, net workforce reductions of approximately 2,400 employees, and 300,000 net square feet of facilities have been exited. We are targeting to complete in 2011 the majority of the remaining workforce and facility related cost reduction actions initiated in 2010. Approximately 70% 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 2010, we had cash outflows of approximately $107 million related to the 2010 actions. We expect to incur additional restructuring and other charges of $235 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 $350 million annually, of which approximately $64 million was realized in 2010.

2009 Actions. During 2010, we recorded net pre-tax restructuring and other charges (reversals) of $85 million for actions initiated in 2009. The 2009 actions relate to ongoing cost reduction efforts, including workforce reductions, the consolidation of field operations and the consolidation of repair and overhaul operations. We recorded the charges (reversals) in 2010 as follows: Otis ($3 million), Carrier $11 million, UTC Fire & Security $14 million, Pratt & Whitney $56 million, Hamilton Sundstrand $8 million, and Sikorsky ($1 million). The charges consist of $63 million in cost of sales, $21 million in selling, general and administrative expenses and $1 million in other income, net. Those costs consisted of $19 million for severance and related employee termination costs, $13 million for asset write-downs and $53 million for facility exit, lease termination and other related costs.

We expect the actions initiated in 2009, once fully completed, to result in net workforce reductions of approximately 14,400 hourly and salaried employees, the exiting of approximately 4.7 million net square feet of facilities and the disposal of assets associated with the exited facilities. As of December 31, 2010, we have completed, with respect to the actions initiated in 2009, net workforce reductions of approximately 13,400 employees and exited 1.3 million net square feet of facilities. We are targeting to complete in 2011 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2009. Approximately 70% 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 2010, we had cash outflows of approximately $236 million related to the 2009 actions. We expect to incur additional restructuring and other charges of $90 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 $700 million annually.

For additional discussion of restructuring, see Note 12 to the Consolidated Financial Statements.

Segment Review

	Net Sales			*Operating Profits*			*Operating Profit Margin*		
(Dollars in millions)	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Otis	**$11,579**	$11,723	$12,884	**$2,575**	$2,447	$2,477	**22.2%**	20.9%	19.2%
Carrier	**11,386**	11,335	14,817	**1,062**	740	1,316	**9.3%**	6.5%	8.9%
UTC Fire & Security	**6,490**	5,503	6,446	**714**	493	542	**11.0%**	9.0%	8.4%
Pratt & Whitney	**12,935**	12,392	13,849	**1,987**	1,835	2,122	**15.4%**	14.8%	15.3%
Hamilton Sundstrand	**5,608**	5,560	6,127	**918**	857	1,099	**16.4%**	15.4%	17.9%
Sikorsky	**6,684**	6,287	5,346	**716**	608	478	**10.7%**	9.7%	8.9%
Total segment	**54,682**	52,800	59,469	**7,972**	6,980	8,034	**14.6%**	13.2%	13.5%
Eliminations and other	**(356)**	(375)	(350)	**(409)**	(255)	(117)			
General corporate expenses	**—**	—	—	**(377)**	(348)	(408)			
Consolidated	**$54,326**	$52,425	$59,119	**$7,186**	$6,377	$7,509	**13.2%**	12.2%	12.7%

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, tightening of credit markets and other global and political factors. Carrier'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. Our short cycle markets are recovering as expected and our emerging markets continue to gain traction. We are beginning to see a modest recovery in the commercial construction markets in the U.S., although they are still weak. Carrier returned to organic sales growth in 2010, led by the transportation businesses. The transport refrigeration markets have benefited from a resumption of unit replacement demand, while U.S. residential new construction starts remain at low levels. Short cycle shipments and order rates were robust in the fourth quarter of 2010, consistent with our expectations for sales growth in 2011.

In 2010, 73% of total commercial business sales were generated outside the United States, including U.S. export sales, as compared to 71% in 2009. The following table shows sales generated outside the United States for each of the commercial business segments:

	2010	2009
Otis	82%	80%
Carrier	56%	55%
UTC Fire & Security	84%	82%

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, to a limited extent, through sales representatives and distributors.

Factors Contributing to Total % Change Year-Over-Year in:

	2010		2009	
	Net Sales	Operating Profits	Net Sales	Operating Profits
Organic sales / Operational operating profit	(3)%	6 %	(6)%	6 %
Foreign currency translation	1 %	(1)%	(4)%	(4)%
Acquisitions and divestitures, net	1 %	—	1 %	—
Restructuring	—	3 %	—	(6)%
Other	—	(3)%	—	3 %
Total % Change	(1)%	5 %	(9)%	(1)%

2010 Compared with 2009

Otis's sales decreased $144 million (1%) in 2010, as compared with 2009. The organic sales decline was due to a decrease in new equipment sales volume as a result of lower opening backlog entering the year, partially offset by a strong volume rebound in China. The decrease in new equipment sales was partially offset by continued growth in the contractual maintenance business. New equipment orders improved 7% versus the prior year, led by strong order growth in China. Selling prices remained under pressure in most markets.

Otis's operating profits increased $128 million (5%) in 2010, as compared with 2009. Operational profit improvement (6%) resulted from higher maintenance volume and the benefits from ongoing cost reduction initiatives, more than offsetting the impact of lower new equipment volume and pricing. The decrease contributed by "Other" primarily reflects the absence of a $52 million gain recognized in 2009 on the re-measurement to fair value of a previously held equity interest in a joint venture resulting from the purchase of a controlling interest.

2009 Compared with 2008

Otis's sales decreased $1,161 million (9%) in 2009, as compared with 2008. The organic sales decline was attributable to a decrease in new equipment sales as difficult economic conditions adversely impacted global construction. New equipment orders declined 31% versus the prior year, which contributed to lower new equipment sales across all geographic regions.

Otis's operating profits decreased $30 million (1%) in 2009, as compared with 2008. Operational profit improvement resulted from increased volume and improved margins in the contractual maintenance business, lower commodity costs and the benefits from aggressive cost reduction initiatives. Improved margins in the contractual maintenance business were the result of productivity improvements from restructuring and other cost reduction actions. The 3% increase contributed by "Other" in 2009 reflects a gain recognized in the second quarter of 2009 on the re-measurement to fair value of a previously held equity interest in a joint venture resulting from the purchase of a controlling interest, and the absence of provisions for certain accounting issues discovered at a subsidiary in Brazil in late 2008.

Carrier is the world's largest provider of HVAC and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. Carrier also provides installation, retrofit and aftermarket services for the products it sells and those of other manufacturers in the HVAC and refrigeration industries. During 2010 and 2009, as part of its ongoing business transformation strategy, Carrier completed divestitures of several lower-margin businesses, acquired several higher margin service businesses, and formed ventures in parts of the U.S., Europe, the Middle East, Australia and Asia. Carrier's products and services are sold under Carrier and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. Carrier sells directly to the end customer and through manufacturers' representatives, distributors, wholesalers, dealers and retail outlets. Certain of Carrier's HVAC businesses are seasonal and can be impacted by weather. Carrier 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 Carrier products. We account for incentive payments made as a reduction to sales.

Factors Contributing to Total % Change Year-Over-Year in:

	2010		2009	
	Net Sales	**Operating Profits**	Net Sales	Operating Profits
Organic sales / Operational operating profit	**6 %**	**39 %**	(16)%	(34)%
Foreign currency translation	**1 %**	**—**	(3)%	(1)%
Acquisitions and divestitures, net	**(7)%**	**3 %**	(5)%	(3)%
Restructuring	**—**	**18 %**	—	(5)%
Other	**—**	**(16)%**	—	(1)%
Total % Change	**—**	**44 %**	(24)%	(44)%

2010 Compared with 2009

Carrier's sales increased $51 million in 2010, as compared with 2009. Organic sales growth of 6% was driven primarily by improvement in the transport refrigeration and Asian and Latin America HVAC markets, partially offset by a decline in the European commercial HVAC equipment markets. The 7% decrease contributed by "Acquisitions and divestitures, net" in 2010 primarily reflects the net year-over-year impact from the disposition of businesses and the formation of noncontrolling ventures globally.

Carrier's operating profits increased $322 million (44%) in 2010, as compared with 2009. The operational profit improvement (39%) was largely driven by strong conversion on the organic sales growth, particularly in the higher margin transport refrigeration business, combined with the carry-over benefits of cost reduction and restructuring (combined 54%), partially offset by increased commodity costs and adverse pricing (17%). The decrease contributed by "Other" primarily reflects the year-over-year net impact of gains and losses resulting from dispositions associated with Carrier's ongoing portfolio transformation. This includes an approximately $58 million asset impairment charge in 2010 associated with disposition activity as well as the absence of an approximately $60 million gain recognized in 2009 from the contribution of the majority of Carrier's U.S. Residential Sales and Distribution business into a new venture formed with Watsco, Inc.

2009 Compared with 2008

Carrier's sales decreased $3,482 million (24%) in 2009, as compared with 2008. The decline in organic sales is a result of weak market conditions across all businesses, particularly the higher margin transport refrigeration business where organic sales declined 37% in 2009.

Carrier's operating profits decreased $576 million (44%) in 2009 compared with 2008 as almost all businesses experienced earnings declines due to unfavorable market conditions. The operational profit decrease was primarily due to the volume decline (57%), especially in our higher margin transport refrigeration business, the adverse cost impact from worldwide currency shifts (5%), and lower equity income from a joint venture in Japan (2%). These adverse impacts were partially offset by the favorable impact from aggressive cost reduction and restructuring actions, and lower net commodity costs (net combined 30%). The 1% decrease in "Other" primarily reflects lower gains from net acquisition and divestiture activities. The decrease contributed by "Acquisitions and divestitures, net" for both sales and operating profits reflects the net year-over-year operational impact from acquisitions and divestitures completed in the preceding twelve months, including the transaction with Watsco, Inc.

UTC Fire & Security is a global provider of security and fire safety products and services. UTC Fire & 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. UTC Fire & Security also provides monitoring, response and security personnel services, including cash-in-transit security, to complement its electronic security and fire safety businesses. In 2010, we completed the acquisition of the GE Security business from GE. With the acquisition of GE Security, UTC strengthened its 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, and also significantly enhanced UTC Fire & Security's North American presence. UTC Fire & Security products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants and other end-users requiring a high level of security and fire protection for their businesses and residences. UTC Fire & Security provides its products and services under Chubb, Kidde and other brand names and sells directly to the customer as well as through manufacturer representatives, distributors, dealers and U.S. retail distribution.

Factors Contributing to Total % Change Year-Over-Year in:

	2010		2009	
	Net Sales	**Operating Profits**	Net Sales	Operating Profits
Organic sales / Operational operating profit	**(3)%**	**2%**	(7)%	4 %
Foreign currency translation	**2 %**	**2%**	(7)%	(9)%
Acquisitions and divestitures, net	**19%**	**34%**	(1)%	4 %
Restructuring	**—**	**7%**	—	(9)%
Other	**—**	**—**	—	1 %
Total % Change	**18%**	**45%**	(15)%	(9)%

2010 Compared with 2009

UTC Fire & Security's sales increased $987 million (18%) in 2010, as compared with 2009. Organically, the 3% sales contraction was driven by declines in the service and install businesses, while the products businesses were flat year-over-year. Geographically, the service and install businesses experienced weakness in Europe and the Americas in 2010 as a result of poor economic conditions, partially offset by growth in Asia. The increase contributed by "Acquisitions and divestitures, net" reflects the net year-over-year impact from acquisition and divestitures completed in the preceding twelve months, led by the acquisition in March 2010 of the GE Security business.

UTC Fire & Security's operating profits increased $221 million (45%) in 2010, as compared with 2009. The 2% operational profit improvement reflects the benefits of integrating operations, restructuring actions taken, and productivity initiatives, partially offset by the impact of organic volume contraction. The increase contributed by "Acquisitions and divestitures, net" primarily reflects the acquisition in March 2010 of the GE Security business.

2009 Compared with 2008

UTC Fire & Security's sales decreased $943 million (15%) in 2009, as compared with 2008. Organic sales contraction was primarily caused by declines in both the Americas and United Kingdom Fire Safety and Electronic Security businesses.

UTC Fire & Security's operating profits decreased $49 million (9%) in 2009, as compared with 2008. The operational profit improvement was due principally to the integration of field operations, the benefits of net cost reductions from previous restructuring actions, and the integration and continuing productivity and cost control initiatives which, when combined, more than offset the impact of the lower sales. The increase contributed by "Acquisitions and divestitures, net" reflects the net year-over-year impact from acquisition and divestitures completed in the preceding twelve months, including the third quarter of 2009 acquisition of additional shares of GST, a fire alarm system provider in China.

Aerospace Businesses

The financial performance of Pratt & Whitney, Hamilton Sundstrand and Sikorsky is directly tied to the economic conditions of the commercial aerospace and defense industries. 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. 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.

The commercial airline industry rebounded in 2010 and continues to gain traction, as airlines benefit from airline traffic growth, higher yields and rising load factors. All major U.S. airlines and most European and Asian airlines returned to profitability in 2010. Airline traffic, as measured by revenue passenger miles (RPMs), grew in 2010, as compared with 2009, and we project RPMs to continue to grow by approximately 6% in 2011. Although airlines returned to profitability in 2010, rising fuel prices will challenge the airlines in the near term to maintain capacity disciplines, raise fares, and consider the need for more fuel efficient aircraft. We have also seen a favorable trend in commercial aftermarket growth as airlines were adding capacity to their fleets leading to additional overhaul and repair maintenance requirements. Orders of short cycle commercial aerospace spares grew year-over-year, with 18% growth in Pratt & Whitney's large commercial spares orders and a 16% increase in Hamilton Sundstrand's commercial spares orders. These increases in order rates have led to a corresponding increase in commercial aerospace aftermarket volume at both Pratt &

Whitney and Hamilton Sundstrand, and accordingly, consolidated commercial aerospace aftermarket sales increased 10% in 2010, as compared to 2009. We expect commercial aerospace aftermarket sales will continue to grow in 2011.

Similar to 2009, the overall business jet market continued to be weak in 2010, reflecting the conditions from a sluggish global economy and weak corporate profits. Despite this, we are seeing some improvement in business aircraft indicators, including a decrease in used aircraft inventory in 2010, as compared to 2009, although used aircraft inventory remains high, as well as a reduction in cancellations at business jet manufacturers. However, the level of net orders has not been substantial enough to grow backlogs. As a result of the ongoing market weakness, we do not expect a recovery in the business jet OEM market until at least 2012. This weakness will continue to put pressure on P&WC and corresponding engine shipments although we expect total overall engine shipments at P&WC to increase in 2011, as compared to 2010, due to increases across other platforms, such as helicopters.

Although commercial helicopter deliveries remained low in 2010, commercial helicopter orders increased towards the second half of 2010, indicative of a potentially healthier market. However, it is not clear whether this level of activity will continue with stability. Uncertainty among helicopter operators regarding the impact of the offshore drilling moratorium in the U.S. remains, but has been moderated by exploration and production initiatives in developing markets. Strong government military spending continued to drive military helicopter demand and, as a result, Sikorsky's military backlog remains strong. Consolidated military OEM sales increased 4% in 2010, as compared with 2009, driven by Sikorsky. For 2011, we expect production of U.S. government Black Hawk and Naval Hawk helicopters at Sikorsky to level off, with demand for international military helicopters increasing.

Deficit reduction measures considered by the U.S. government are expected to pressure the U.S. Department of Defense budget in the coming years, resulting in a decline in U.S. Department of Defense spending. Total sales to the U.S. government of $9.9 billion, $9.3 billion, and $8.0 billion in 2010, 2009, and 2008, respectively, were 18% of total UTC sales in 2010 and 2009, and 14% in 2008. 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 2010 and is expected to continue to benefit results in 2011.

Pratt & Whitney is among the world's leading suppliers of aircraft engines for the commercial, military, business jet and general aviation markets. Pratt & Whitney Global Services 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 aircraft in the commercial and military markets. Pratt & Whitney Power Systems sells aero-derivative engines for industrial applications. P&WC is a world leader in the production of engines powering business, regional, light jet, utility and military aircraft and helicopters and provides related maintenance, repair and overhaul services, including sale of spare parts, as well as fleet management services. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated space propulsion systems for military and commercial applications, including the U.S. space shuttle program. Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, space launch vehicle providers 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 intended to enable it to power proposed and future aircraft, including the PurePower PW1000G Geared TurboFan engine. 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 the PurePower PW1000G engine as a new engine option to power its A320neo family of aircraft scheduled to enter service in 2016. Additionally, PurePower PW1000G engine models have been selected by Bombardier to power the new CSeries passenger aircraft and by Mitsubishi Heavy Industries to power the new Mitsubishi Regional Jet (MRJ), scheduled to enter into service in 2013 and 2014, respectively. In 2009, the Irkut Corporation of Russia also selected the PurePower PW1000G engine to power the proposed new Irkut MC-21 passenger aircraft, which is planned to enter into service in 2016. The success of these aircraft and the PurePower PW1000G engine is dependent upon many factors including technological challenges, 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.

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, 2010, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from 14 percent to 48 percent. In addition, Pratt & Whitney has interests in other engine programs, including a 33 percent interest in the International Aero Engines (IAE) collaboration, which sells and supports V2500 engines for the Airbus A320 family of aircraft. At December 31, 2010, portions of Pratt & Whitney's interests in IAE (equivalent to 4 percent of the overall IAE collaboration) were held by third party participants. Pratt & Whitney also has a 50 percent interest in the Engine Alliance (EA), a joint venture with GE Aviation, which markets and manufactures the GP7000 engine for the Airbus A380 aircraft. At December 31, 2010, 40 percent of Pratt & Whitney's 50 percent interest in the EA was held by third party participants. Pratt & Whitney continues to pursue additional collaboration partners.

Factors Contributing to Total % Change Year-Over-Year in:

	2010		2009	
	Net Sales	**Operating Profits**	Net Sales	Operating Profits
Organic sales* / Operational operating profit*	**—**	**(3)%**	(9)%	(5)%
Foreign currency (including P&WC net hedging)*	**4 %**	**9 %**	(2)%	(6)%
Restructuring	**—**	**3 %**	—	(3)%
Other	**—**	**(1)%**	—	—
Total % Change	**4 %**	**8 %**	(11)%	(14)%

* 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.

2010 Compared with 2009

Pratt & Whitney's sales increased $543 million (4%) in 2010, as compared with 2009. Organic sales were essentially flat year-over-year. Growth in the large commercial engine business (4%), driven by higher commercial spares and aftermarket sales volumes, and an increase in the military engine business (1%) on higher engine deliveries, were mostly offset by lower sales at P&WC (2%) due to decreased engine sales volume and a decline at Pratt & Whitney Power Systems (2%) from lower industrial sales volumes. The impact from foreign currency (4%) reflects the beneficial transactional impact of foreign exchange hedging at P&WC.

Pratt & Whitney's operating profits increased $152 million (8%) in 2010, as compared with 2009. The operational profit decline (3%) primarily reflects higher year-over-year research and development costs. Lower profits at P&WC (9%) driven by decreased engine sales volumes were offset by higher profit contribution from the large commercial engine business (6%) driven by higher commercial spares and aftermarket sales volumes and an increase in the military engine business (3%).

2009 Compared with 2008

Pratt & Whitney's sales decreased $1,457 million (11%) in 2009, as compared with 2008. The decrease was primarily attributable to decreased engine shipments and lower aftermarket volume at P&WC (4%), lower commercial spares and aftermarket volume (4%), and the adverse impact of net hedging activity (2%).

Pratt & Whitney's operating profits decreased $287 million (14%) in 2009, as compared with 2008. The operational decline was primarily driven by lower aftermarket volumes and decreased engine shipments in the large commercial engine business (9%) and at P&WC (5%), partially offset by the favorable impact of lower research and development spending (6%) and the profit contribution from higher military engine volumes (2%).

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

Factors Contributing to Total % Change Year-Over-Year in:				
	2010		2009	
	Net Sales	**Operating Profits**	Net Sales	Operating Profits
Organic sales / Operational operating profit	**1 %**	**8 %**	(7)%	(11)%
Foreign currency translation	**—**	**(1)%**	(1)%	(1)%
Acquisitions and divestitures, net	**—**	**—**	(1)%	(1)%
Restructuring	**—**	**6 %**	—	(7)%
Other	**—**	**(6)%**	—	(2)%
Total % Change	**1 %**	**7 %**	(9)%	(22)%

2010 Compared with 2009

Hamilton Sundstrand's sales increased $48 million (1%) in 2010, as compared with 2009. The organic sales growth reflects higher volumes in the industrial business (2%), partially offset by a decline in the aerospace business (1%). The industrial business increase was led by the compressor business attributable to general increases in infrastructure and industrial spending particularly in the U.S. and Asia. The decline within the aerospace business reflects lower OEM sales volume (2%) partially offset by an increase in the aftermarket business (1%) primarily as a result of higher commercial spares and repair volume.

Hamilton Sundstrand's operating profits increased $61 million (7%) in 2010, as compared with 2009. The 8% improvement in operational profit reflects an increase in the industrial business (7%), reflecting the benefit from higher volumes and cost reduction initiatives, and an increase within the aerospace business (1%). The 1% improvement within aerospace reflects favorable net operating performance, including the benefit of ongoing cost reduction initiatives, and volume growth from higher margin commercial aftermarket sales partially offset by the impact from adverse mix within OEM sales (net combined 8%). This 8% improvement was mostly offset by higher year-over-year research and development costs (7%). The decrease contributed by "Other" primarily reflects the impact of an asset impairment charge recorded in 2010 related to the expected disposition of an aerospace business and the absence of a gain from the sale of a business in 2009.

2009 Compared with 2008

Hamilton Sundstrand's sales decreased $567 million (9%) in 2009, as compared with 2008. The organic sales decline reflects lower volumes in both the industrial (4%) and aerospace (3%) businesses. The decrease within aerospace was primarily attributable to aftermarket volume declines.

Hamilton Sundstrand's operating profits decreased $242 million (22%) in 2009, as compared with 2008. The decrease in operational profit reflects declines in the aerospace (13%) and industrial (4%) businesses, partially offset by lower year-over-year research and development costs (6%). The 2% decrease in "Other" primarily reflects the net year-over-year impact of gains recognized in 2008 relating to divestiture activities.

Sikorsky is the world's largest helicopter company. Sikorsky manufactures military and commercial helicopters and also provides aftermarket helicopter and aircraft parts and services. In December 2007, the U.S. government and Sikorsky signed a five-year multi-service contract for 537 H-60 helicopters to be delivered to the U.S. Army and U.S. Navy, which include the UH-60M, HH-60M, MH-60S and MH-60R. The current contract value for expected deliveries over the five year term is approximately $8.5 billion and includes options for an additional 263 aircraft, spare parts, and kits, with the total contract value potentially reaching $11.6 billion making it the largest contract in UTC and Sikorsky history. Actual production quantities will be determined year-by-year over the life of the program based on funding allocations set by Congress and Pentagon acquisition priorities. The deliveries of the aircraft are scheduled to be made through 2012. 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 an approximately $3 billion firm, fixed-price contract that provides for the development, production, and 24-year logistical support of 28 helicopters. This is the largest and most expansive fixed-price development contract in Sikorsky's history. As previously disclosed, in June 2010 Sikorsky and the Canadian government signed contract amendments that revised the delivery schedule and contract specifications, and established the requirements for the first six interim aircraft deliveries to enable initial operational test and evaluation activities prior to the scheduled delivery of final configuration helicopters starting in June 2012. The amendments also included modifications to the liquidated damages schedule, readjustment of payment schedules, resolution of open disputes and other program enhancements. Delivery of the interim configuration helicopters was scheduled to commence in November 2010, but is now expected to begin in the first quarter of 2011. Sikorsky's aftermarket business includes spare parts sales, overhaul and repair services, maintenance contracts and logistics support programs for helicopters and other aircraft. Sales are 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.

Factors Contributing to Total % Change Year-Over-Year in:				
	2010		2009	
	Net Sales	**Operating Profits**	Net Sales	Operating Profits
Organic sales / Operational operating profit	**6 %**	**17 %**	18 %	36 %
Acquisitions and divestitures, net	**—**	**(1)%**	—	—
Restructuring	**—**	**(1)%**	—	(1)%
Other	**—**	**3 %**	—	(8)%
Total % Change	**6 %**	**18 %**	18 %	27 %

2010 Compared with 2009

Sikorsky's sales increased $397 million (6%) in 2010, as compared with 2009. The organic sales growth was primarily attributable to higher military aircraft sales (6%), partially offset by the impact of fewer aircraft deliveries from commercial operations (2%) due to continued commercial market weakness. Sales from aftermarket support increased (2%) primarily driven by higher military sales volume and aircraft modernizations.

Sikorsky's operating profits increased $108 million (18%) in 2010, as compared with 2009. The operational profit improvement was primarily attributable to increased military aircraft sales (15%), partially offset by a decline in commercial operations (2%) due to unfavorable aircraft configuration mix and fewer deliveries as a result of continued commercial market weakness. Improvement in aftermarket support (4%) was driven by higher military sales and aircraft modernizations. Higher year-over-year research and development costs were substantially offset by lower manufacturing costs. The 3% increase contributed by "Other" primarily reflects the absence of prior year costs associated with a union contract ratified in 2009.

2009 Compared with 2008

Sikorsky's sales increased $941 million (18%) in 2009, as compared with 2008. The organic sales increase was primarily driven by higher volumes of military aircraft deliveries partially offset by a reduction in commercial aircraft sales due to a competitive marketplace.

Sikorsky's operating profits increased $130 million (27%) in 2009, as compared with 2008. The operational profit improvement was primarily attributable to increased aircraft deliveries and favorable aircraft mix (41%) within the military market, partially offset by reduced operational profit (10%) within commercial operations due primarily to a competitive marketplace. The remainder of the increase is primarily comprised of favorable contract adjustments. The 8% decrease in "Other" primarily reflects the adverse impact associated with a new union contract.

Eliminations and other

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 such as UTC Power and Clipper. The year-over-year change in the operating profit elimination in 2010, as compared with 2009, is primarily attributable to the previously disclosed impairment charge on our investment in Clipper and higher legal costs, partially offset by the net impact from the absence of certain items in 2009. These prior year items include curtailment charges related to the impact of headcount reductions on our domestic pension plans and to increased inventory reserves and project related reserves recorded at UTC Power.

Liquidity and Financial Condition

(Dollars in millions)	**2010**	2009
Cash and cash equivalents	**$ 4,083**	$ 4,449
Total debt	**10,289**	9,744
Net debt (total debt less cash and cash equivalents)	**6,206**	5,295
Total equity	**22,332**	20,999
Total capitalization (debt plus equity)	**32,621**	30,743
Net capitalization (debt plus equity less cash and cash equivalents)	**28,538**	26,294
Debt to total capitalization	**32%**	32%
Net debt to net capitalization	**22%**	20%

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our principal source of liquidity is operating cash flows, which, after netting out capital expenditures, we target to equal or exceed net income attributable to common shareowners. 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.

Although the global financial crisis experienced over the last several years has subsided, the recovery remains fragile and uneven and demand for credit availability remains high. In light of these circumstances, we continue to assess our current business, are closely monitoring the impact on our customers and suppliers, and have determined that overall there has not been a significant effect on our financial position, results of operations or liquidity during 2010. Due to the substantial improvement in equity markets during the course of 2010 and 2009, our domestic pension funds experienced a positive return on assets of approximately 15% and 21%, respectively. The continued recognition of prior pension losses and the impact of a lower discount rate, partially offset by additional funding and the positive returns experienced during 2010, is expected to increase pension expense in 2011 by approximately $150 million as compared to 2010.

Approximately 89% of our domestic pension plans are invested in readily-liquid investments, including equity, fixed income, asset backed receivables and structured products. The balance of our domestic pension plans (11%) is invested in less-liquid but market-valued investments, including real estate and private equity.

As discussed further below, our strong debt ratings and financial position have historically enabled us to issue long-term debt at favorable market rates, including our issuance of $2.25 billion of long-term debt in February 2010. 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.

At December 31, 2010, we had new committed revolving credit agreements from banks permitting aggregate borrowings of up to $3.0 billion under a $1.6 billion revolving credit agreement and a $1.4 billion multicurrency revolving credit agreement, which expire in November 2014 and December 2014, respectively. These new revolving credit agreements were signed on November 30, 2010 and December 3, 2010, respectively, to replace our former revolving credit agreements which had permitted aggregate borrowings of up to $2.5 billion under a $1.5 billion revolving credit agreement and a $1.0 billion multicurrency revolving credit agreement which were set to expire in October 2011 and November 2011, respectively. As of December 31, 2010 and 2009, there were no borrowings under 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. In December 2010, our maximum commercial paper borrowing authority was increased from $2.5 billion to $3 billion. In addition, at December 31, 2010, approximately $2 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries.

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 continued 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 considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to capital controls; however, those balances are generally available without legal restrictions to fund ordinary business operations. As discussed in Note 10, 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.

As also discussed in Note 10, changes in U.S. tax legislation enacted during 2010 led to management's decision to repatriate an increased amount of current year high tax dividends to the U.S. in 2010. The favorable tax benefit generated by these dividends was substantially offset by the tax cost related to the repatriation of other current year earnings. As a result, approximately $2.5 billion of foreign subsidiary cash was repatriated to the U.S. during 2010, primarily through receipt of dividends from current year earnings, the tax free return of capital, and intercompany loans. These funds were largely used to repay commercial paper borrowings at yearend.

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, 2010 and 2009, the amount of restricted cash was approximately $75 million and $43 million. As of December 31, 2010, all restricted cash was included in current assets. As of December 31, 2009, approximately $41 million of restricted cash was included in current assets and $2 million was included in long-term assets.

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.

Cash Flow from Operating Activities

(Dollars in millions)	**2010**	2009
Net cash flows provided by operating activities	**$5,906**	$5,353

The increase in cash generated from operating activities in 2010 as compared with 2009, is due to the increase in net income attributable to common shareowners. Higher working capital cash requirements in 2010 were offset by the net combined improvements in other operational accounts reflecting normal operational activity. Although working capital generated a $525 million cash inflow in 2010, it was $540 million lower than the approximately $1.1 billion cash inflow generated during 2009. This decline of $540 million in 2010 was primarily driven by improved sales volumes that resulted in higher working capital requirements. Although working capital levels grew, the rate of growth was restrained due to a strong management focus on base working capital levels.

The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. We can contribute cash or company stock to our plans at our discretion, subject to applicable regulations. Total cash contributions to our global defined benefit pension plans during each of 2010 and 2009 were approximately $1.3 billion. We also contributed $250 million in UTC common stock to these plans during 2010. We did not contribute any UTC common stock to these plans during 2009. As of December 31, 2010, the total investment by the defined benefit pension plans in our securities was approximately 3% of total plan assets. Improved investment returns and additional voluntary pension contributions during 2010 have improved the funded status of all plans, helping to minimize future funding requirements. We expect to make contributions of approximately $450 million to our global pension plans in 2011, including approximately $250 million to our domestic plans. Contributions to our defined pension plans in 2011 are expected to meet or exceed the current funding requirements.

Cash Flow from Investing Activities

(Dollars in millions)	**2010**	2009
Net cash flows used in investing activities	**$(3,187)**	$(1,104)

The year-over-year increase in the net use of cash flows from investing activities is largely a result of a $2.1 billion increase in our cash investment in businesses in 2010 as compared with 2009. The cash investment in businesses across all of our operations in 2010 was approximately $2.8 billion and primarily reflects the acquisition of the GE Security business for approximately $1.8 billion and the acquisition of Clipper for approximately $350 million. The remainder consisted of a number of small acquisitions in both our aerospace and commercial businesses. Cash investment in businesses across all of our operations in 2009 was $703 million and primarily consisted of a number of small acquisitions in both our aerospace and commercial businesses, including the acquisition of a controlling interest in GST Holdings Limited (GST), a fire alarm system provider in China. The acquisition of these additional shares in GST was partially funded from cash that was previously restricted. We expect total investments in businesses in 2011 to approximate $1.5 billion; however, actual acquisition spending may vary depending upon the timing, availability and appropriate value of acquisition opportunities.

Customer financing activities was a net use of cash of $55 million in 2010, compared to a net use of cash of $91 million for 2009. While we expect that 2011 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. We had commercial aerospace financing and other contractual commitments of approximately $2.0 billion related to commercial aircraft and certain contractual rights to provide product on new aircraft platforms at December 31, 2010; as much as $384 million of the outstanding commitments may be required to be disbursed during 2011. Refer to Note 4 to the Consolidated Financial Statements for additional discussion of our commercial aerospace industry assets and commitments.

Cash Flow from Financing Activities

(Dollars in millions)	**2010**	2009
Net cash flows used in financing activities	**$(3,153)**	$(4,191)

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. We had no commercial paper outstanding at December 31, 2010 or 2009. During the fourth quarter of 2010, the cash that management decided to repatriate to the U.S., as a result of recent U.S. tax law changes, was largely used to repay commercial paper balances that were outstanding as of September 30, 2010.

In February 2010, we issued $2.25 billion of long-term debt. We used the net proceeds from these issuances primarily to fund a portion of the acquisition of the GE Security business and to repay commercial paper borrowings. In May 2010, we repaid the entire $600 million outstanding principal amount of our 4.375% notes at maturity. In June 2010, we redeemed the entire $500 million outstanding principal amount of our 7.125% notes that would otherwise have been due November 15, 2010 and in September 2010, we redeemed the entire $500 million outstanding principal amount of our 6.350% notes that would otherwise have been due March 1, 2011. In February 2009, we redeemed the entire $500 million outstanding principal amount of our LIBOR+.07% floating rate notes that would otherwise have been due June 1, 2009 at a redemption price in U.S. dollars equal to 100% of the principal amount, plus interest accrued. In June 2009, we repaid the entire $400 million outstanding principal amount of our 6.500% notes due 2009 at maturity. In December 2009, we redeemed the entire $33 million outstanding principal amount of our 7.675% ESOP debt that was due December 10, 2009 at a redemption price in U.S. dollars equal to 100% of the principal amount, plus interest accrued.

Financing cash outflows for 2010 and 2009 included the repurchase of 31.0 million and 19.1 million shares of our common stock for approximately $2.2 billion and $1.1 billion, respectively, under a 60 million share repurchase program. On March 10, 2010, the Board of Directors authorized a new 60 million common share repurchase program that replaced the previous program, approved in June 2008, which was nearing completion. Approximately 4.9 million of the shares repurchased during 2010 were repurchased under the previous program and approximately 26.1 million under the new program. In addition to management's view that the repurchase of our common stock is a beneficial investment, we also repurchase to offset the dilutive effect of the issuance of stock and options under the stock-based employee benefit programs. At December 31, 2010, we had remaining authority to repurchase approximately 33.9 million shares under the current program. We expect total share repurchases in 2011 to approximate $2.5 billion; however, total repurchases may vary depending upon various factors including the level of other investing activities.

We paid dividends of $0.425 per share in the first quarter of 2010 totaling $373 million, $0.425 per share in the second quarter of 2010 totaling $371 million, $0.425 per share in the third quarter of 2010 totaling $370 million, and $0.425 per share in the fourth quarter of 2010 totaling $368 million. During 2009, an aggregate $1,356 million of cash dividends were paid to shareowners.

Critical Accounting Estimates

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

Long-term Contract Accounting. We utilize percentage of completion accounting on certain of our long-term contracts. The percentage of completion method requires estimates of future revenues and costs over the full term of product 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. 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 business, 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 generally recognize losses on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs, as appropriate, exceed revenue realized. We measure the extent of progress toward completion on our long-term commercial aerospace equipment and helicopter contracts using units of delivery. In addition, we use the cost-to-cost method for elevator and escalator sales, installation and modernization contracts in the commercial businesses. For long-term aftermarket contracts, we recognize revenue over the contract period in proportion to the costs expected to be incurred in performing services under the contract. Contract accounting also requires estimates of future costs over the performance period of the contract as well as an estimate of award fees and other sources of revenue.

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

Income Taxes. The future tax benefit arising from net deductible temporary differences and tax carryforwards was $3.6 billion at December 31, 2010 and $3.8 billion at December 31, 2009. 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. Effective with our January 1, 2009 adoption of the provisions of the Business Combinations Topic of the FASB ASC, adjustments for valuation allowances on deferred taxes and acquired tax contingencies associated with a business combination will generally affect income tax expense as opposed to being recorded as an adjustment to goodwill.

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 10 to the Consolidated Financial Statements for further discussion.

Goodwill and Intangible Assets. Our investments in businesses in 2010 totaled $2.8 billion, including approximately $39 million of debt assumed. The assets and liabilities of acquired businesses are recorded under the purchase method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Intangible assets consist of service portfolios, patents and trademarks, customer relationships and other intangible assets. Included within other intangible assets are commercial aerospace payments made to secure certain contractual rights to provide product on new aircraft platforms. Payments made on these contractual commitments are to be amortized as the related units are delivered.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. The identification and measurement of goodwill impairment involves the estimation of the fair value of reporting units. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment, which primarily incorporates management assumptions about expected future cash flows, includes market assumptions, and contemplates other valuation techniques. Future cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. We completed our assessment of goodwill as of July 1, 2010 and determined that no impairment existed at that date. Although no significant goodwill impairment has been recorded to date, there can be no assurances that future goodwill impairments will not occur. However, a 10% decrease in the estimated fair value of any of our reporting units at the date of our 2010 assessment would not have resulted in a goodwill impairment charge. See Note 2 to the Consolidated Financial Statements for further discussion.

Product Performance. We extend performance and operating cost guarantees beyond our normal service and warranty policies for extended periods on some of our products, particularly commercial aircraft engines. Liability under such guarantees is based upon future product performance and durability. In addition, we incur discretionary costs to service our products in connection with product performance issues. We accrue for such costs that are probable and can be reasonably estimated. The costs associated with these product performance and operating cost guarantees require estimates over the full terms of the agreements, and require management to consider factors such as the extent of future maintenance requirements and the future cost of material and labor to perform the services. These cost estimates are largely based upon historical experience. See Note 15 to the Consolidated Financial Statements for further discussion.

Contracting with the U.S. Government. Our contracts with the U.S. government are subject to government oversight and audit. Like many defense contractors, we have received audit reports, which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports have involved substantial amounts. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and continue to litigate certain cases. In addition, we accrue for liabilities associated with those government contracting matters that are probable and can be reasonably estimated. The inherent uncertainty related to the outcome of these matters can result in amounts materially different from any provisions made with respect to their resolution. See Note 17 to the Consolidated Financial Statements for further discussion. We recorded sales to the U.S. government of $9.9 billion, $9.3 billion, and $8.0 billion in 2010, 2009, and 2008, respectively.

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, 2010.

(Dollars in millions)	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Pension plans		
Projected benefit obligation	$ (691)	$ 715
Net periodic pension cost	(62)	64
Other postretirement benefit plans		
Accumulated postretirement benefit obligation	(13)	13
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 2010 pension expense by approximately $52 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 decreased in 2010 as compared with 2009 and, as a result, the weighted-average discount rate used to measure pension liabilities decreased from 5.9% in 2009 to 5.4% in 2010. 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. The continued recognition of prior pension losses and the impact of a lower discount rate, as partially offset by positive returns experienced during 2010 and additional funding during 2010, will increase pension costs in 2011, as compared to 2010, by approximately $150 million. See Note 11 to the Consolidated Financial Statements for further discussion.

Inventory Valuation Reserves. Inventory valuation reserves are established in order to report inventories at the lower of cost or market value on our Consolidated Balance Sheet. The determination of inventory valuation reserves requires management to make estimates and judgments on the future salability of inventories. 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.

As of December 31, 2010 and 2009, we had $799 million and $683 million, respectively, of inventory valuation reserves recorded. Although management believes these reserves are adequate, any abrupt changes in market conditions may require us to record additional inventory valuation reserves.

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, 2010 is as follows:

		Payments Due by Period			
(Dollars in millions)	**Total**	2011	2012-2013	2014-2015	Thereafter
Long-term debt – principal	**$10,173**	$ 163	$ 547	$ 1,245	$ 8,218
Long-term debt – future interest	**8,738**	584	1,129	1,076	5,949
Operating leases	**1,805**	500	670	279	356
Purchase obligations	**13,161**	7,314	3,400	1,094	1,353
Other long-term liabilities	**4,025**	1,146	1,180	1,026	673
Total contractual obligations	**$37,902**	$9,707	$ 6,926	$ 4,720	$ 16,549

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 27% 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, 2010 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.

The above table does not reflect unrecognized tax benefits of $891 million, the timing of which is uncertain, except for approximately $60 million that may become payable during 2011. Refer to Note 10 to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits.

Commercial Commitments

		Amount of Commitment Expiration per Period			
(Dollars in millions)	**Committed**	2011	2012-2013	2014-2015	Thereafter
Commercial aerospace financing and other contractual commitments	**$ 2,032**	$384	$ 524	$ 377	$ 747
IAE financing arrangements*	**992**	224	391	284	93
Unconsolidated subsidiary debt guarantees	**225**	105	42	—	78
Commercial aerospace financing arrangements	**336**	22	50	9	255
Commercial customer financing arrangements	**191**	191	—	—	—
Performance guarantees	**40**	40	—	—	—
Total commercial commitments	**$ 3,816**	$966	$1,007	$ 670	$ 1,173

* Represents IAE's gross obligation; our proportionate share of IAE's obligations are 33%.

Refer to Notes 4, 15, and 17 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, 2010, the potential loss in fair value on our market risk sensitive instruments was not material in relation to our financial position, results of operations or cash flows. Our calculated value at risk exposure represents an estimate of reasonably possible net losses based on volatilities and correlations and is not necessarily indicative of actual results.

Refer to Notes 1, 8 and 13 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 $34 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 32 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, 2010.

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 596 locations, mostly in the United States, at which we may have some liability for remediating contamination. We have resolved our liability at 242 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 90% 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 106 sites. The number of Superfund sites, in and of itself, does not represent a relevant measure of liability because the nature and extent of environmental concerns vary from site to site and our share of responsibility varies from sole responsibility to very little responsibility. In estimating our liability for remediation, we consider our likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations.

At December 31, 2010 and 2009, we had $605 million and $539 million reserved for environmental remediation, respectively. Cash outflows for environmental remediation were $44 million in 2010, $49 million in 2009 and $46 million in 2008. We estimate that ongoing environmental remediation expenditures in each of the next two years will not exceed approximately $66 million.

Government Matters

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

As previously disclosed, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and General Electric's F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial of this matter, completed in December 2004, the government claimed Pratt & Whitney's liability to be $624 million. On August 1, 2008, the trial court judge held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in its 1983 offer. In the absence of actual damages, the trial court judge awarded the DOJ the maximum civil penalty of $7.09 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 DOJ and UTC appealed the decision to the Sixth Circuit Court of Appeals. In November 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act and remanded the case to the U.S. District Court for further proceedings on the question of damages. Should the government ultimately prevail, 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 or cash flows for the period in which damages would be paid.

As previously disclosed, in December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges it has incurred 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 claims that Sikorsky's liability is approximately $88 million (including interest through December 2010). We believe this claim is without merit, and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims, which is pending.

Other Matters

As previously disclosed, on August 27, 2010, Rolls-Royce plc (Rolls-Royce) sued Pratt & Whitney in the U.S. District Court for the Eastern District of Virginia, alleging that fan blades on certain engines manufactured by Pratt & Whitney infringe a U.S. patent held by Rolls-Royce. Rolls-Royce seeks damages in an unspecified amount plus interest, an injunction, a finding of willful infringement, and attorneys' fees. We intend to vigorously defend the case and believe that Rolls-Royce's patent is invalid and that Pratt & Whitney's products do not infringe it. Trial in the matter could take place as early as March 2011. Should the plaintiff ultimately prevail, 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 or cash flows for the period in which damages would be paid. On November 5, 2010, Pratt & Whitney amended its previously-disclosed complaint against Rolls-Royce in the U.S. District Court for the District of Connecticut, adding Rolls-Royce Group plc (Rolls-Royce Group), the parent of Rolls-Royce, as a party, omitting previously asserted claims, and alleging that certain turbomachinery blades, engines and components manufactured by Rolls-Royce infringe a U.S. patent held by Pratt & Whitney. Pratt & Whitney seeks an injunction, damages, interest, attorney's fees and other relief. On November 5, 2010, Pratt & Whitney also filed complaints against Rolls-Royce in the High Court of Justice, Chancery Division, Patent Court (HCJ) in the United Kingdom (UK) and with the U.S. International Trade Commission (ITC). The HCJ action alleges similar infringement claims against Rolls-Royce based upon a UK patent held by Pratt & Whitney and seeks damages plus interest and all other relief to which Pratt & Whitney is entitled, including attorney's fees, expenses, and a permanent order preventing further infringements. The ITC complaint seeks a permanent exclusion order barring the importation into the U.S. of infringing turbomachinery blades, engines and engine components manufactured by Rolls-Royce and Rolls-Royce Group, and requests a permanent cease-and-desist order against Rolls-Royce and Rolls-Royce Group preventing further importing, marketing, advertising, demonstrating, testing, distributing, licensing, offering for sale, or use of such infringing turbomachinery blades, engines and engine components.

Except as otherwise noted, we do not believe that resolution of any of the above matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Additional discussion of our environmental, U.S. government contract matters, product performance and other contingent liabilities is included in "Critical Accounting Estimates" and Notes 1, 15 and 17 to the Consolidated

Financial Statements. For additional discussion of our legal proceedings, see Item 3, "Legal Proceedings," in our Annual Report on Form 10-K for 2010 (2010 Form 10-K).

New Accounting Pronouncements

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements." This ASU establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This ASU provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting in addition to establishing a selling price hierarchy in determining the selling price of a deliverable. Significantly enhanced disclosures are required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. Additional disclosures are also required of the significant judgments made, changes to those judgments, and how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. We have evaluated this new ASU and have determined that it will not have a significant impact on the determination or reporting of our financial results.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements." This ASU changes the accounting model for revenue arrangements that include both tangible products and software elements that are "essential to the functionality," and scopes these products out of current software revenue guidance. The new guidance includes factors to help companies determine what software elements are considered "essential to the functionality." The amendments will subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple-deliverables. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. We have evaluated this new ASU and have determined that it will not have a significant impact on the determination or reporting of our financial results.

In April 2010, the FASB issued ASU No. 2010-17, "Milestone Method of Revenue Recognition." This ASU allows entities to make a policy election to use the milestone method of revenue recognition and provides guidance on defining a milestone and the criteria that should be met for applying the milestone method. The scope of this ASU is limited to the transactions involving milestones relating to research and development deliverables. The guidance includes enhanced disclosure requirements about each arrangement, individual milestones and related contingent consideration, substantive milestones and factors considered in that determination. The amendments in this ASU are effective prospectively to milestones achieved in fiscal years, and interim periods within those years, beginning after June 15, 2010. Early application and retrospective application are permitted. We have evaluated this new ASU and have determined that it will not have a significant impact on the determination or reporting of our financial results.

Cautionary Note Concerning Factors That May Affect Future Results

This 2010 Annual Report to Shareowners (2010 Annual Report) contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance" and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- future sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance;
- the effect of economic conditions in the markets in which we operate and in the United States and globally and any changes therein, including financial market conditions, fluctuation 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 the financial condition of our customers and suppliers;
- delays and disruption in delivery of materials and services from suppliers;

- new business opportunities;
- cost reduction efforts and restructuring costs and savings and other consequences thereof;
- the scope, nature or impact of acquisition and divestiture activity including integration of acquired businesses into our existing businesses;
- 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;
- future levels of indebtedness and capital and research and development spending;
- future availability of credit;
- pension plan assumptions and future contributions; and
- the effect of changes in tax, environmental and other laws and regulations in the United States and other countries in which we operate.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Our Annual Report on Form 10-K for 2010 includes important information as to factors that may cause actual results to vary materially from those stated in the forward-looking statements. See the "Notes to Consolidated Financial Statements" under the heading "Contingent Liabilities," the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Critical Accounting Estimates," "Results of Operations," and "Liquidity and Financial Condition," and the section titled "Risk Factors." Our Annual Report on Form 10-K for 2010 also includes important information as to these risk 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 2010 Annual Report in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Environmental Matters" and "Restructuring and Other Costs." For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with the SEC from time to time.

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, 2010. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework.* Management concluded that based on its assessment, UTC's internal control over financial reporting was effective as of December 31, 2010. The effectiveness of UTC's internal control over financial reporting, as of December 31, 2010, 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/ Peter F. Longo
Peter F. Longo
Vice President, Controller

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 sheets and the related consolidated statements of operations, 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, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 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, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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.

As discussed in the Notes to the consolidated financial statements, the Corporation changed the manner in which it accounts for business combinations and noncontrolling interests in 2009.

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 10, 2011

CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in millions, except per share amounts; shares in millions)	**2010**	2009	2008
Net Sales:			
Product sales	**$38,641**	$37,332	$43,234
Service sales	**15,685**	15,093	15,885
	54,326	52,425	59,119
Costs, Expenses and Other:			
Cost of products sold	**28,956**	28,905	32,833
Cost of services sold	**10,458**	9,956	10,804
Research and development	**1,746**	1,558	1,771
Selling, general and administrative	**6,024**	6,036	6,724
Other income, net	**(44)**	(407)	(522)
Operating profit	**7,186**	6,377	7,509
Interest expense, net	**648**	617	573
Income before income taxes	**6,538**	5,760	6,936
Income tax expense	**1,827**	1,581	1,883
Net income	**4,711**	4,179	5,053
Less: Noncontrolling interest in subsidiaries' earnings	**338**	350	364
Net income attributable to common shareowners	**$ 4,373**	$ 3,829	$ 4,689
Earnings Per Share of Common Stock:			
Basic	**$ 4.82**	$ 4.17	$ 5.00
Diluted	**$ 4.74**	$ 4.12	$ 4.90
Dividends Per Share of Common Stock	**$ 1.70**	$ 1.54	$ 1.35
Weighted average number of shares outstanding:			
Basic shares	**907.9**	917.4	937.8
Diluted shares	**922.7**	928.8	956.4

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

(Dollars in millions, except per share amounts; shares in thousands)	**2010**	2009
Assets		
Cash and cash equivalents	**$ 4,083**	$ 4,449
Accounts receivable (net of allowance for doubtful accounts of $402 and $390)	**8,925**	8,469
Inventories and contracts in progress, net	**7,766**	7,509
Future income tax benefits, current	**1,623**	1,689
Other assets, current	**1,113**	1,078
Total Current Assets	**23,510**	23,194
Customer financing assets	**1,118**	1,047
Future income tax benefits	**1,970**	2,102
Fixed assets, net	**6,280**	6,364
Goodwill	**17,721**	16,298
Intangible assets, net	**4,060**	3,538
Other assets	**3,834**	3,219
Total Assets	**$ 58,493**	$ 55,762
Liabilities and Equity		
Short-term borrowings	**$ 116**	$ 254
Accounts payable	**5,206**	4,634
Accrued liabilities	**12,247**	11,792
Long-term debt currently due	**163**	1,233
Total Current Liabilities	**17,732**	17,913
Long-term debt	**10,010**	8,257
Future pension and postretirement benefit obligations	**3,592**	4,150
Other long-term liabilities	**4,510**	4,054
Total Liabilities	**35,844**	34,374
Commitments and contingent liabilities (Notes 4 and 17)		
Redeemable noncontrolling interest	**317**	389
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value; 250,000 shares authorized; None issued or outstanding	**—**	—
Common Stock, $1 par value; 4,000,000 shares authorized; 1,393,297 and 1,381,700 shares issued	**12,597**	11,746
Treasury Stock – 472,028 and 444,958 common shares at cost	**(17,468)**	(15,408)
Retained earnings	**30,191**	27,396
Unearned ESOP shares	**(166)**	(181)
Accumulated other comprehensive income (loss):		
Foreign currency translation	**366**	379
Other	**(4,135)**	(3,866)
Total Accumulated other comprehensive loss	**(3,769)**	(3,487)
Total Shareowners' Equity	**21,385**	20,066
Noncontrolling interest	**947**	933
Total Equity	**22,332**	20,999
Total Liabilities and Equity	**$ 58,493**	$ 55,762

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in millions)	**2010**	2009	2008
Operating Activities:			
Net income attributable to common shareowners	**$ 4,373**	$ 3,829	$ 4,689
Noncontrolling interest in subsidiaries' earnings	**338**	350	364
Net income	**4,711**	4,179	5,053
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	**1,356**	1,258	1,321
Deferred income tax provision	**413**	451	45
Stock compensation cost	**154**	153	211
Change in:			
Accounts receivable	**(319)**	955	(546)
Inventories and contracts in progress	**(244)**	695	(562)
Other current assets	**(17)**	(3)	35
Accounts payable and accrued liabilities	**1,105**	(582)	843
Global pension contributions	**(1,299)**	(1,270)	(193)
Other operating activities, net	**46**	(483)	(46)
Net cash flows provided by operating activities	**5,906**	5,353	6,161
Investing Activities:			
Capital expenditures	**(865)**	(826)	(1,216)
Increase in customer financing assets	**(217)**	(171)	(285)
Decrease in customer financing assets	**162**	80	138
Investments in businesses	**(2,758)**	(703)	(1,252)
Dispositions of businesses	**208**	158	337
Other investing activities, net	**283**	358	(58)
Net cash flows used in investing activities	**(3,187)**	(1,104)	(2,336)
Financing Activities:			
Issuance of long-term debt	**2,362**	37	2,248
Repayment of long-term debt	**(1,751)**	(1,012)	(48)
(Decrease) increase in short-term borrowings, net	**(141)**	(762)	91
Common Stock issued under employee stock plans	**386**	342	163
Dividends paid on Common Stock	**(1,482)**	(1,356)	(1,210)
Repurchase of Common Stock	**(2,200)**	(1,100)	(3,160)
Other financing activities, net	**(327)**	(340)	(322)
Net cash flows used in financing activities	**(3,153)**	(4,191)	(2,238)
Effect of foreign exchange rate changes on cash and cash equivalents	**68**	64	(164)
Net (decrease) increase in cash and cash equivalents	**(366)**	122	1,423
Cash and cash equivalents, beginning of year	**4,449**	4,327	2,904
Cash and cash equivalents, end of year	**$ 4,083**	$ 4,449	$ 4,327
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	**$ 753**	$ 704	$ 659
Income taxes paid, net of refunds	**$ 1,222**	$ 1,396	$ 1,912
Non-cash investing and financing activities include:			
Contributions of UTC Common Stock to domestic defined benefit pension plans of $250 in 2010 and 2008, respectively.			

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Dollars in millions)	Comprehensive Income (Loss)	Common Stock
Balance at December 31, 2007		**$ 10,572**
Comprehensive income (loss):		
Net income	$ 5,053	
Redeemable noncontrolling interest in subsidiaries' earnings		
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(1,951)	
Change in pension and post-retirement benefit plans, net of tax benefit of $2,512	(4,153)	
Unrealized loss on available-for-sale securities, net of tax benefit of $41	(59)	
Change in unrealized cash flow hedging, net of tax benefit of $127	(310)	
Total other comprehensive loss, net of tax	(6,473)	
Comprehensive loss	$ (1,420)	
Common Stock issued under employee plans (5.7 million shares), net of tax benefit of $32		525
Common Stock contributed to defined benefit pension plans (5.0 million shares)		82
Common Stock repurchased (50.4 million shares)		
Dividends on Common Stock		
Dividends on ESOP Common Stock		
Dividends attributable to noncontrolling interest		
Redeemable noncontrolling interest accretion		
Other changes in noncontrolling interest		
Balance at December 31, 2008		**$ 11,179**
Comprehensive income (loss):		
Net income	$ 4,179	
Redeemable noncontrolling interest in subsidiaries' earnings		
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	1,023	
Change in pension and post-retirement benefit plans, net of income taxes of $569	1,073	
Unrealized gain on available-for-sale securities, net of income taxes of $66	99	
Change in unrealized cash flow hedging, net of income taxes of $106	255	
Total other comprehensive income, net of tax	2,450	
Comprehensive income	$ 6,629	
Common Stock issued under employee plans (11.9 million shares), net of tax benefit of $50		634
Common Stock repurchased (19.1 million shares)		
Dividends on Common Stock		
Dividends on ESOP Common Stock		
Dividends attributable to noncontrolling interest		
Redeemable noncontrolling interest accretion		
Purchase of subsidiary shares from noncontrolling interest		(67)
Acquired noncontrolling interest		
Other changes in noncontrolling interest		
Balance at December 31, 2009		**$ 11,746**
Comprehensive income (loss):		
Net income	$ 4,711	
Redeemable noncontrolling interest in subsidiaries' earnings		
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(18)	
Change in pension and post-retirement benefit plans, net of tax benefit of $224	(336)	
Unrealized gain on available-for-sale securities, net of income taxes of $61	96	
Change in unrealized cash flow hedging, net of tax benefit of $18	(29)	
Total other comprehensive loss, net of tax	(287)	
Comprehensive income	$ 4,424	
Common Stock issued under employee plans (11.8 million shares), net of tax benefit of $94		746
Common Stock contributed to defined benefit pension plans (3.8 million shares)		117
Common Stock repurchased (31.0 million shares)		
Dividends on Common Stock		
Dividends on ESOP Common Stock		
Dividends attributable to noncontrolling interest		
Redeemable noncontrolling interest accretion		
Purchase of subsidiary shares from noncontrolling interest		(12)
Sale of subsidiary shares in noncontrolling interest		
Other changes in noncontrolling interest		
Balance at December 31, 2010		**$ 12,597**

See accompanying Notes to Consolidated Financial Statements

Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
Shareowners' Equity						
$ (11,338)	**$ 21,631**	**$ (214)**	**$ 578**	**$ 835**	**$ 22,064**	**$ 203**
	4,689			364	5,053	
				(19)	(19)	19
			(1,990)	1	(1,989)	38
			(4,153)		(4,153)	
			(59)		(59)	
			(310)		(310)	
14	(19)	14			534	
168					250	
(3,160)					(3,160)	
	(1,210)				(1,210)	
	(52)				(52)	
				(305)	(305)	(20)
	(5)				(5)	5
				42	42	
$ (14,316)	**$ 25,034**	**$ (200)**	**$ (5,934)**	**$ 918**	**$ 16,681**	**$ 245**
	3,829			350	4,179	
				(17)	(17)	17
			1,020	8	1,028	(5)
			1,073		1,073	
			99		99	
			255		255	
8	(43)	19			618	
(1,100)					(1,100)	
	(1,356)				(1,356)	
	(59)				(59)	
				(329)	(329)	(17)
	(9)				(9)	9
				(25)	(92)	(3)
				36	36	143
				(8)	(8)	
$ (15,408)	**$ 27,396**	**$ (181)**	**$ (3,487)**	**$ 933**	**$ 20,999**	**$ 389**
	4,373			338	4,711	
				(24)	(24)	24
			(13)	—	(13)	(5)
			(336)		(336)	
			96		96	
			(29)		(29)	
7	(43)	15			725	
133					250	
(2,200)					(2,200)	
	(1,482)				(1,482)	
	(62)				(62)	
				(338)	(338)	(19)
	9				9	(9)
				(12)	(24)	(65)
				38	38	
				12	12	2
$ (17,468)	**$ 30,191**	**$ (166)**	**$ (3,769)**	**$ 947**	**$ 22,332**	**$ 317**

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. We previously reported “Other income, net,” which included “Interest income,” as a component of “Revenues.” “Other income, net,” excluding “Interest income,” is now reflected as a component of “Costs, Expenses and Other,” while “Interest income” is now netted with “Interest expense” for financial statement 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, 2010 and 2009, the amount of restricted cash was approximately $75 million and $43 million. As of December 31, 2010, all restricted cash is included in current assets, while as of December 31, 2009, approximately $41 million is included in current assets and $2 million is included in long-term assets.

Accounts Receivable. Current and long-term accounts receivable include retainage of $165 million and $156 million and unbilled receivables of $862 million and $902 million as of December 31, 2010 and 2009, 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. Long-term accounts receivable are included in Other assets in the Consolidated Balance Sheet.

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

Inventories and Contracts In Progress. Inventories and contracts in progress are stated at the lower of cost or estimated realizable value and are primarily based on first-in, first-out (FIFO) or average cost methods; however, certain Carrier 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 $137 million and $147 million at December 31, 2010 and 2009, respectively.

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

Fixed Assets. Fixed assets are stated at cost. Depreciation is recorded over the fixed assets’ useful lives using the straight-line method.

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 Intangibles – Goodwill and Other Topic of the FASB ASC. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. During 2010, 2009, and 2008, we were not required to record any impairment on goodwill or indefinite-lived intangibles.

Intangible assets consist of service portfolios, patents and trademarks, customer relationships and other intangible assets. 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. Estimated useful lives of service portfolios generally range from 5 to 30 years. Estimated useful lives of patents and finite-lived trademarks range from 3 to 40 years. Estimated useful lives of customer relationships and other assets range from 2 to 32 years. These intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. If a pattern of economic benefit cannot be reliably determined, a straight-line amortization method is used. Included within other intangible assets are commercial aerospace payments made to secure certain contractual rights to provide product on new aircraft platforms. Payments made on these contractual commitments are to be amortized as the related units are delivered.

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 exceeds the sum of the undiscounted expected future cash flows, the carrying value is written down to fair value. During the year ended December 31, 2010, we had certain non-recurring measurements resulting in impairment charges of $245 million. See Note 13 to the Consolidated Financial Statements for additional information.

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. Sales under government and commercial fixed-price contracts and government fixed-price-incentive contracts are recorded at the time deliveries are made or, in some cases, on a percentage-of-completion basis. Sales under cost-reimbursement contracts are recorded as work is performed. Sales for elevators, escalators, installation and modernization contracts are accounted for under the percentage-of-completion method.

Losses, if any, on contracts are provided for when anticipated. Loss provisions on original equipment contracts are recognized to the extent that estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs, 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 upon receipt of the purchase order. For existing commitments, anticipated losses on contracts are recognized in the period in which losses become evident. Products contemplated under contractual arrangement include products purchased under contract and, in the large commercial engine business, 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. Losses are generally recognized on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs, as appropriate, exceed revenue realized. Contract accounting requires estimates of future costs over the performance period of the contract as well as estimates of award fees and other sources of revenue. These estimates are subject to change and result in adjustments to margins on contracts in progress. The extent of progress toward completion on our long-term commercial aerospace equipment and helicopter contracts is measured using units of delivery. In addition, we use the cost-to-cost method for elevator and escalator sales, installation and modernization contracts in the commercial businesses. For long-term aftermarket contracts, revenue is recognized over the contract period in proportion to the costs expected to be incurred in performing services under the contract. We review our cost estimates on significant contracts on a quarterly basis, and for others, no less frequently than annually or when circumstances change and warrant a modification to a previous estimate. Adjustments to contract loss provisions are recorded in earnings upon identification.

Service sales, representing aftermarket repair and maintenance activities, are recognized over the contractual period or as services are performed. In the commercial businesses, revenue is generally recognized on a straight line basis. In the aerospace businesses, revenue is generally recognized in proportion to cost.

Sales generated from engine programs, spare parts sales, and aftermarket business under collaboration arrangements are recorded as earned in our financial statements. Amounts attributable to our collaborative partners for their share of revenues 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.

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

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

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

We have used derivative instruments, including swaps, forward contracts and options, to manage certain foreign currency, interest rate and commodity price exposures. Derivative instruments are viewed as risk management tools by us and are not used for trading or speculative purposes. Derivatives used for hedging purposes 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 in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in earnings.

Additional information pertaining to foreign currency forward contracts is included in Note 13 to the Consolidated Financial Statements.

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

Asset Retirement Obligations. We record the fair value of legal obligations associated with the retirement of tangible long-lived assets in the period in which it is determined to exist, if a reasonable estimate of fair value can be made. Upon initial recognition of a liability, we capitalize the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased for changes in its present value and the capitalized cost is depreciated over the useful life of the related asset. We have determined that conditional legal obligations exist for certain of our worldwide owned and leased facilities related primarily to building materials. As of December 31, 2010 and 2009, the outstanding liability for asset retirement obligations was $189 million and $157 million, respectively.

Pension and Postretirement Obligations. Guidance under the Compensation – Retirement Benefits Topic of the FASB ASC 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.

Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets

Business Acquisitions and Dispositions. Our investments in businesses in 2010, 2009 and 2008 totaled $2.8 billion (including debt assumed of $39 million), $703 million and $1.4 billion (including debt assumed of $196 million), respectively.

On March 1, 2010, we completed the acquisition of the GE Security business for approximately $1.8 billion, including debt assumed of $32 million. The GE Security business supplies security and fire safety technologies for commercial and residential applications through a broad product portfolio that includes fire detection and life safety systems, intrusion alarms, and video surveillance and access control systems. This business, which is being integrated into our UTC Fire & Security segment, enhanced UTC Fire & Security's geographic diversity through GE Security's strong North American presence, while increasing total product and technology offerings. In connection with the acquisition of GE Security, we recorded approximately $600 million of identifiable intangible assets and $1.1 billion of goodwill. The goodwill recorded reflects synergies expected to be realized through the combination of GE Security's products, resources and management talent with those of the existing UTC Fire & Security business to enhance competitiveness, accelerate the development of certain product offerings, drive improved operational performance and secure additional service channels. Additionally, the combined business have provided the opportunity for significant improvements to the cost structure through the rationalization of general and administrative expenditures as well as research and development efforts.

During 2010, we completed the acquisition of Clipper, a publicly-held California-based wind turbine manufacturer. This investment is intended to expand our power generation portfolio and allow us to enter the wind power market by leveraging our expertise in blade technology, turbines and gearbox design. In the first half of 2010, we acquired a 49.9% equity stake in Clipper. In December 2010, we completed the acquisition of all the remaining shares of Clipper. The total cost of our investment in Clipper is approximately £240 million (approximately $385 million). In connection with this transaction, we recorded approximately $400 million of goodwill and identifiable intangible assets. Prior to the December 2010 purchase of the remaining shares of Clipper, we accounted for this investment under the equity method of accounting. During the quarter ended September 30, 2010, we recorded a $159 million other-than-temporary impairment charge on our investment in Clipper, in order to write-down our investment to market value as of September 30, 2010. This impairment is recorded within "Other income, net" on our Consolidated Statement of Operations. In December 2010, as a result of the acquisition of a controlling interest and the remaining shares of Clipper, we recorded a $21 million gain from the re-measurement to fair value of our previously held equity interest. The financial results of Clipper are included within the "Eliminations and other" category in the segment financial data in Note 18 to the Consolidated Financial Statements.

During 2010, we recorded approximately $86 million of asset impairment charges, for assets that have met the "held-for-sale" criteria, related to disposition activity within both Carrier and Hamilton Sundstrand. These asset impairment charges are recorded within Cost of products sold on our Consolidated Statement of Operations. The asset impairment charges consist of a $58 million charge associated with Carrier's ongoing portfolio transformation to a higher returns business and a $28 million charge at Hamilton Sundstrand related to the expected disposition of an aerospace business as part of Hamilton Sundstrand's efforts to implement low cost sourcing initiatives.

In August 2009, we completed the acquisition of the remaining 71% interest in GST Holdings Limited (GST), a fire alarm provider in China, for approximately $250 million bringing our total investment in GST to approximately $360 million. We recorded over $200 million of goodwill and approximately $100 million of identified intangible assets in connection with GST. With the acquisition of the remaining 71% of GST, UTC Fire & Security further strengthened its presence in the Chinese fire safety industry.

In July 2009, Carrier and Watsco, Inc. (Watsco) formed Carrier Enterprise, LLC, a joint venture to distribute Carrier, Bryant, Payne and Totaline residential and light commercial HVAC products in the U.S. Sunbelt region and selected territories in the Caribbean and Latin America. As part of the transaction, Carrier contributed its distribution businesses located in these regions into the new venture. In consideration of its contribution, Carrier received approximately 3 million shares of common stock of Watsco and a 40 percent noncontrolling interest in the new venture, which included a business contributed by Watsco. Watsco owns a 60 percent interest in the venture with options to purchase an additional 20 percent interest from Carrier in future years. Carrier recognized a gain of approximately $60 million in 2009 as a result of its contribution of the majority of its U.S. residential sales and distribution businesses in this new venture.

The 2008 investments consisted primarily of a number of small acquisitions in our commercial businesses.

We account for business combinations as required by the provisions of the Business Combinations Topic of the FASB ASC, which includes provisions that we adopted effective January 1, 2009. The accounting for business combinations retains the underlying concepts of the previously issued standard in that all business combinations are still required to be accounted for at fair value, but changes the method of applying the acquisition method in a number of significant aspects. Acquisition costs are generally expensed as incurred; noncontrolling interests are valued at fair value at the acquisition date; in-process research and development is recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense. These changes are effective on a prospective basis for all of our business combinations for which the acquisition date is on or after January 1, 2009, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. Adjustments for valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to January 1, 2009 would also apply the revised accounting for business combination provisions.

During the measurement period we will recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date. Further, any associated restructuring activities will be expensed in future periods and not recorded through purchase accounting as previously done for acquisitions occurring prior to January 1, 2009.

There was no significant impact on our acquisition activity in 2010 or 2009 from the changes in the provisions of accounting for business combinations.

The assets and liabilities of the acquired businesses are accounted for under the purchase method of accounting and recorded at their fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded as an increase in goodwill of $1.7 billion in 2010, $630 million in 2009, and $825 million in 2008. The results of operations of acquired businesses have been included in the Consolidated Statement of Operations beginning as of the effective date of acquisition.

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

(Dollars in millions)	Balance as of January 1, 2010	Goodwill resulting from business combinations	Foreign currency translation and other	**Balance as of December 31, 2010**
Otis	$ 1,382	$ 100	$ (12)	**$ 1,470**
Carrier	3,252	11	(92)	**3,171**
UTC Fire & Security	5,641	1,106	(101)	**6,646**
Pratt & Whitney	1,237	—	(13)	**1,224**
Hamilton Sundstrand	4,496	23	(28)	**4,491**
Sikorsky	250	81	(1)	**330**
Total Segments	16,258	1,321	(247)	**17,332**
Eliminations and other	40	349	—	**389**
Total	$ 16,298	$ 1,670	$ (247)	**$ 17,721**

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

	2010		2009	
(Dollars in millions)	**Gross Amount**	**Accumulated Amortization**	Gross Amount	Accumulated Amortization
Amortized:				
Service portfolios	**$ 1,950**	**$ (942)**	$ 1,814	$ (833)
Patents and trademarks	**441**	**(153)**	369	(120)
Other, principally customer relationships	**3,229**	**(1,222)**	2,624	(1,047)
	5,620	**(2,317)**	4,807	(2,000)
Unamortized:				
Trademarks and other	**757**	**—**	731	—
Total	**$ 6,377**	**$ (2,317)**	$ 5,538	$ (2,000)

Amortization of intangible assets in 2010 and 2009 was $387 million and $347 million, respectively. Amortization of these intangible assets for 2011 through 2015 is expected to approximate $315 million per year.

Note 3: Earnings Per Share

(Dollars in millions, except per share amounts; shares in millions)	**2010**	2009	2008
Net income attributable to common shareowners	**$4,373**	$3,829	$4,689
Basic weighted average shares outstanding	**907.9**	917.4	937.8
Stock awards	**14.8**	11.4	18.6
Diluted weighted average shares outstanding	**922.7**	928.8	956.4
Earnings Per Share of Common Stock:			
Basic	**$ 4.82**	$ 4.17	$ 5.00
Diluted	**$ 4.74**	$ 4.12	$ 4.90

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 antidilutive. For 2010, 2009, and 2008 the number of stock awards excluded from the computation was 11.4 million, 20.2 million and 8.9 million, respectively.

Note 4: Commercial Aerospace Industry Assets and Commitments

We have receivables and other financing assets with commercial aerospace industry customers totaling $3,384 million and $3,016 million at December 31, 2010 and 2009, respectively. Customer financing assets related to commercial aerospace industry customers consist of products under lease of $713 million and notes and leases receivable of $416 million. The notes and leases receivable are scheduled to mature as follows: $56 million in 2011, $41 million in 2012, $54 million in 2013, $26 million in 2014, $27 million in 2015, and $212 million thereafter.

Financing commitments, in the form of secured debt, guarantees or lease financing, are provided to commercial aerospace customers. The extent to which the financing commitments will be utilized is not currently known, since customers may be able to obtain more favorable terms from other financing sources. We may also arrange for third-party investors to assume a portion of these commitments. If financing commitments are exercised, debt financing is generally secured by assets with fair market values equal to or exceeding the financed amounts with interest rates established at the time of funding. We may also lease aircraft and subsequently sublease the aircraft to customers under long-term non-cancelable operating leases. In some instances, customers may have minimum lease terms that result in sublease periods shorter than our lease obligation. Lastly, we have made residual value and other guarantees related to various commercial aerospace customer-financing arrangements. The estimated fair market values of the guaranteed assets equal or exceed the value of the related guarantees, net of existing reserves. We also have other contractual commitments, including commitments to secure certain contractual rights to provide product on new aircraft platforms. Payments made on these contractual commitments are included within other intangible assets and are to be amortized as the related units are delivered.

Our commercial aerospace financing and other contractual commitments as of December 31, 2010 were $2,032 million and are exercisable as follows: $384 million in 2011, $224 million in 2012, $300 million in 2013, $241 million in 2014, $136 million in 2015, and $747 million thereafter. Our financing obligations with customers are contingent upon maintenance of certain levels of financial condition by the customers. In addition, we have residual value and other guarantees of $336 million as of December 31, 2010.

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 $290 million and $270 million at December 31, 2010 and 2009, respectively and are included in Other assets in the accompanying Consolidated Balance Sheets. Deferred revenues generated totaled $1,474 million and $1,238 million at December 31, 2010 and 2009, respectively, and are included in Accrued liabilities and Other long-term liabilities in the accompanying Consolidated Balance Sheets.

We have a 33% interest in International Aero Engines AG (IAE), an international consortium of four shareholders organized to support the V2500 commercial aircraft engine program. Our interest in IAE is accounted for under the equity method of accounting. IAE may offer customer financing in the form of guarantees, secured debt or lease financing in connection with V2500 engine sales. At December 31, 2010, IAE had financing commitments of $709 million and asset value guarantees of $42 million. Our share of IAE's financing commitments and asset value guarantees was approximately $244 million at December 31, 2010. In addition, IAE had lease obligations under long-term noncancelable leases of approximately $241 million, on an undiscounted basis, through 2020 related to aircraft, which are subleased to customers under long-term leases. These aircraft have fair market values, which approximate the financed amounts, net of reserves. The shareholders of IAE have guaranteed IAE's financing arrangements to the extent of their respective ownership interests. In the event of default by a shareholder on certain of these financing arrangements, the other shareholders would be proportionately responsible.

Reserves related to aerospace receivables and financing assets were $133 million and $141 million at December 31, 2010 and 2009, respectively. Reserves related to financing commitments and guarantees were $38 million and $34 million at December 31, 2010 and 2009, respectively.

Note 5: Inventories & Contracts in Progress

(Dollars in millions)	**2010**	2009
Raw materials	**$ 1,221**	$ 1,281
Work-in-process	**3,259**	3,097
Finished goods	**3,026**	2,889
Contracts in progress	**6,340**	6,479
	13,846	13,746
Less:		
Progress payments, secured by lien, on U.S. Government contracts	**(275)**	(264)
Billings on contracts in progress	**(5,805)**	(5,973)
	$ 7,766	$ 7,509

Raw materials, work-in-process and finished goods are net of valuation reserves of $799 million and $683 million as of December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, inventory also includes capitalized contract development costs of $804 million and $862 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. The CH-148 is a derivative of the H-92, a military variant of the S-92.

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, 2010 and 2009, approximately 75% and 73%, respectively, of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts, a portion of which is not scheduled for delivery within the next twelve months.

Note 6: Fixed Assets

(Dollars in millions)	Estimated Useful Lives	2010	2009
Land		$ 342	$ 345
Buildings and improvements	12-40 years	4,908	4,898
Machinery, tools and equipment	3-20 years	10,010	9,941
Other, including under construction		654	493
		15,914	15,677
Accumulated depreciation		(9,634)	(9,313)
		$ 6,280	$ 6,364

Depreciation expense was $900 million in 2010, $852 million in 2009 and $865 million in 2008.

Note 7: Accrued Liabilities

(Dollars in millions)	2010	2009
Advances on sales contracts and service billings	$ 5,203	$ 5,267
Accrued salaries, wages and employee benefits	1,918	1,801
Litigation and contract matters	577	541
Income taxes payable	504	348
Service and warranty accruals	449	447
Accrued restructuring costs	358	403
Interest payable	294	296
Accrued workers compensation	210	181
Accrued property, sales and use taxes	209	196
Other	2,525	2,312
	$12,247	$11,792

Note 8: Borrowings and Lines of Credit

Short-term borrowings were $116 million and $254 million as of December 31, 2010 and 2009, respectively. The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 2010 and 2009 were 6.3% and 4.8%, respectively. At December 31, 2010, approximately $2.0 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries. As of December 31, 2010 and 2009, we did not have any outstanding commercial paper. We generally use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our common stock.

At December 31, 2010, we had new committed revolving credit agreements from banks permitting aggregate borrowings of up to $3.0 billion under a $1.6 billion revolving credit agreement and a $1.4 billion multicurrency revolving credit agreement, which expire in November 2014 and December 2014, respectively. These new revolving credit agreements were entered into on November 30, 2010 and December 3, 2010, respectively, to replace our former revolving credit agreements which had permitted aggregate borrowings of up to $2.5 billion under a $1.5 billion revolving credit agreement and a $1.0 billion multicurrency revolving credit agreement which were set to expire in October 2011 and November 2011, respectively. As of December 31, 2010 and 2009, there were no borrowings under these revolving credit agreements. The undrawn portions under both of these agreements are also available to serve as backup facilities for the issuance of commercial paper.

Our long-term debt consists of the following:

(Dollars in millions)	2010	2009
4.375% notes due 2010 *	$ —	$ 600
7.125% notes due 2010 *	—	500
6.350% notes due 2011 *	—	500
6.100% notes due 2012 *	500	500
4.875% notes due 2015 *	1,200	1,200
5.375% notes due 2017 *	1,000	1,000
6.125% notes due 2019 *	1,250	1,250
8.875% notes due 2019	272	272
4.500% notes due 2020 *	1,250	—
8.750% notes due 2021	250	250
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
6.125% notes due 2038 *	1,000	1,000
5.700% notes due 2040 *	1,000	—
Project financing obligations	141	158
Other (including capitalized leases)	160	110
Total long-term debt	10,173	9,490
Less current portion	(163)	(1,233)
Long-term portion	$10,010	$ 8,257

* 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.

In February 2010, we issued two series of fixed rate notes that pay interest semiannually, in arrears, on April 15 and October 15 of each year beginning October 15, 2010. The $1.25 billion principal amount of fixed rate notes bears interest at a rate equal to 4.500% per year and matures on April 15, 2020. The $1.0 billion principal amount of fixed rate notes bears interest at a rate equal to 5.700% per year and matures on April 15, 2040. The proceeds from these notes were used primarily to fund a portion of the acquisition of the GE Security business, and to repay commercial paper borrowings.

In May 2010, we repaid the entire $600 million outstanding principal amount of our 4.375% notes at maturity. In June 2010, we redeemed the entire $500 million outstanding principal amount of our 7.125% notes that would otherwise have been due November 15, 2010 and in September 2010, we redeemed the entire $500 million outstanding principal amount of our 6.350% notes that would otherwise have been due March 1, 2011.

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 Carrier. The percentage of total debt at floating interest rates was 2% and 3% at December 31, 2010 and 2009, respectively.

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

(Dollars in millions)	
2011	**$ 163**
2012	**543**
2013	**4**
2014	**39**
2015	**1,206**
Thereafter	**8,218**
Total	**$10,173**

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 debt to be issued under this shelf registration statement.

Note 9: Equity

Consistent with the requirements under the Business Combinations Topic of the FASB ASC and the accounting for noncontrolling interests in Consolidated Financial Statements, as adopted in 2009, 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)	**2010**	2009	2008
Net income attributable to common shareowners	**$4,373**	$3,829	$4,689
Transfers to noncontrolling interests—			
Decrease in common stock for purchase of subsidiary shares	**(12)**	(67)	—
Net income attributable to common shareowners after transfers to noncontrolling interests	**$4,361**	$3,762	$4,689

Note 10: Income Taxes

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

(Dollars in millions)	**2010**	2009	2008
Current:			
United States:			
Federal	**$ 122**	$ 239	$ 576
State	**128**	54	51
Foreign	**1,164**	837	1,211
	1,414	1,130	1,838
Future:			
United States:			
Federal	**$ 461**	$ 370	$ 142
State	**—**	41	(52)
Foreign	**(48)**	40	(45)
	413	451	45
Income tax expense	**$1,827**	$1,581	$1,883
Attributable to items credited (charged) to equity and goodwill	**$ 276**	$ (782)	$2,818

Future income taxes represent the tax effects of transactions, which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets and tax carryforwards. Pursuant to the Income Taxes Topic of the FASB ASC, 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, 2010 and 2009 are as follows:

(Dollars in millions)	**2010**	2009
Future income tax benefits:		
Insurance and employee benefits	**$1,986**	$2,209
Other asset basis differences	**(540)**	(357)
Other liability basis differences	**958**	901
Tax loss carryforwards	**729**	764
Tax credit carryforwards	**1,371**	1,177
Valuation allowance	**(911)**	(903)
	$3,593	$3,791
Future income taxes payable:		
Fixed assets	**$ 647**	$ 650
Other items, net	**190**	123
	$ 837	$ 773

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. Upon the January 1, 2009 adoption of the additional guidance issued under the Income Taxes Topic of the FASB ASC related to the accounting for business combinations, changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense including those associated with acquisitions that closed prior to the date of adoption.

The sources of income before income taxes are:

(Dollars in millions)	**2010**	2009	2008
United States	**$2,655**	$2,584	$2,899
Foreign	**3,883**	3,176	4,037
	$6,538	$5,760	$6,936

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

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

	2010	2009	2008
Statutory U.S. federal income tax rate	**35.0 %**	35.0 %	35.0 %
Tax on international activities	**(7.6)%**	(6.9)%	(6.9)%
Tax audit settlements	**—**	(0.7)%	(0.8)%
Other	**0.5 %**	—	(0.2)%
Effective income tax rate	**27.9 %**	27.4 %	27.1 %

The 2010 effective tax rate increased as compared to 2009 due to the absence of certain discrete items which had a net favorable impact in 2009. The 2010 effective tax rate reflects a non-recurring tax expense reduction associated with management's decision to repatriate additional high tax dividends from the current year to the U.S. in 2010 as a result of recent U.S. tax legislation. This is partially offset by the non-deductibility of impairment charges, the adverse impact from the health care legislation related to the Medicare Part D program and other increases to our effective tax rate.

The 2009 effective tax rate reflects approximately $38 million of tax expense reductions relating to re-evaluation of our liabilities and contingencies based on global examination activity, including the IRS's completion of 2004 and 2005 examination fieldwork and our related protest filing. As a result of the global examination activity, we recognized approximately $18 million of associated pre-tax interest income adjustments during 2009.

The 2008 effective tax rate reflects $62 million of tax expense reductions, principally related to the resolution of disputes with the Appeals Division of the IRS for tax years 2000 through 2003.

In the normal course of business, various tax authorities examine us, including the IRS. The IRS review of tax years 2006 through 2008 is ongoing. Although the outcome of these matters cannot be currently determined, we believe adequate provision has been made for any potential unfavorable financial statement impact.

At December 31, 2010, tax credit carryforwards, principally state and federal, and tax loss carryforwards, principally state and foreign, were as follows:

(Dollars in millions)	Tax Credit Carryforwards	Tax Loss Carryforwards
Expiration period:		
2011-2015	$ 29	$ 508
2016-2020	397	232
2021-2030	248	574
Indefinite	697	1,999
Total	$ 1,371	$ 3,313

At December 31, 2010, we had gross tax-effected unrecognized tax benefits of $891 million, all of which, if recognized, would impact the effective tax rate. 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, 2010, 2009, and 2008 is as follows:

(Dollars in millions)	**2010**	2009	2008
Balance at January 1	**$793**	$ 773	$ 798
Additions for tax positions related to the current year	**115**	90	112
Additions for tax positions of prior years	**80**	174	66
Reductions for tax positions of prior years	**(81)**	(20)	(85)
Settlements	**(16)**	(224)	(118)
Balance at December 31	**$891**	$ 793	$ 773
Gross interest expense related to unrecognized tax benefits	**$ 27**	$ 21	$ 39
Total accrued interest balance at December 31	**$144**	$ 142	$ 161

Included in the balances at December 31, 2009 and 2008, were $57 million and $63 million, respectively, of tax positions whose tax characterization was highly certain but for which there was uncertainty about the timing of tax return inclusion. During 2010, the uncertainty was removed as a result of an accounting method change approved by the Internal Revenue Service.

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 1998.

It is reasonably possible that over the next twelve months the amount of unrecognized tax benefits may change within a range of a net increase of \$40 million to a net decrease of \$170 million resulting from additional worldwide uncertain tax positions, from the re-evaluation of current uncertain tax positions arising from developments in examinations, in appeals, or in the courts, or from the closure of tax statutes. Not included in the range is €197 million (approximately \$259 million) of tax benefits that we have claimed related to a 1998 German reorganization. These tax benefits are currently being reviewed by the German Tax Office in the course of an audit of tax years 1999 to 2000. In 2008 the German Federal Tax Court denied benefits to another taxpayer in a case involving a German tax law relevant to our reorganization. The determination of the German Federal Tax Court 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 German Federal Tax Court for further consideration of certain related issues. In May 2010, the German Federal Tax Court released its decision, in which it resolved certain tax issues that may be relevant to our audit and remanded the case to a lower court for further development. After consideration of the ECJ decision and the latest German Federal Tax 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 tax expense for this matter. As we continue to monitor developments related to this matter, it may become necessary for us to accrue tax expense and related interest.

Note 11: 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 \$200 million, \$192 million and \$212 million for 2010, 2009 and 2008, respectively. Effective January 1, 2010, newly hired non-union domestic employees receive all of their retirement benefits through the defined contribution savings plan.

Our non-union domestic employee savings plan uses an Employee Stock Ownership Plan (ESOP) for employer 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 the company 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, 2010, 35.6 million common shares had been allocated to employees, leaving 20.4 million unallocated common shares in the ESOP Trust, with an approximate fair value of \$1.6 billion.

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

(Dollars in millions)	**2010**	2009
Change in Benefit Obligation:		
Beginning balance	**$ 22,271**	$ 21,511
Service cost	**396**	429
Interest cost	**1,287**	1,285
Actuarial loss	**1,625**	471
Total benefits paid	**(1,216)**	(1,162)
Net settlement and curtailment gain	**(37)**	(62)
Plan amendments	**121**	(534)
Other	**(2)**	333
Ending balance	**$ 24,445**	$ 22,271
Change in Plan Assets:		
Beginning balance	**$ 19,377**	$ 15,940
Actual return on plan assets	**2,635**	3,004
Employer contributions	**1,621**	1,308
Benefits paid from plan assets	**(1,216)**	(1,111)
Other	**(33)**	236
Ending balance	**$ 22,384**	$ 19,377
Funded Status:		
Fair value of plan assets	**$ 22,384**	$ 19,377
Benefit obligations	**(24,445)**	(22,271)
Funded status of plan	**$ (2,061)**	$ (2,894)
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Noncurrent assets	**$ 637**	$ 341
Current liability	**(58)**	(72)
Noncurrent liability	**(2,640)**	(3,163)
Net amount recognized	**$ (2,061)**	$ (2,894)
Amounts Recognized in Accumulated Other Comprehensive Income Consist of:		
Net actuarial loss	**$ 7,223**	$ 6,767
Prior service credit	**(184)**	(313)
Transition obligation	**6**	7
Net amount recognized	**$ 7,045**	$ 6,461

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

Qualified domestic pension plan benefits comprise approximately 76% 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. Certain foreign plans, which comprise approximately 23% 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 $1,001 million of cash contributions and contributed $250 million in UTC common stock to our domestic defined benefit pension plans and made $298 million of cash contributions to our foreign defined benefit pension plans in 2010. In 2009, we made $951 million of cash contributions to our domestic defined benefit pension plans and made $319 million of cash contributions to our foreign defined benefit pension plans.

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

(Dollars in millions)	**2010**	2009
Projected benefit obligation	**$21,556**	$18,327
Accumulated benefit obligation	**20,562**	17,342
Fair value of plan assets	**18,885**	15,315

The accumulated benefit obligation for all defined benefit pension plans was $23.2 billion and $20.8 billion at December 31, 2010 and 2009, respectively.

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

(Dollars in millions)	**2010**	2009	2008
Pension Benefits:			
Service cost	**$ 396**	$ 429	$ 446
Interest cost	**1,287**	1,285	1,263
Expected return on plan assets	**(1,735)**	(1,634)	(1,663)
Amortization of prior service (credits) costs	**(18)**	56	49
Amortization of unrecognized net transition obligation	**1**	1	1
Recognized actuarial net loss	**285**	226	119
Net settlement and curtailment loss	**2**	102	1
Net periodic pension cost – employer	**$ 218**	$ 465	$ 216

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2010 are as follows:

(Dollars in millions)	
Current year actuarial loss	**$ 728**
Amortization of actuarial loss	**(285)**
Current year prior service cost	**121**
Amortization of prior service credit	**18**
Amortization of transition obligation	**(1)**
Other	**(22)**
Total recognized in other comprehensive income	**559**
Net recognized in net periodic pension cost and other comprehensive income	**$ 777**

The estimated amount that will be amortized from accumulated other comprehensive income into net periodic pension cost in 2011 is as follows:

(Dollars in millions)	
Net actuarial loss	**$461**
Prior service credit	**(12)**
Transition obligation	**1**
	$450

Contributions to multiemployer plans were $117 million, $126 million and $163 million for 2010, 2009 and 2008, respectively.

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

	Benefit Obligation		*Net Cost*		
	2010	2009	**2010**	2009	2008
Discount rate	**5.4%**	5.9%	**5.9%**	6.1%	6.0%
Salary scale	**4.4%**	4.4%	**4.4%**	4.4%	4.4%
Expected return on plan assets	**—**	—	**8.0%**	8.2%	8.3%

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes, and economic and other indicators of future performance. In addition, we may consult with and consider the opinions of financial and other professionals in developing appropriate 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 plan's investment management objectives include maintaining an adequate level of diversification, to reduce interest rate and market risk, and to provide adequate liquidity to meet immediate and future benefit payment requirements. The overall investment strategy targets a mix of 67% growth seeking assets and 33% income generating 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 global equities, 12% of the 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 in 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 a broadly diversified portfolio of corporate bonds, global government bonds and U.S. Treasury STRIPS. These investments are designed to hedge 40% of the interest rate sensitivity of the pension plan liabilities.

The fair values of pension plan assets at December 31, 2010 and 2009 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	$	5,332	$	7	$	1	**$ 5,340**
Global Equity Commingled Funds (a)		—		3,200		—	**3,200**
Enhanced Global Equities (b)		57		1,662		245	**1,964**
Private Equities (c)		—		—		1,134	**1,134**
Fixed Income Securities							
Governments		691		1,149		—	**1,840**
Corporate Bonds		21		5,424		—	**5,445**
Structured Products (d)		—		76		—	**76**
Real Estate (e)		—		26		944	**970**
Other (f)		—		1,517		—	**1,517**
Cash & Cash Equivalents (g)		—		293		—	**293**
Subtotal	$	6,101	$	13,354	$	2,324	**21,779**
Other Assets & Liabilities (h)							**605**
Total at December 31, 2010							**$22,384**
Public Equities							
Global Equities	$	4,595	$	4	$	—	$ 4,599
Global Equity Commingled Funds (a)		77		2,695		—	2,772
Enhanced Global Equities (b)		22		1,538		11	1,571
Private Equities (c)		—		—		1,045	1,045
Fixed Income Securities							
Governments		149		786		—	935
Corporate Bonds		76		5,620		—	5,696
Structured Products (d)		—		1		—	1
Real Estate (e)		—		51		715	766
Other (f)		50		1,100		—	1,150
Cash & Cash Equivalents (g)		190		241		—	431
Subtotal	$	5,159	$	12,036	$	1,771	18,966
Other Assets & Liabilities (h)							411
Total at December 31, 2009							$ 19,377

(a) Represents commingled funds that invest primarily in common stocks.
(b) 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.
(c) Represents limited partner investments with general partners that primarily invest in debt and equity.
(d) Represents mortgage and asset-backed securities.
(e) Represents investments in real estate including commingled funds and directly held properties.
(f) Represents insurance contracts and global balanced risk commingled funds consisting mainly of equity, bonds and some commodities.
(g) Represents short-term commercial paper, bonds and other cash or cash-like instruments.
(h) 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% and 4% of total plan assets at December 31, 2010 and 2009, respectively. 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:

	Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
(Dollars in millions)	Global Equities	Global Equity Commingled Funds	Enhanced Global Equities	Private Equities	Corporate Bonds	Real Estate	Total
Balance, December 31, 2008	$ —	$ 21	$ 7	$ 990	$ 96	$ 894	$ 2,008
Realized (losses) gains	—	(4)	—	(90)	13	(35)	(116)
Unrealized gains (losses) relating to instruments still held in the reporting period	—	5	—	140	30	(228)	(53)
Purchases, sales, and settlements, net	—	(22)	4	5	(139)	84	(68)
Balance, December 31, 2009	—	—	11	1,045	—	715	1,771
Realized gains (losses)	**—**	**—**	**—**	**157**	**—**	**(6)**	**151**
Unrealized gains relating to instruments still held in the reporting period	**—**	**—**	**9**	**51**	**—**	**63**	**123**
Purchases, sales, and settlements, net	**1**	**—**	**225**	**(119)**	**—**	**150**	**257**
Transfers in, net	**—**	**—**	**—**	**—**	**—**	**22**	**22**
Balance, December 31, 2010	**$ 1**	**$ —**	**$ 245**	**$1,134**	**$ —**	**$944**	**$2,324**

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 $450 million to our global pension plans in 2011, including approximately $250 million to our domestic plans. 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: $1,290 million in 2011, $1,334 million in 2012, $1,374 million in 2013, $1,430 million in 2014, $1,489 million in 2015, and $8,416 million from 2016 through 2020.

Postretirement Benefit Plans. We sponsor a number of postretirement benefit plans that provide health and life benefits to eligible retirees. Such benefits are provided primarily from domestic plans, which comprise approximately 86% of the benefit obligation. The postretirement plans are primarily unfunded. Assets in funded plans are primarily invested in cash and cash equivalents.

(Dollars in millions)	**2010**	2009
Change in Benefit Obligation:		
Beginning balance	**$ 876**	$ 871
Service cost	**2**	2
Interest cost	**46**	50
Actuarial (gain) loss	**(29)**	20
Total benefits paid	**(105)**	(83)
Other	**42**	16
Ending balance	**$ 832**	$ 876
Change in Plan Assets:		
Beginning balance	**$ 11**	$ 16
Actual return on plan assets	**(1)**	—
Employer contributions	**76**	73
Benefits paid from plan assets	**(105)**	(83)
Other	**29**	5
Ending balance	**$ 10**	$ 11
Funded Status:		
Fair value of plan assets	**$ 10**	$ 11
Benefit obligations	**(832)**	(876)
Funded status of plan	**$(822)**	$(865)
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Current liability	**$ (66)**	$ (81)
Noncurrent liability	**(756)**	(784)
	$(822)	$(865)
Amounts Recognized in Accumulated Other Comprehensive Income Consist of:		
Net actuarial gain	**$(130)**	$(104)
Prior service cost (credit)	**1**	(2)
	$(129)	$(106)

The components of net periodic benefit cost are as follows:

(Dollars in millions)	**2010**	2009	2008
Other Postretirement Benefits:			
Service cost	**$ 2**	$ 2	$ 3
Interest cost	**46**	50	53
Expected return on plan assets	**(1)**	(1)	(2)
Amortization of prior service credit	**(2)**	(2)	(6)
Recognized actuarial net gain	**(1)**	(3)	—
Net periodic other postretirement benefit cost	**$ 44**	$ 46	$ 48

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2010 are as follows:

(Dollars in millions)	
Current year actuarial gain	**$(27)**
Amortization of prior service credit	**2**
Amortization of actuarial net gain	**1**
Total recognized in other comprehensive income	**(24)**
Net recognized in net periodic other postretirement benefit cost and other comprehensive income	**$ 20**

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2011 include actuarial net gains of $9 million and prior service credits of $2 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*		
	2010	2009	**2010**	2009	2008
Discount rate	**4.9%**	5.5%	**5.5%**	6.0%	5.9%
Expected return on plan assets	**—**	—	**5.0%**	5.8%	7.8%

Assumed health care cost trend rates are as follows:

	2010	2009
Health care cost trend rate assumed for next year	**9.0%**	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**	2016

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

	2010 One-Percentage-Point	
(Dollars in millions)	Increase	Decrease
Effect on total service and interest cost	$ 2	$ (2)
Effect on postretirement benefit obligation	$ 44	$ (38)

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: $73 million in 2011, $71 million in 2012, $69 million in 2013, $67 million in 2014, $65 million in 2015, and $263 million from 2016 through 2020.

Stock-based Compensation. We have long-term incentive plans authorizing various types of market and performance based incentive awards that may be granted to officers and employees. Our Long Term Incentive Plan (LTIP) was initially approved on April 13, 2005 and amended in 2008 to increase the maximum number of shares available for award under the LTIP to 71 million shares. Following initial approval of the LTIP, we may not grant any new awards under previously existing equity compensation plans. As of December 31, 2010, approximately 16 million shares remain available for awards under the LTIP. The LTIP does not contain an annual award limit. We expect that the shares awarded on an annual basis will range from 1% to 1.5% of shares outstanding. The LTIP will expire after all shares have been awarded or April 30, 2014, whichever is sooner.

Under all long-term incentive plans, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on that date. Generally, 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 shall immediately become vested and exercisable. In addition, under the 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, awards held more than one year remain eligible to vest. 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 expect to continue this policy.

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, 2010, 2009 and 2008, $154 million, $153 million and $211 million, respectively, of compensation cost was recognized in operating results. The associated future income tax benefit recognized was $47 million, $49 million and $72 million for the years ended December 31, 2010, 2009 and 2008, respectively.

For the years ended December 31, 2010, 2009 and 2008, the amount of cash received from the exercise of stock options was $386 million, $342 million and $163 million, respectively, with an associated tax benefit realized of $139 million, $95 million and $49 million, respectively. In addition, for the years ended December 31, 2010 and 2009, the associated tax benefit realized from the vesting of performance share units was $20 million and $33 million, respectively. Also, in accordance with the Compensation – Stock Compensation Topic of the FASB ASC, for the years ended December 31, 2010, 2009 and 2008, $94 million, $50 million and $32 million, respectively, of certain tax benefits have been reported as operating cash outflows with corresponding cash inflows from financing activities.

At December 31, 2010, there was $148 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 1.5 years.

A summary of the transactions under all long-term incentive plans for the year ended December 31, 2010 follows:

	Stock Options		*Stock Appreciation Rights*		*Performance Share Units*		Other Incentive
(shares and units in thousands)	Shares	Average Price*	Shares	Average Price*	Units	Average Price**	Shares / Units
Outstanding at:							
December 31, 2009	38,896	$ 42.10	27,337	$ 62.70	3,112	$ 63.12	631
Granted	**529**	**73.70**	**6,033**	**72.98**	**1,002**	**71.63**	**279**
Exercised/earned	**(11,904)**	**37.21**	**(1,230)**	**59.94**	**(973)**	**62.81**	**(69)**
Cancelled	**(184)**	**44.34**	**(920)**	**65.08**	**(117)**	**65.22**	**(34)**
December 31, 2010	**27,337**	**$44.82**	**31,220**	**$ 64.72**	**3,024**	**$ 65.96**	**807**

* 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 2010, 2009 and 2008 was $17.86, $16.01 and $21.16, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2010, 2009, and 2008 was $78.73, $61.56 and $84.01, respectively. The total fair value of awards vested during the years ended December 31, 2010, 2009 and 2008 was $172 million, $235 million and $144 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, 2010, 2009 and 2008 was $446 million, $296 million and $173 million, respectively. The total intrinsic value (which is the stock price at vesting) of performance share units vested was $62 million and $100 million during the years ended December 31, 2010 and 2009, 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, 2010:

	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	58,065	$ 55.11	$ 1,371	5.2	39,016	$ 49.57	$ 1,137	3.8
Performance Share Units/Restricted Stock	2,402	—	$ 189	1.3				

* 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, 2010, 2009 and 2008. Because lattice-based option models incorporate ranges of assumptions for inputs, those ranges are as follows:

	2010	2009	2008
Expected volatility	**24% - 28%**	30% - 42%	23% - 26%
Weighted-average volatility	**25%**	30%	23%
Expected term (in years)	**7.4 - 7.9**	7.4 - 7.9	7.9 - 8.7
Expected dividends	**2.7%**	2.1%	1.6%
Risk-free rate	**0.1% - 4.0%**	0% - 2.5%	2.9% - 4.0%

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 12: Restructuring and Other Costs

During 2010, we recorded net pre-tax restructuring and other costs totaling $443 million for new and ongoing restructuring actions. We recorded charges in the segments as follows:

(Dollars in millions)	
Otis	$ 83
Carrier	75
UTC Fire & Security	78
Pratt & Whitney	138
Hamilton Sundstrand	37
Sikorsky	14
Eliminations and other	18
Total	$443

The net costs consist of $283 million recorded in cost of sales, $159 million in selling, general and administrative expenses and $1 million in other income, net. As described below, these charges primarily relate to actions initiated during 2010 and 2009.

2010 Actions. During 2010, we initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and consolidation of field operations. We recorded net pre-tax restructuring and other costs totaling $371 million for restructuring actions initiated in 2010, consisting of $221 million in cost of sales and $150 million in selling, general and administrative expenses.

We expect the actions that were initiated in 2010 to result in net workforce reductions of approximately 5,000 hourly and salaried employees, the exiting of approximately 3.9 million net square feet of facilities and the disposal of assets associated with exited facilities. As of December 31, 2010, we have completed, with respect to the actions initiated in 2010, net workforce reductions of approximately 2,400 employees and 300,000 net square feet of facilities have been exited. We are targeting to complete in 2011 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2010. 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 2010 restructuring actions:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Net pre-tax restructuring charges	$ 301	$ 19	$ 51	$ 371
Utilization and foreign exchange	(98)	(19)	(27)	(144)
Balance at December 31, 2010	**$ 203**	**$ —**	**$ 24**	**$227**

The following table summarizes expected, incurred and remaining costs for the 2010 restructuring actions by type:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Expected costs	$ 327	$ 19	$ 111	$ 457
Costs incurred during 2010	(301)	(19)	(51)	(371)
Remaining costs at December 31, 2010	**$ 26**	**$ —**	**$ 60**	**$ 86**

The following table summarizes expected, incurred and remaining costs for the 2010 restructuring actions by segment:

(Dollars in millions)	Expected Costs	**Costs Incurred During 2010**	**Remaining Costs at December 31, 2010**
Otis	$ 90	**$ (87)**	**$ 3**
Carrier	108	**(74)**	**34**
UTC Fire & Security	90	**(64)**	**26**
Pratt & Whitney	90	**(84)**	**6**
Hamilton Sundstrand	43	**(29)**	**14**
Sikorsky	18	**(15)**	**3**
Eliminations and other	18	**(18)**	**—**
Total	$ 457	**$ (371)**	**$ 86**

2009 Actions. During 2010, we recorded net pre-tax restructuring and other costs totaling $85 million for restructuring actions initiated in 2009, consisting of $63 million in cost of sales and $21 million in selling, general and administrative expenses and $1 million in other income, net. The 2009 actions relate to ongoing cost reduction efforts, including workforce reductions, the consolidation of field operations and the consolidation of repair and overhaul operations.

As of December 31, 2010, we have completed net workforce reductions of approximately 13,400 employees of an expected 14,400, and have exited 1.3 million net square feet of facilities of an expected 4.7 million net square feet. The remaining workforce and facility reduction actions are targeted for completion during 2011.

The following table summarizes the restructuring accrual balances and utilization by cost type for the 2009 programs:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Restructuring accruals at January 1, 2010	$ 295	$ —	$ 17	$ 312
Net pre-tax restructuring charges	19	13	53	85
Utilization and foreign exchange	(201)	(13)	(52)	(266)
Balance at December 31, 2010	**$ 113**	**$ —**	**$ 18**	**$131**

The following table summarizes expected, incurred and remaining costs for the 2009 programs by type:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Expected costs	$ 711	$ 82	$ 118	$ 911
Costs incurred during 2009	(680)	(69)	(53)	(802)
Costs incurred during 2010	(19)	(13)	(53)	(85)
Remaining costs at December 31, 2010	**$ 12**	**$ —**	**$ 12**	**$ 24**

The following table summarizes expected, incurred and remaining costs for the 2009 programs by segment:

(Dollars in millions)	Expected Costs	Costs Incurred During 2009	**Costs Incurred During 2010**	**Remaining Costs at December 31, 2010**
Otis	$ 155	$ (157)	**$ 3**	**$ 1**
Carrier	229	(205)	**(11)**	**13**
UTC Fire & Security	119	(103)	**(14)**	**2**
Pratt & Whitney	233	(174)	**(56)**	**3**
Hamilton Sundstrand	103	(90)	**(8)**	**5**
Sikorsky	6	(7)	**1**	**—**
Eliminations and other	63	(63)	**—**	**—**
General corporate expenses	3	(3)	—	—
Total	$ 911	$ (802)	**$ (85)**	**$ 24**

Note 13: 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.

By nature, all financial instruments involve market and credit risks. We enter into derivative and other financial instruments with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. We limit counterparty exposure and concentration of risk by diversifying counterparties. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties.

Foreign Currency Forward Contracts. We manage our foreign currency transaction risks to acceptable limits through the use of derivatives to hedge forecasted cash flows associated with foreign currency transaction exposures which are accounted for as cash flow hedges, as deemed appropriate. To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, and otherwise meet the hedge accounting criteria of the Derivatives and Hedging Topic of the FASB ASC, changes in the derivatives' fair value are not included in current earnings but are included in Accumulated other comprehensive loss. These changes in fair value will subsequently be reclassified into earnings as a component of product sales or expenses, as applicable, when the forecasted 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. These include hedges that are used to reduce exchange rate risks arising from the change in fair value of certain foreign currency denominated assets and liabilities (i.e. payables, receivables) and other economic hedges where the hedge accounting criteria were not met.

The four quarter rolling average of the notional amount of foreign exchange contracts hedging foreign currency transactions was $8.5 billion and $9.0 billion at December 31, 2010 and 2009, respectively.

Additional information pertaining to foreign exchange and hedging activities is included in Note 1 to the Consolidated Financial Statements.

Commodity Forward Contracts. We enter into commodity forward contracts to reduce the risk of fluctuations in the price we pay for certain commodities (for example, nickel) which are used directly in the production of our products, or are components of the products we procure to use in the production of our products. These hedges are economic hedges and the changes in fair value of these contracts are recorded currently in earnings in the period in which they occur. The fair value and outstanding notional amount of contracts hedging commodity exposures were insignificant at December 31, 2010 and 2009, respectively.

The following table summarizes the fair value of derivative instruments as of December 31:

(Dollars in millions)	Balance Sheet Asset Location	**2010**	2009
Derivatives designated as hedging instruments:			
Foreign Exchange Contracts	Other assets, current	**$ 73**	$107
Foreign Exchange Contracts	Other assets	**24**	33
		97	140
Derivatives not designated as hedging instruments:			
Foreign Exchange Contracts	Other assets, current	**31**	113
Foreign Exchange Contracts	Other assets	**5**	5
		36	118
Total Asset Derivative Contracts		**$133**	$258
	Balance Sheet Liability Location		
Derivatives designated as hedging instruments:			
Foreign Exchange Contracts	Accrued liabilities	**$ 16**	$ 31
Foreign Exchange Contracts	Other long-term liabilities	**1**	4
		17	35
Derivatives not designated as hedging instruments:			
Foreign Exchange Contracts	Accrued liabilities	**33**	106
Foreign Exchange Contracts	Other long-term liabilities	**3**	3
		36	109
Total Liability Derivative Contracts		**$ 53**	$144

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

	December 31,	
(Dollars in millions)	**2010**	2009
Gain recorded in Accumulated other comprehensive loss	**$ 72**	$ 192
Gain (loss) reclassified from Accumulated other comprehensive loss into Product sales (effective portion)	**119**	(165)
Loss recognized in Other income, net on derivatives (ineffective portion)	**—**	(5)

Assuming current market conditions continue, a $58 million pre-tax gain 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, 2010, all derivative contracts accounted for as cash flow hedges mature by February 2013.

The effect on the Consolidated Statement of Operations from foreign exchange contracts not designated as hedging instruments was as follows:

	December 31,	
(Dollars in millions)	**2010**	2009
Gain (loss) recognized in Other income, net	**$ 153**	$ (59)

Fair Value Disclosure. The Fair Value Measurements and Disclosures Topic of the FASB ASC defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The Topic indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability, and also defines fair value based upon an exit price model.

During 2010, we had certain non-recurring measurements resulting in impairment charges as well as a gain on the re-measurement to fair value of a previously held equity interest. As previously disclosed, during 2010, we recorded approximately $86 million of asset impairment charges associated with disposition activity within both Carrier and Hamilton Sundstrand and also recorded an other-than-temporary impairment charge of $159 million on our equity investment in Clipper, which had a previous carrying value of approximately $248 million. The impairment charge recorded on our investment in Clipper was determined by comparing the carrying value of our investment to the closing market value of the shares on September 30, 2010. In December 2010, as a result of the acquisition of a controlling interest and all of the remaining shares of Clipper, we recorded a $21 million gain from the re-measurement to fair value of our previously held equity interest. For additional discussion refer to Note 2.

Valuation Hierarchy. The Fair Value Measurements and Disclosure Topic of the FASB ASC establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at 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.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-6, "Improving Disclosures about Fair Value Measurements," which requires interim disclosures regarding significant transfers in and out of Level 1 and Level 2 fair value measurements. Additionally, this ASU requires disclosure for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements. These disclosures are required for fair value measurements that fall in either Level 2 or Level 3. Further, the ASU requires separate presentation of Level 3 activity for the fair value measurements. We adopted the interim disclosure requirements under this Topic during the quarter ended March 31, 2010, with the exception of the separate presentation in the Level 3 activity roll-forward, which is not effective until fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2010 and 2009:

(Dollars in millions)	**Total Carrying Value at December 31, 2010**	Quoted price in active markets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Available-for-sale securities	**$ 829**	$ 829	$ —	$ —
Derivative assets	**133**	—	133	—
Derivative liabilities	**53**	—	53	—

(Dollars in millions)	Total Carrying Value at December 31, 2009	Quoted price in active markets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Available-for-sale securities	$ 664	$ 664	$ —	$ —
Derivative assets	258	—	258	—
Derivative liabilities	144	—	144	—

Valuation Techniques. Our available-for-sale securities are comprised of equity investments that are traded in active markets, either domestically or internationally. They are measured at fair value using closing stock prices from active markets and are classified within Level 1 of the valuation hierarchy. Our derivative assets and liabilities include foreign exchange 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. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. Based on our continued ability to trade securities and enter into forward contracts, we consider the markets for our fair value instruments to be active. As of December 31, 2010, there were no significant transfers in and out of Level 1 and Level 2.

As of December 31, 2010, 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 carrying amounts and fair values of financial instruments at December 31, 2010 and 2009 were as follows:

	2010		2009	
(Dollars in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term receivables	**$ 300**	**$ 276**	$ 430	$ 408
Customer financing notes receivable	**376**	**346**	350	264
Long-term debt (excluding capitalized leases)	**(10,117)**	**(11,500)**	(9,442)	(10,361)

The above fair values were computed based on comparable transactions, quoted market prices, discounted future cash flows or an estimate of the amount to be received or paid to terminate or settle the agreement, as applicable. Differences from carrying amounts are attributable to interest and or credit rate changes subsequent to when the transaction occurred. The fair values of Cash and cash equivalents, Accounts receivable, net, Short-term borrowings, and Accounts payable approximate the carrying amounts due to the short-term maturities of these instruments.

We had outstanding commercial aerospace financing and other contractual commitments totaling $2,032 million at December 31, 2010. Risks associated with changes in interest rates on these commitments are mitigated by the fact that interest rates are variable during the commitment term, and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financings is expected to equal the amounts funded. The fair value of the commitment itself is not readily determinable and is not considered significant. Additional information pertaining to these commitments is included in Note 4.

Note 14: Credit Quality of Long-Term Receivables

In July 2010, the FASB issued ASU No. 2010-20, "Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" (ASU). This ASU is intended to enhance a financial statement user's ability to evaluate the entity's credit risk exposures and adequacy of its allowance for credit losses by requiring additional disclosure about the nature of credit risk inherent in the portfolio of receivables, factors and methodologies used in estimating the allowance for credit losses and activity that occurs during a period for both financing receivables and allowance for credit losses. The scope of this ASU is limited to financing receivables, as defined, and excludes short-term trade accounts receivable and receivables measured at fair value or lower of cost or fair value. We adopted the disclosures under this ASU for the reporting period ended December 31, 2010, with the exception of disclosures about activity that occurs during a reporting period, which are effective for interim and annual periods beginning on or after December 15, 2010.

A long-term or financing receivable represents a contractual right to receive money on demand or on fixed and determinable dates, including trade receivable balances with maturity dates greater than one year. 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 the commercial businesses; however, both the individual and aggregate amounts are not significant.

Our classes within aerospace long-term receivables are comprised of long-term trade accounts receivable and notes and leases receivable. 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, 2010:

(Dollars in millions)	
Long-term trade accounts receivable	**$119**
Notes and leases receivable	**416**
Total long-term receivables	**$535**

Economic conditions and air travel influence the operating environment for most airlines, and the financial performance of our aerospace businesses is directly tied to the economic conditions of the commercial aerospace and defense industries. Additionally, the value of the collateral is also closely tied to commercial airline performance and may be subject to exposure of reduced valuation as a result of market declines. 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 original 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.

Long-term receivables can be considered delinquent if payment has not been received in accordance with the agreement. If determined delinquent, long-term trade accounts receivable and notes and leases receivable balances accruing interest may be placed on nonaccrual status. We record potential losses related to long-term receivables when identified. The reserve for credit losses on these receivables relates 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. Uncollectible long-term receivables are written-off when collection of the indebtedness has been pursued for a reasonable period of time without collection; the customer is no longer in operation; or judgment has been levied, but the underlying assets are not adequate to satisfy the indebtedness. At December 31, 2010, we do 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.

The following table summarizes the reserve for estimated credit losses and exposures, and the associated aerospace long-term receivables at December 31, 2010:

(Dollars in millions)	Long-term receivables	Reserve for credit losses and exposure
Ending balance: individually evaluated for impairment	$ 535	$ 42

We determine credit ratings for each customer in the 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. The credit ratings listed below range from "A" which indicates an extremely strong capacity to meet financial obligations and the receivable is either collateralized or uncollateralized, to "D" which indicates that payment is in default and the receivable is uncollateralized. 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.

The following table summarizes the credit risk profile by creditworthiness category for aerospace long-term receivable balances at December 31, 2010:

(Dollars in millions)	Long-term trade accounts receivable	Notes and leases receivable
A – (low risk, collateralized/uncollateralized)	$ 114	$ —
B – (moderate risk, collateralized/uncollateralized)	5	336
C – (high risk, collateralized/uncollateralized)	—	80
D – (in default, uncollateralized)	—	—
Total	$ 119	$ 416

Note 15: Guarantees

We extend a variety of financial guarantees to third parties. As of December 31, 2010 and 2009 the following financial guarantees were outstanding:

	2010		2009	
(Dollars in millions)	**Maximum Potential Payment**	**Carrying Amount of Liability**	Maximum Potential Payment	Carrying Amount of Liability
Credit facilities and debt obligations – unconsolidated subsidiaries (expire 2011 to 2034)	**$ 225**	**$ 3**	$ 243	$ 73
IAE's financing arrangements* (See Note 4)	**992**	**12**	1,186	13
Commercial aerospace financing arrangements (See Note 4)	**336**	**12**	320	12
Commercial customer financing arrangements	**191**	**1**	229	1
Performance guarantees	**40**	**—**	39	—

* Represents IAE's gross obligation; our proportionate share of IAE's obligations are 33%.

We also have obligations arising from sales of certain businesses and assets, including 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 $139 million and $137 million at December 31, 2010 and 2009, 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 Guarantees Topic of FASB ASC, we record a liability for the fair value of such guarantees in the balance sheet.

We provide service and warranty policies on our products and extend performance and operating cost guarantees beyond our normal service and warranty policies on some of our products, particularly commercial aircraft engines. In addition, we incur discretionary costs to service our products in connection with 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, 2010 and 2009 are as follows:

(Dollars in millions)	**2010**	2009
Balance as of January 1	**$1,072**	$1,136
Warranties and performance guarantees issued	**440**	400
Settlements made	**(379)**	(424)
Other	**3**	(40)
Balance as of December 31	**$1,136**	$1,072

Note 16: Collaborative Arrangements

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into certain collaboration arrangements in which costs, sales and risks are shared. Sales generated from engine programs, spare parts sales, and aftermarket business under collaboration arrangements are recorded as earned in our financial statements. Amounts attributable to our collaborative partners 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 collaborator's share of program costs is recorded as a reduction of the related expense item at that time. As of December 31, 2010, the collaborators' interests in all commercial engine programs ranged from 12 percent to 48 percent. Pratt & Whitney directs those programs and is the principal participant in all existing collaborative arrangements. There are no individually significant collaborative arrangements and none of the partners exceed 31 percent 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)	**2010**	2009	2008
Collaborator share of sales:			
Cost of products sold	**$ 850**	$772	$1,059
Cost of services sold	**38**	29	17
Collaborator share of program costs (reimbursement of expenses incurred):			
Cost of products sold	**(83)**	(66)	(83)
Research and development	**(135)**	(97)	(61)
Selling, general and administrative	**(5)**	(4)	(11)

Note 17: Contingent Liabilities

Leases. We occupy space and use certain equipment under lease arrangements. Rental commitments of $1,805 million at December 31, 2010 under long-term noncancelable operating leases are payable as follows: $500 million in 2011, $393 million in 2012, $277 million in 2013, $179 million in 2014, $100 million in 2015 and $356 million thereafter. Rent expense was $445 million in 2010, $463 million in 2009 and $504 million in 2008.

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

Environmental. Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As described in Note 1, we have accrued for the costs of environmental remediation activities and periodically reassess these amounts. We believe that the likelihood of incurring losses materially in excess of amounts accrued is remote. At December 31, 2010, we had $605 million reserved for environmental remediation. 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.

As previously disclosed, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and General Electric's F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial of this matter, completed in December 2004, the government claimed Pratt & Whitney's liability to be $624 million. On August 1, 2008, the trial court judge held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in its 1983 offer. In the absence of actual damages, the trial court judge awarded the DOJ the maximum civil penalty of $7.09 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 DOJ and UTC appealed the decision to the Sixth Circuit Court of Appeals. In November 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act and remanded the case to the U.S. District Court for further proceedings on the question of damages. Should the government ultimately prevail, 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 or cash flows for the period in which damages would be paid.

As previously disclosed, in December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges it has incurred 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 claims that Sikorsky's liability is approximately $88 million (including interest through December 2010). We believe this claim is without merit and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims, which is pending.

Other. As previously disclosed, on August 27, 2010, Rolls-Royce plc (Rolls-Royce) sued Pratt & Whitney in the U.S. District Court for the Eastern District of Virginia, alleging that fan blades on certain engines manufactured by Pratt & Whitney infringe a U.S. patent held by Rolls-Royce. Rolls-Royce seeks damages in an unspecified amount plus interest, an injunction, a finding of willful infringement, and attorneys' fees. We intend to vigorously defend the case and believe that Rolls-Royce's patent is invalid and that Pratt & Whitney's products do not infringe it. Trial in the matter could take place as early as March 2011. Should the plaintiff ultimately prevail, 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 or cash flows for the period in which damages would be paid. On November 5, 2010, Pratt & Whitney amended its previously-disclosed complaint against Rolls-Royce in the U.S. District Court for the District of Connecticut, adding Rolls-Royce Group plc (Rolls-Royce Group), the parent of Rolls-Royce, as a party, omitting previously asserted claims, and alleging that certain turbomachinery blades, engines and components manufactured by Rolls-Royce infringe a U.S. patent held by Pratt & Whitney. Pratt & Whitney seeks an injunction, damages, interest, attorney's fees and other relief. On November 5, 2010, Pratt & Whitney also filed complaints against Rolls-Royce in the High Court of Justice, Chancery Division, Patent Court (HCJ) in the United Kingdom (UK) and with the U.S. International Trade Commission (ITC). The HCJ action alleges similar infringement claims against Rolls-Royce based upon a UK patent held by Pratt & Whitney and seeks damages plus interest and all other relief to which Pratt & Whitney is entitled, including attorney's fees, expenses, and a permanent order preventing further infringements. The ITC complaint seeks a permanent exclusion order barring the importation into the U.S. of infringing turbomachinery blades, engines and engine components manufactured by Rolls-Royce and Rolls-Royce Group, and requests a permanent cease-and-desist order against Rolls-Royce and Rolls-Royce Group preventing further importing, marketing, advertising, demonstrating, testing, distributing, licensing, offering for sale, or use of such infringing turbomachinery blades, engines and engine components.

Except as otherwise noted, we do not believe that resolution of any of the above matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

As described in Note 15, we extend performance and operating cost guarantees beyond our normal warranty and service policies for extended periods in some of our products. We have accrued our estimate of the liability that may result under these guarantees and for service costs, which are probable and can be reasonably estimated.

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

Note 18: Segment Financial Data

Our operations are classified in six principal segments. The segments are generally determined based on the management of the businesses and on the basis of separate groups of operating companies, each with general operating autonomy over diversified products and services.

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

Carrier products include HVAC and refrigeration systems, controls, services and energy efficient products for residential, commercial, industrial and transportation applications.

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

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

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

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

Segment Information. 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)	**2010**	2009	2008	**2010**	2009	2008
Otis	**$11,579**	$11,723	$12,884	**$2,575**	$2,447	$2,477
Carrier	**11,386**	11,335	14,817	**1,062**	740	1,316
UTC Fire & Security	**6,490**	5,503	6,446	**714**	493	542
Pratt & Whitney	**12,935**	12,392	13,849	**1,987**	1,835	2,122
Hamilton Sundstrand	**5,608**	5,560	6,127	**918**	857	1,099
Sikorsky	**6,684**	6,287	5,346	**716**	608	478
Total segment	**54,682**	52,800	59,469	**7,972**	6,980	8,034
Eliminations and other	**(356)**	(375)	(350)	**(409)**	(255)	(117)
General corporate expenses	**—**	—	—	**(377)**	(348)	(408)
Consolidated	**$54,326**	$52,425	$59,119	**$7,186**	$6,377	$7,509

	Total Assets			*Capital Expenditures*			*Depreciation & Amortization*		
(Dollars in millions)	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Otis	**$ 8,097**	$ 7,908	$ 7,731	**$ 55**	$ 67	$ 150	**$ 211**	$ 204	$ 203
Carrier	**9,472**	9,804	10,810	**138**	90	191	**183**	191	194
UTC Fire & Security	**12,365**	10,304	10,022	**96**	72	95	**274**	214	238
Pratt & Whitney	**10,139**	10,063	10,018	**321**	288	412	**340**	329	368
Hamilton Sundstrand	**8,540**	8,509	8,648	**117**	114	141	**172**	174	178
Sikorsky	**4,521**	4,167	3,985	**108**	95	165	**83**	68	62
Total segment	**53,134**	50,755	51,214	**835**	726	1,154	**1,263**	1,180	1,243
Eliminations and other	**5,359**	5,007	5,623	**30**	100	62	**93**	78	78
Consolidated	**$58,493**	$55,762	$56,837	**$865**	$826	$1,216	**$1,356**	$1,258	$1,321

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.

	External Net Sales			*Operating Profits*			*Long-Lived Assets*		
(Dollars in millions)	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
United States Operations	**$ 28,911**	$ 27,990	$ 29,208	**$ 4,112**	$ 3,771	$ 3,945	**$ 3,013**	$ 3,096	$ 3,198
International Operations									
Europe	**11,957**	12,216	15,129	**1,872**	1,743	2,219	**1,282**	1,346	1,347
Asia Pacific	**7,986**	7,173	8,218	**1,229**	990	1,037	**839**	845	800
Other	**5,374**	4,991	6,432	**759**	476	833	**804**	714	671
Eliminations and other	**98**	55	132	**(786)**	(603)	(525)	**342**	363	332
Consolidated	**$ 54,326**	$ 52,425	$ 59,119	**$ 7,186**	$ 6,377	$ 7,509	**$ 6,280**	$ 6,364	$ 6,348

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

(Dollars in millions)	**2010**	2009	2008
Europe	**$2,188**	$2,089	$2,180
Asia Pacific	**2,721**	2,430	2,221
Other	**2,815**	2,477	2,861
	$7,724	$6,996	$7,262

Major Customers. Net Sales include sales under prime contracts and subcontracts to the U.S. government, primarily related to Pratt & Whitney, Hamilton Sundstrand and Sikorsky products, as follows:

(Dollars in millions)	**2010**	2009	2008
Pratt & Whitney	**$4,081**	$3,942	$3,804
Hamilton Sundstrand	**1,137**	1,230	1,089
Sikorsky	**4,529**	3,979	3,063
Other	**153**	127	35
	$9,900	$9,278	$7,991

Selected Quarterly Financial Data (Unaudited)

	2010 Quarters				2009 Quarters			
(Dollars in millions, except per share amounts)	**First**	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Net Sales	**$12,040**	**$13,802**	**$13,620**	**$14,864**	$12,199	$13,060	$13,187	$13,979
Gross margin	**3,308**	**3,787**	**3,953**	**3,864**	3,092	3,459	3,351	3,662
Net income attributable to common shareowners	**866**	**1,110**	**1,198**	**1,199**	722	976	1,058	1,073
Earnings per share of Common Stock:								
Basic – net income	**$ .95**	**$ 1.22**	**$ 1.32**	**$ 1.33**	$ .79	$ 1.06	$ 1.15	$ 1.17
Diluted – net income	**$ .93**	**$ 1.20**	**$ 1.30**	**$ 1.31**	$ .78	$ 1.05	$ 1.14	$ 1.15

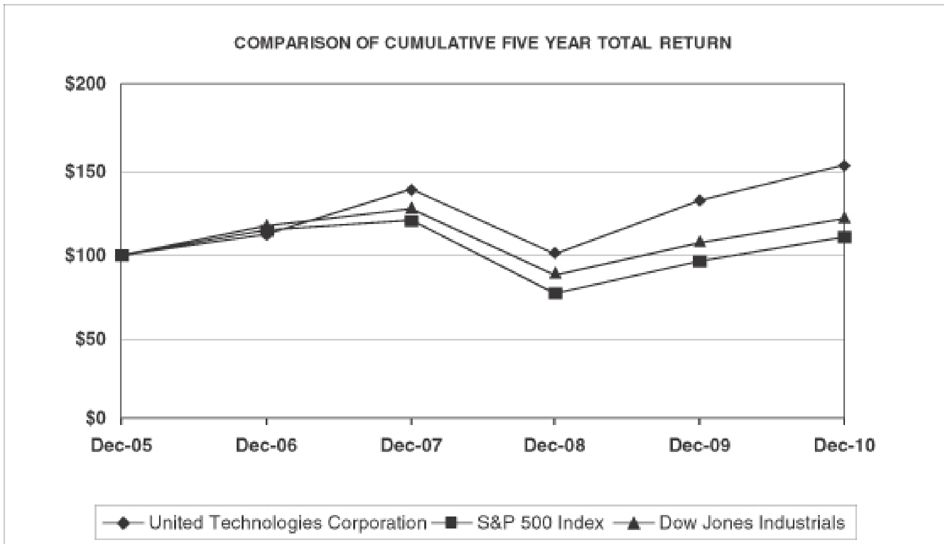
Comparative Stock Data (Unaudited)

	2010			2009		
Common Stock	**High**	**Low**	**Dividend**	High	Low	Dividend
First quarter	**$74.85**	**$65.01**	**$ .425**	$55.51	$37.40	$ .385
Second quarter	**$77.09**	**$62.88**	**$ .425**	$56.99	$42.06	$ .385
Third quarter	**$73.81**	**$63.62**	**$ .425**	$63.72	$49.00	$ .385
Fourth quarter	**$79.70**	**$70.23**	**$ .425**	$70.89	$59.31	$ .385

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 24,784 registered shareholders at January 31, 2011.

Performance Graph (Unaudited)

The following graph presents the cumulative total shareholder return for the five years ending December 31, 2010 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, 2005.



	December					
	2005	2006	2007	2008	2009	**2010**
United Technologies Corporation	$ 100.00	$ 113.66	$ 141.44	$ 101.23	$ 134.93	**$ 156.83**
S&P 500 Index	$ 100.00	$ 115.79	$ 122.16	$ 76.96	$ 97.33	**$ 111.99**
Dow Jones Industrial Average	$ 100.00	$ 119.03	$ 129.58	$ 88.23	$ 108.21	**$ 123.42**

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
Operating Partner
Advent International
(Global Private Equity Firm)
Retired Chief Executive Officer
GlaxoSmithKline

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)

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

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

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

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

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

André Villeneuve
Chairman, International Regulatory Strategy Group, City of London
(Advisory Group)

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
John V. Faraci, Chair
Edward A. Kangas
Richard D. McCormick
Richard B. Myers
H. Patrick Swygert
André Villeneuve

Committee on Compensation and Executive Development
Jean-Pierre Garnier, Chair
Jamie S. Gorelick
Edward A. Kangas
Charles R. Lee
Richard D. McCormick
Harold McGraw III
H. Patrick Swygert

Executive Committee
Louis R. Chênevert, Chair
Charles R. Lee
Richard D. McCormick

Finance Committee
Charles R. Lee, Chair
Louis R. Chênevert
John V. Faraci
Jamie S. Gorelick
Ellen J. Kullman
Richard B. Myers
André Villeneuve
Christine Todd Whitman

Committee on Nominations and Governance
Richard D. McCormick, Chair
John V. Faraci
Jean-Pierre Garnier
Charles R. Lee
Harold McGraw III
Christine Todd Whitman

Public Issues Review Committee
Christine Todd Whitman, Chair
Jean-Pierre Garnier
Jamie S. Gorelick
Ellen J. Kullman
Harold McGraw III
Richard B. Myers
H. Patrick Swygert
André Villeneuve

LEADERSHIP

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

David Adler
President,
Sikorsky Aerospace Services

David G. Appel
President,
Carrier Transicold

Mark J. Barry
President,
Global Security Products,
UTC Fire & Security

Alain M. Bellemare
President,
Hamilton Sundstrand

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

Warren M. Boley, Jr.
President, Military Engines,
Pratt & Whitney

Carey E. Bond
President, Sikorsky Global
Helicopters and
Chief Marketing Officer

J. Thomas Bowler, Jr.
Senior Vice President,
Human Resources and
Organization

Matthew F. Bromberg
Vice President and
General Manager,
Customer Service,
Hamilton Sundstrand

William M. Brown
President,
UTC Fire & Security

Scott A. Buckhout
President,
Global Fire Products,
UTC Fire & Security

Louis R. Chênevert
Chairman & Chief Executive Officer

Peter C. Christman, Jr.
President, Pratt & Whitney
Power Systems

Geraud Darnis
President, Carrier

Nancy M. Davis
Vice President and
Chief Information Officer

Pierre Dejoux
President, South Asia Pacific
and Gulf, Otis

Philippe Delpech
President, EMEA Carrier

John J. Doucette
President, Industrial,
Hamilton Sundstrand

Eileen P. Drake
Vice President, Operations

Michael R. Dumais
Vice President, Operations,
Hamilton Sundstrand

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

David L. Gitlin
President, Aerospace Customers and
Business Development,
Hamilton Sundstrand

Bruno Grob
President, North and East Europe and
Africa, Otis

Lindsay Harvey
President, United Kingdom and
Central Europe, Otis

Gregory J. Hayes
Senior Vice President and
Chief Financial Officer

David P. Hess
President, Pratt & Whitney

Kathleen M. Hopko
Vice President, Secretary
and Associate General
Counsel

Todd J. Kallman
President, Commercial
Engines and Global Services, Pratt &
Whitney

Ervin F. Lauterbach
President, Building Systems
and Services,
North America, Carrier

Robert F. Leduc
President, 787, Space Systems
and U.S. Classified Programs,
Hamilton Sundstrand

Peter F. Longo
Vice President, Controller

James G. Maser
President,
Pratt & Whitney Rocketdyne

Michael B. Maurer
President, Sikorsky Military Systems

Robert J. McDonough
President, Residential and
Commercial Systems,
North America, Carrier

J. Michael McQuade
Senior Vice President,
Science and Technology

Didier Michaud-Daniel
President, Otis

Raymond J. Moncini
Senior Vice President,
Operations, Carrier

Michael A. Monts
Vice President,
Business Practices

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

Jeffrey P. Pino
President, Sikorsky

Thomas I. Rogan
Vice President, Treasurer

Kelly Romano
Senior Vice President,
Sales and Marketing,
UTC Fire & Security

John Saabas
President,
Pratt & Whitney Canada

Pedro Sainz de Baranda
President, South Europe and

Mediterranean, Otis

Ross B. Shuster
President, HVAC Asia, Carrier

Tobin J. Treichel
Vice President, Tax

Charles Vo
President, North Asia
Pacific, Otis

Gregg Ward
Senior Vice President,
Government Affairs

Randal E. Wilcox
President, North and
South America, Otis

SHAREOWNER INFORMATION

Corporate Office

United Technologies Corporation
United Technologies Building
Hartford, Connecticut 06101
Telephone: 860.728.7000

This report is made available to shareowners in advance of the annual meeting of shareowners to be held at 2 p.m., April 13, 2011, in Phoenix, Arizona. The proxy statement will be made available to shareowners on or about February 25, 2011, 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 and address changes, and the Direct Stock Purchase and Dividend Reinvestment Plan should be directed to:

Computershare Trust Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
Telephone:
Within the U.S.: 1.800.488.9281
Outside the U.S.: 1.781.575.2724
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 2010 filed with the Securities and Exchange Commission certificates of its Chief Executive Officer, Chief Financial Officer and 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 a copy of the UTC Annual Report on Form 10-K for fiscal year 2010 filed with the Securities and Exchange Commission by writing to:

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

For additional information about UTC, please contact Investor Relations at the above corporate office address or visit our 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. Callers also may request copies of our quarterly earnings and news releases, by either fax or mail, and obtain copies of the UTC Annual Report and Form 10-K.

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

Direct Registration System

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

Environmentally Friendly Report

This annual report is printed on recycled and recyclable paper.

www.utc.com
www.carrier.com
www.hamiltonsundstrand.com
www.otis.com

www.pw.utc.com
www.sikorsky.com
www.utcfireandsecurity.com
www.utcpower.com

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2010

Entity Name	State/Country of Incorporation
3090445 Nova Scotia Limited	Canada
3227441 Nova Scotia Company	Canada
3234808 Nova Scotia Limited	Canada
Australia Holdings Inc.	Delaware
Beesail Limited	England
Caricor Ltd.	Delaware
Carrier Commercial Refrigeration, Inc.	Delaware
Carrier Corporation	Delaware
Carrier Enterprise, LLC	Delaware
Carrier HVACR Investments B.V.	Netherlands
Carrier Technologies ULC	Canada
Ceesail Limited	England
Chubb Asia Holdings Limited	England
Chubb Fire Limited	England
Chubb Group (International) Limited	England
Chubb Group Limited	England
Chubb Group Properties Limited	England
Chubb Group Security Limited	England
Chubb International (Netherlands) BV	Netherlands
Chubb International Holdings Limited	England
Chubb International Limited	England
Chubb Limited	England
Chubb Nederland B.V.	Netherlands
Chubb Overseas Investments Limited	England
Chubb Security Holdings Australia Limited	Australia
Clipper Windpower, Inc.	Delaware
Commonwealth Luxembourg Holdings S.à r.l.	Luxembourg
Empresas Carrier, S. De R.L. De C.V.	Mexico
Fyrnetics (Hong Kong) Limited	Hong Kong
GST Holdings Limited	Cayman Islands
Hamilton Sundstrand Corporation	Delaware
Hamilton Sundstrand Holdings, Inc.	Delaware
Hamilton Sundstrand International Holdings Ltd.	Cayman Islands
Helicopter Support, Inc.	Connecticut
International Comfort Products, LLC	Delaware
Kaysail Limited	England
Kidde America Inc.	Delaware
Kidde Fire Protection Inc.	Delaware
Kidde Holdings Limited	England
Kidde International Limited	England
Kidde Limited	England
Kidde Technologies Inc. (*)	Delaware
Kidde UK	England
Kidde US Holdings Inc.	Delaware
KNA Inc.	Delaware
Latin American Holding, Inc.	Delaware
Lenel Systems International, Inc.	Delaware

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2010

Entity Name	State/Country of Incorporation
Milton Roy Company	Pennsylvania
Moonless Limited	England
Nippon Otis Elevator Company	Japan
Noresco, LLC	Delaware
NSI, Inc.	Delaware
Otis Elevator Company	New Jersey
Otis Elevator Korea	Republic of Korea
Otis Holdings GmbH & Co. OHG	Germany
Otis International Holdings UK Limited	England
Otis Limited	England
Otis Pacific Holdings B.V.	Netherlands
Otis S.C.S.	France
Parkview Participations LLC	Delaware
Parkview Treasury Services (UK) Limited	United Kingdom
Pilgrim House Group Limited	England
Pratt & Whitney Canada Corp.	Canada
Pratt & Whitney Canada Holdings Corp.	Canada
Pratt & Whitney Canada Leasing, Limited Partnership	Canada
Pratt & Whitney Engine Leasing, LLC	Delaware
Pratt & Whitney Power Systems, Inc.	Delaware
Pratt & Whitney Rocketdyne, Inc.	Delaware
Pratt Aero Limited Partnership	Canada
Ratier-Figeac, SAS	France
SICLI Holding SAS	France
Sikorsky Aircraft Corporation	Delaware
Sirius Korea Limited	England
Springer Carrier Ltda.	Brazil
Sullair Corporation	Indiana
Taylor Company S.r.L.	Italy
Trumbull Holdings SCS	France
United Technologies Australia Holdings Limited	Australia
United Technologies Canada, Ltd.	Canada
United Technologies Cortran, Inc.	Delaware
United Technologies Electronic Controls, Inc.	Delaware
United Technologies Far East Limited	Hong Kong
United Technologies Finance (U.K.) Limited	England
United Technologies France SAS	France
United Technologies Holding GmbH	Germany
United Technologies Holdings Limited	England
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 I S.à r.l.	Luxembourg

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2010

Entity Name	State/Country of Incorporation
UT Luxembourg Holding II S.à r.l.	Luxembourg
UT Park View, Inc.	Delaware
UTC Canada Corporation	Canada
UTC Fire & Security Americas Corporation, Inc	Delaware
UTC Fire & Security Corporation	Delaware
UTC Fire & Security Luxembourg S.à r.l.	Luxembourg
UTCL Holdings, Limited	Canada
UTCL Investments B.V.	Netherlands
UTX Holdings S.C.S.	France
White Peak Finance Ireland	Ireland
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 because, 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. 333-167771), in the Registration Statement on Form S-4 (No. 333-77991) as amended by Post-Effective Amendment No. 1 on Form S-8 (No. 333-77991) and in the Registration Statements on Form S-8 (Nos. 333-163822, 333-156390, 333-156385, 333-150643, 333-125293, 333-110020, 333-100724, 333-100723, 333-100718, 333-82911, 333-77817, 333-21853, 333-21851, 033-57769 and 033-51385) of United Technologies Corporation of our report dated February 10, 2011 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 10, 2011 relating to the financial statement schedule, which appears on page S-I of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 10, 2011

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, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/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, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/s/ JEAN-PIERRE GARNIER
Jean-Pierre Garnier

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/s/ JAMIE S. GORELICK
Jamie S. Gorelick

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/s/ EDWARD A. KANGAS
Edward A. Kangas

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, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/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, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/s/ CHARLES R. LEE
Charles R. Lee

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/s/ RICHARD D. MCCORMICK
Richard D. McCormick

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/s/ HAROLD W. MCGRAW III
Harold McGraw III

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/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, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/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, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/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, KATHLEEN M. HOPKO 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, 2010, 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 7th day of February, 2011.

/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 10, 2011

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 10, 2011

Exhibit 31.3

CERTIFICATION

I, Peter F. Longo, 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/ PETER F. LONGO

Peter F. Longo
Vice President, Controller

Date: February 10, 2011

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, 2010 (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 10, 2011	/s/ LOUIS R. CHÊNEVERT Louis R. Chênevert Chairman & Chief Executive Officer
Date: February 10, 2011	/s/ GREGORY J. HAYES Gregory J. Hayes Senior Vice President and Chief Financial Officer
Date: February 10, 2011	/s/ PETER F. LONGO Peter F. Longo Vice President, Controller