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

FORM 10-K

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

For the fiscal year ended December 31, 1996

Commission file number 1-812

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

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

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

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

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

Title of each class	Name of each exchange on which registered
Medium-Term Notes, Series B, PEN Notes due September 8, 1997	New York Stock Exchange
Common Stock ($5 par value)	New York Stock Exchange

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

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

At January 31, 1997, there were 237,346,954 shares of Common Stock outstanding; the aggregate market value of the voting Common Stock held by non affiliates at January 31, 1997 was approximately $16,554,950,042.

List hereunder documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) United Technologies Corporation 1996 Annual Report to Shareowners, Parts I, II and IV; and (2) United Technologies Corporation Proxy Statement for the 1997 Annual Meeting of Shareowners, Part III.

UNITED TECHNOLOGIES CORPORATION

Index to Annual Report
on Form 10-K
Year Ended December 31, 1996

Item 1. Business

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

Management's Discussion and Analysis of the Corporation's Results of Operations for 1996 compared to 1995, and for 1995 compared to 1994, and its Financial Position at December 31, 1996 and 1995, and Selected Financial Data for each year in the five year period ended December 31, 1996 are set forth on pages 21 through 27 of the Corporation's 1996 Annual Report to Shareowners. Whenever reference is made in this report to specific pages in the 1996 Annual Report to Shareowners, such pages are incorporated herein by reference.

Operating Units and Industry Segments

The Corporation conducts its business within five principal industry segments. The principal products of operating units reported within each industry segment are as follows:

Industry Segment	Principal Products
Otis	--Otis elevators, escalators and service
Carrier	--Carrier heating, ventilating, air conditioning, and transport and commercial refrigeration equipment and service
Automotive	--Automotive components and systems
Pratt & Whitney	--Pratt & Whitney engines, service and space propulsion
Flight Systems	--Sikorsky helicopters, parts and service --Hamilton Standard engine controls, environmental controls, propellers and other flight systems

Business segment financial data for the years 1994 through 1996 is included in Note 15 of Notes to Consolidated Financial Statements on pages 41 through 43 of the Corporation's 1996 Annual Report to Shareowners.

Description of Business by Industry Segment

The following description of the Corporation's business by industry segment should be read in conjunction with Management's Discussion and Analysis of Results of Operations and Financial Position appearing in the Corporation's 1996 Annual Report to Shareowners, especially the information contained therein under the heading "Business Environment".

Otis

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

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

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

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

Revenues generated by Otis' international operations were approximately 85 percent of total Otis segment revenues in 1996 and 1995. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying currency, political and economic risks.

At December 31, 1996, the Otis business backlog amounted to $3,718 million as compared to $3,644 million at December 31, 1995. Of the total business backlog at December 31, 1996, approximately $3,431 million is expected to be realized as sales in 1997.

Carrier

Carrier is the world's largest manufacturer of heating, ventilating and air conditioning (HVAC) systems and equipment. Carrier also participates in the commercial and transport refrigeration businesses.

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

Carrier continues to invest in emerging markets primarily in Asia (such as the People's Republic of China). These investments carry a higher level of currency, political and economic risk than investments in developed markets. Carrier's business is subject to changes in economic, industrial, international and climate conditions, including possible changes in interest rates, which could affect the demand for HVAC systems and equipment; changes in legislation and government regulations, including those relating to refrigerants and their effect on global environmental conditions; changes in technology; changes in construction starts; and competition from a large number of companies, including other major domestic and foreign manufacturers. The principal methods of competition are delivery schedule, product performance, price, service and other terms and conditions of sale.

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

Revenues generated by Carrier's international operations, including U.S. export sales, were approximately 55 percent of total Carrier segment revenues in 1996 and 1995. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying currency, political and economic risks.

At December 31, 1996, the Carrier business backlog amounted to $960 million, as compared to $926 million at December 31, 1995. Substantially all of the business backlog at December 31, 1996 is expected to be realized as sales in 1997.

Automotive

The Corporation's Automotive business is conducted through United Technologies Automotive, Inc. ("UTA"). UTA is a leading independent supplier of automotive electrical distribution systems in both North America and Europe. Also, UTA is a leading independent supplier in North America of modular headliners, door trim assemblies, vehicle remote entry systems, and fractional horsepower DC electric motors used in automotive applications. UTA competes worldwide to sell products to automotive manufacturers.

UTA also produces other products such as interior trim (instrument panels, sun visors, armrests, package trays and consoles), mirrors, thermal and acoustical barriers, airbag covers, electronic controls and modules, relays, interior lighting systems, switches, terminals and connectors, windshield wiper systems, and electrical starters for commercial applications. In the fourth quarter of 1996 UTA sold its steering wheels business.

Sales to the major domestic automotive manufacturers are made against periodic short-term releases issued by the automotive manufacturers under contracts generally awarded for a particular car or light truck model. To serve its worldwide customer base, UTA maintains over 120 principal facilities in North America, Europe, Asia and South America.

In 1996, sales to Ford Motor Company were $1,224 million, or approximately 38 percent of total UTA revenues. In 1995 and 1994, sales to Ford Motor Company were $1,238 million (approximately 40 percent of total UTA revenues) and $1,004 million (approximately 37 percent of total UTA revenues), respectively.

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

Automotive manufacturers apply significant pricing pressures on their suppliers such as UTA, requiring continuing cost reductions and value engineering to maintain and improve profit margins. Suppliers have also been required to bear an increasing portion of engineering, design, development and tooling expenditures. While recognizing the increased risks and responsibilities associated with providing these services, UTA plans to position itself among the first tier suppliers providing these services. UTA has entered into long term supply agreements with many of its customers which require price reductions which anticipate future productivity improvements that must be realized in order for such arrangements to be profitable.

Revenues generated by UTA's international operations, including U.S. export sales (excluding revenues from certain non-U.S. operations which manufacture exclusively for the U.S. market), were approximately 35 percent of total Automotive segment revenues in 1996 and 1995. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying currency, political and economic risks.

At December 31, 1996, the UTA business backlog amounted to $774 million as compared to $703 million at December 31, 1995. Substantially all of the business backlog at December 31, 1996 is expected to be realized as sales in 1997.

Aerospace and Defense Businesses

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

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

Sales of military products are affected by defense budgets (both in the U.S. and, to some extent, abroad) and the presence of competitors. Military spare parts sales have been, and will continue to be, affected by the decline in overall procurement by the U.S. and foreign governments and, to a lesser extent, by the U.S. and foreign governments' policy of increasing parts purchases from suppliers other than the original equipment manufacturers.

Pratt & Whitney

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

Pratt & Whitney products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, and the U.S. and foreign governments. Pratt & Whitney sales in the U.S. and Canada are made directly to the customer and, to a limited extent, through independent distributors. Other export sales are made with the assistance of an overseas network of independent foreign representatives. Sales to the Boeing Company ("Boeing"), Airbus Industrie ("Airbus") and McDonnell Douglas Corporation ("Douglas"), consisting primarily of commercial aircraft jet engines, amounted to approximately 23 percent of total Pratt & Whitney revenues in 1996. Pratt & Whitney's major competitors are the aircraft engine businesses of General Electric Company ("GE") and Rolls-Royce plc.

Pratt & Whitney currently produces three families of large commercial jet engines; the JT8D-200, the PW2000 series and the PW4000 series. Pratt & Whitney's JT8D-200 powers the Douglas MD-80 aircraft. Applications for the PW2000 series include the Boeing 757-200/PF aircraft. Pratt & Whitney's PW4000 engine family powers the Airbus A310-300, A300-600 and A330-300 series; Boeing's 747-400, 767-200/-300 and 777-200 aircraft; and Douglas' MD-11.

International Aero Engines AG, a Swiss corporation in which Pratt & Whitney has a 33 percent interest, manufactures the V2500 engine. Applications for the V2500 engine include Airbus' A319, A320 and A321 aircraft and Douglas' MD-90.

In the case of most commercial aircraft today, aircraft manufacturers offer their customers a choice of engines, giving rise to substantial competition among engine manufacturers at the time of the sale of aircraft. This competition has become increasingly intense particularly where new commercial airframe/engine combinations are first introduced to the market and into the fleets of individual airlines. Financial incentives granted by engine suppliers, and performance and operating cost guarantees on their part, are frequently important factors in such sales and can be substantial. (For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, see Notes 1, 3, 13 and 14 of Notes to Consolidated Financial Statements at pages 32 to 33 and 39 to 41 of the Corporation's 1996 Annual Report to Shareowners.)

In view of the global nature of the commercial aircraft industry and the risk and cost associated with launching new engine development programs, Pratt & Whitney has developed strategic alliances and collaboration arrangements on commercial engine programs. At December 31, 1996, other participants in these alliances represented 29 percent of the PW2000 program, 22 percent of the PW4000 program, 31 percent of the PW4084 and PW4090 programs, and 29 percent of the PW4098 program.

GE-P&W Engine Alliance, LLC, an alliance between GE Aircraft Engines and Pratt & Whitney where Pratt & Whitney has a 50 percent interest, was formed during 1996 to develop, market and manufacture a new jet engine that is intended to power super-jumbo aircraft.

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

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

Pratt & Whitney Space Propulsion Division (``SPD'') produces hydrogen fueled rocket engines and pumps for the U.S. Government and, together with NPO Energomash, is developing a new RD-180 booster engine for two launch vehicles being marketed by Lockheed Martin. Chemical Systems, a unit of SPD, manufactures propulsion systems and booster motors for several U.S. military launch vehicles and missiles. SPD's USBI unit provides services for the NASA shuttle solid rocket booster.

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

Revenues from Pratt & Whitney's international operations, including U.S. export sales, were approximately 54 percent and 53 percent of total Pratt & Whitney segment revenues in 1996 and 1995, respectively. Such operations are subject to local government regulations as well as to varying political and economic risks.

During 1996, the Corporation revised its method of calculating Pratt & Whitney's backlog to eliminate collaboration participants' share of engine program revenues and to reduce firm orders received by the discounts granted directly to airline and other customers. At December 31, 1996, the business backlog for Pratt & Whitney amounted to $8,889 million, including $1,927 million of U.S. Government funded contracts and subcontracts. Of the total Pratt & Whitney business backlog at December 31, 1996, approximately $4,242 million is expected to be realized as sales in 1997. Pratt & Whitney's December 31, 1996 backlog calculated under the previous method of presentation would have amounted to $10,745 million, including $1,974 million of U.S. Government funded contracts and subcontracts as compared to $9,496 million and $1,563 million, respectively, at December 31, 1995. Significant elements of Pratt & Whitney's business, such as spare parts sales for engines in service, generally have short lead times. Therefore, backlog may not be indicative of future demand. Also, since a substantial portion of the backlog for commercial customers is scheduled for delivery beyond 1997, changed economic conditions may cause customers to request that firm orders be rescheduled or canceled.

Flight Systems

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

Sikorsky is one of the world's leading manufacturers of military and commercial helicopters. Sikorsky is the primary supplier of transport helicopters to the U.S. Army. All branches of the U.S. military operate Sikorsky helicopters. Sikorsky is also producing helicopters for a variety of uses including passenger, utility/transport, cargo, anti-submarine warfare, search and rescue and heavy-lift operations. Sikorsky also supplies helicopters to foreign governments and the worldwide commercial market. Sikorsky's business base also encompasses spare parts for past and current helicopters produced by Sikorsky, and, through its subsidiary, Sikorsky Support Services, Inc., the repair and retrofit of helicopters in the U.S. military fleet. Other major helicopter manufacturers include Bell Helicopters, Eurocopter, Boeing Helicopters, McDonnell Douglas, Agusta, Westland and Mil.

Current production programs at Sikorsky include the BLACK HAWK medium-transport helicopter for the U.S. Army and derivatives for foreign governments; the international NAVAL HAWK, a derivative of the SEAHAWK medium-sized helicopter for multiple naval missions for foreign governments; the CH-53E SUPER STALLION heavy-lift helicopter for the U.S. Marine Corps; and the S-76 intermediate-sized helicopter for executive transport, offshore oil platform support, search and rescue, emergency medical service and other utility operations.

Although Sikorsky is under contract with the U.S. Government to deliver 60 BLACK HAWK helicopters through June 1997 (of which 30 had been delivered through December 31, 1996), declining Defense Department budgets make Sikorsky increasingly dependent upon expanding its international market position. Such sales sometimes require the development of in-country co-production programs such as the one Sikorsky operates in South Korea.

Sikorsky is engaged in full scale development of the S-92 aircraft, a large cabin helicopter for commercial and military markets. Certification of the first S-92 is expected in the year 2000. A significant portion of the development will be carried out by companies in Brazil, the People's Republic of China, Japan, Spain and Taiwan under collaborative arrangements.

Sikorsky is collaborating with Boeing Helicopters for the development of the U.S. Army's next generation light helicopter, the RAH-66 Comanche. The Boeing Sikorsky Team is performing under a cost reimbursement contract awarded in 1991. In December 1996, Sikorsky and Boeing signed a modification to the contract which includes additional development and testing and the fabrication of six early operational capability aircraft. The first prototype aircraft performed a successful flight in January 1996 and is undergoing further flight testing. The Corporation cannot predict whether the Comanche will go into production or predict the quantity of aircraft that ultimately may be built.

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

At December 31, 1996, the Flight Systems business backlog amounted to $2,606 million, including $1,646 million under funded contracts and subcontracts with the U.S. Government, as compared to $2,954 million and $1,936 million, respectively, at December 31, 1995. Of the total Flight Systems business backlog at December 31, 1996, approximately $1,885 million is expected to be realized as sales in 1997.

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

Research and Development

To maintain its competitive position, the Corporation spends substantial amounts of its own funds on research and development. Such expenditures, which are charged to income as incurred, were $1,122 million or 4.8 percent of total revenues in 1996, as compared with $963 million or 4.2 percent of total revenues in 1995 and $978 million or 4.6 percent of total revenues in 1994. The Corporation also performs research and development work under contracts funded by the U.S. Government and other customers. Such contract research and development, which is performed principally in the Pratt & Whitney segment and to a lesser extent in the Flight Systems segment, amounted to $870 million in 1996, as compared with $871 million in 1995 and $838 million in 1994.

Contracts, Environmental and Other Matters

Government contracts are subject to termination for the convenience of the government, in which event the Corporation normally would be entitled to reimbursement for its allowable costs incurred plus a reasonable profit. Most of the Corporation's sales are made under fixed-price type contracts; only 5 percent of the Corporation's total sales for 1996 were made under cost-reimbursement type contracts.

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

The Corporation is now and believes that, in light of the current government contracting environment, it will be the subject of one or more government investigations. See Item 3 Legal Proceedings at page 8 of this Report for further discussion.

The Corporation does not currently believe that Defense Department budget cutbacks will have a material adverse effect on the profitability of the Corporation due in part to the Corporation's long term efforts to reduce its reliance on defense contracts.

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

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

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

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

The Corporation does not anticipate that compliance with federal, state and local provisions relating to the protection of the environment will have a material adverse effect upon its capital expenditures, competitive position, financial position or results of operations. (Environmental matters are the subject of certain of the Legal Proceedings described in Item 3 below, and are further addressed in "Management's Discussion and Analysis of Results of Operations and Financial Position" at page 26 and Note 14 of Notes to Consolidated Financial Statements at page 41 of the Corporation's 1996 Annual Report to Shareowners.)

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

Employees

At December 31, 1996, the Corporation's total employment was approximately 173,800.

Item 2. Properties

The Corporation's fixed assets include the plants and warehouses described below and a substantial quantity of machinery and equipment, most of which is general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The Corporation's plants, warehouses, machinery and equipment are in good operating condition, are well maintained, and substantially all of its facilities are in regular use. The Corporation considers the present level of fixed assets capitalized as of December 31, 1996, suitable and adequate for the respective industry segments' operations in the current business environment. The following square footage numbers are approximations:

At December 31, 1996, the Corporation operated (a) plants in the U.S. which had 33.1 million square feet, of which 5 million square feet were leased; (b) plants outside the U.S. which had 20.1 million square feet, of which 2.4 million square feet were leased; (c) warehouses in the U.S. which had 4.2 million square feet, of which 2.7 million square feet were leased; and (d) warehouses outside the U.S. which had 5.2 million square feet, of which 3.3 million square feet were leased.

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

Item 3. Legal Proceedings

In June 1992, the Department of Justice filed a Civil False Claims Act complaint in the United States District Court for the District of Connecticut, No. 592CV375, against Sikorsky Aircraft alleging that the government was overcharged by nearly $4 million in connection with the pricing of parts supplied for the reconditioning of the Navy's Sea King helicopter. The Complaint seeks treble damages plus a $10,000 penalty for each false claim submitted. Trial is scheduled for July 1997.

The Corporation's Pratt & Whitney unit was advised that it is no longer the subject of a Department of Justice investigation relating to its government contracts accounting practices for aircraft engine parts produced by foreign companies under certain commercial engine collaboration programs. With respect to these issues, however, the Department of Defense has issued a contracting officer's "final decision", which states that the Corporation failed to comply with various accounting requirements incorporated in its contracts with the government. The final decision covered years from 1984-95, inclusive, and claimed contract damages of $260.3 million, of which $102.7 million is interest. The Corporation believes its accounting practices comply with contract requirements and has not changed its accounting practices in response to the government's claim. On December 24, 1996, the Corporation filed a notice of appeal with the Armed Services Board of Contract Appeals. The government has reserved its right to file additional claims for 1996 (and later years if the accounting practices are unchanged) plus additional interest.

In April 1995, the Department of Justice filed a Civil False Claims Act complaint against the Corporation in the United States District Court for the Southern District of Florida, No. 95-8251, alleging misuse of $10 million of foreign military financing funds. The complaint seeks treble damages plus a $10,000 penalty for each false claim submitted.

The Justice Department continues to investigate alleged violations of law in connection with marketing and sale of helicopters and related services to the Government of the Kingdom of Saudi Arabia. The Corporation has responded to a grand jury subpoena requesting documents in connection with this matter, and several current and former employees and business associates have been interviewed.

In November 1996, a jury reached a verdict in Chromalloy Gas Turbine Corporation v. United Technologies Corporation, No. 95-CI-12541, a Texas state action which was instituted by Chromalloy in August of 1995. The jury found that Pratt & Whitney did not monopolize any relevant market but did willfully attempt to monopolize an unspecified market. It found, however, that Chromalloy suffered neither monetary damage nor irreparable injury. Chromalloy has requested an injunction and moved for judgment in its favor notwithstanding the verdict.

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

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

The Corporation has incurred and will likely continue to incur liabilities under various state and federal statutes for the cleanup of pollutants previously released into the environment. The Corporation believes that any payments it may be required to make as a result of these claims will not have a material effect upon the capital expenditures, competitive or financial position, or results of operations of the Corporation. The Corporation has had liability and property insurance in force over its history with a number of insurance companies, and the Corporation has commenced litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. Settlements to date, which have not been material, have been recorded upon receipt. While the litigation against the Corporation's historic liability insurers has concluded, it is expected that the case against the Corporation's property insurers will last several years. (For information regarding the matters discussed in this paragraph, see "Environmental Matters" in Management's Discussion and Analysis of Results of Operations and Financial Position at page 26 and Note 14 of the Notes to Consolidated Financial Statements at page 41 of the Corporation's 1996 Annual Report to Shareowners.)

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

No matters were submitted to security holders for a vote during the fourth quarter ended December 31, 1996.

- ----- Executive Officers of the Registrant

The executive officers of United Technologies Corporation, together with the offices in United Technologies Corporation presently held by them, their business experience since January 1, 1992, and their ages, are as follows:

Name	Title	Other Business Experience Since 1/1/92	Age 2/1/97
Jonathan W. Ayers	Vice President, Strategic Planning (since 1995)	Principal - Morgan Stanley Corporate Finance	40
Norman R. Bodine	Senior Vice President (since 1997)	President, UT Automotive; President, Electrical Systems & Components; President, Automotive Products Division, UT Automotive	54
Eugene Buckley	President, Sikorsky Aircraft Corporation (since 1995)	President, Sikorsky Aircraft Division	66
William L. Bucknall, Jr.	Senior Vice President, Human Resources & Organization (since 1992)	Vice President, Human Resources & Organization, United Technologies Corporation	54
Kevin G. Conway	Vice President, Taxes (since 1995)	Director of Taxes, United Technologies Corporation	48
Mark S. Coran	Executive Vice President, Operations, Pratt & Whitney (since 1991)	-------	53
Robert F. Daniell	Chairman (since 1987)	Chief Executive Officer; President and Chief Operating Officer	63
George David	President and Chief Executive Officer (since 1994)	President and Chief Operating Officer; Executive Vice President and President, Commercial/Industrial	54
C. Scott Greer	President, UT Automotive (since 1997)	President, Chief Operating Officer Echlin, Inc.	46
Bruno Grob	President, European & Transcontinental Operations Otis Elevator (since 1992)	President, Otis France	47

Name	Title	Other Business Experience Since 1/1/92	Age 2/1/97
Jay L. Haberland	Vice President-Controller (since 1996)	Director, Internal Audit; Vice President, Finance, Commercial & Industrial Group The Black & Decker Corporation	46
Robert J. Hermann	Senior Vice President, Science & Technology (since 1992)	-------	63
Karl J. Krapek	Executive Vice President and President, Pratt & Whitney (since 1997)	Chairman, President and Chief Executive Officer, Carrier Corporation	48
Raymond P. Kurlak	President, Hamilton Standard (since 1995)	Executive Vice President, Sikorsky	53
John R. Lord	President, Carrier Corporation (since 1995)	President, Carrier NAO, Vice President, Residential Products Group, Carrier NAO	53
Stephen F. Page	Executive Vice President and Chief Financial Officer (since 1993)	Executive Vice President and Chief Financial Officer, The Black & Decker Corporation	57
William F. Paul	Executive Vice President (since 1995)	Senior Vice President, Government Affairs	60
Gilles A. H. Renaud	Vice President - Treasurer (since 1996)	Vice President, Finance Carrier Corporation	50
William H. Trachsel	Vice President, Secretary and Deputy General Counsel (since 1993)	Vice President and Deputy General Counsel	53
Jean-Pierre van Rooy	President, Otis Elevator (since 1991)	-------	62
Robert A. Wolfe	Executive Vice President, Pratt & Whitney and President, Large Commercial Engines (since 1994)	Executive Vice President, Military and Space Aero Propulsion	58
Irving B. Yoskowitz	Executive Vice President and General Counsel (since 1990)	-------	51

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

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

See "Comparative Stock Data" appearing on page 43 of the Corporation's 1996 Annual Report to its Shareowners containing the following data relating to the Corporation's Common Stock: principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends. All such data are incorporated by reference in this Report.

Item 6. Selected Financial Data

See the Five Year Summary appearing on page 21 of the Corporation's 1996 Annual Report to its Shareowners containing the following data: sales, net income, primary and fully diluted earnings per share, cash dividends on Common Stock, total assets and long-term debt. All such data are incorporated by reference in this Report.

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

See "Management's Discussion and Analysis of Results of Operations and Financial Position" appearing on pages 22 through 27 of the Corporation's 1996 Annual Report to its Shareowners; such discussion and analysis is incorporated by reference in this Report.

Item 8. Financial Statements and Supplementary Data

The 1996 and 1995 Balance Sheets, and other financial statements for the years 1996, 1995 and 1994, together with the report thereon of Price Waterhouse LLP dated January 23, 1997, appearing on pages 28 through 43 in the Corporation's 1996 Annual Report to its Shareowners are incorporated by reference in this Report.

The 1996 and 1995 Selected Quarterly Financial Data appearing on page 43 in the Corporation's 1996 Annual Report to its Shareowners are incorporated by reference in this Report.

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

None.

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 10 with respect to directors is incorporated herein by reference from pages 4 through 7 of the Corporation's Proxy Statement for the 1997 Annual Meeting of Shareowners. Information regarding executive officers is contained in Part I of this Report at pages 10 and 11, and the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" at page 9 of the 1997 Proxy Statement.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference from pages 15 through 22 of the Corporation's Proxy Statement for the 1997 Annual Meeting of Shareowners. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is incorporated herein by reference from pages 8 and 9 of the Corporation's Proxy Statement for the 1997 Annual Meeting of Shareowners.

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is incorporated herein by reference from page 9 of the Corporation's Proxy Statement for the 1997 Annual Meeting of Shareowners.

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

		Page Number in Annual Report
(a)	Financial Statements, Financial Statement Schedules and Exhibits	
(1)	Financial Statements (incorporated by reference from the 1996 Annual Report to Shareowners):	
	Report of Independent Accountants	28
	Consolidated Statement of Operations for the Three Years ended December 31, 1996	29
	Consolidated Balance Sheet--December 31, 1996 and 1995	30
	Consolidated Statement of Cash Flows for the Three Years ended December 31, 1996	31
	Notes to Consolidated Financial Statements	32-43
	Selected Quarterly Financial Data (Unaudited)	43

		Page Number in Form 10-K
(2)	Financial Statement Schedule For the three years ended December 31, 1996:	
	Report of Independent Accountants on Financial Statement	S-1
	Schedule II Valuation and Qualifying Accounts	S-2
	Consent of Independent Accountants	F-1

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

(3) Exhibits:

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

Exhibit Number	
3.1	Restated Certificate of Incorporation *
3.2	Bylaws**
4	The Corporation hereby agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries and any unconsolidated subsidiaries.*
10.1	United Technologies Corporation 1979 Long Term Incentive Plan. *

Exhibit Number

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

10.3 United Technologies Corporation Disability Insurance Benefits for Executive Control Group. *

10.4 United Technologies Corporation Executive Estate Preservation Program. *

10.5 United Technologies Corporation Pension Preservation Plan. *

10.6 United Technologies Corporation Senior Executive Severance Plan. *

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

10.8 Otis Elevator Company Incentive Compensation Plan. *

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

10.10 United Technologies Corporation Deferred Compensation Plan for Non-Employee Directors.*

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

10.12 United Technologies Corporation Executive Disability, Income Protection and Standard Separation Agreement Plan. *

10.13 United Technologies Corporation Directors' Restricted Stock/Unit Program. *

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

10.15 United Technologies Corporation Pension Replacement Plan. ***

10.16 United Technologies Corporation Special Retention and Stock Appreciation Program. ****

10.17 United Technologies Corporation Nonemployee Director Stock Option Plan. *****

11 Statement re Computation of Per Share Earnings. #

12 Computation of Ratio of Earnings to Fixed Charges. #

13 Annual Report to Shareowners for year ended December 31, 1996 (except for the pages and information thereof expressly incorporated by reference in this Form 10-K, the Annual Report to Shareowners is provided solely for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K). #

21 Subsidiaries of the Registrant. #

24 Powers of Attorney of Howard H. Baker, Jr., Antonia Handler Chayes, Robert F. Daniell, Robert F. Dee, Charles W. Duncan, Jr., Jean-Pierre Garnier, Pehr G. Gyllenhammar, Gerald D. Hines, Charles R. Lee, Robert H. Malott, Frank P. Popoff, Harold A. Wagner and Jacqueline G. Wexler. #

27 Financial Data Schedule. #

Notes to exhibits:

Submitted electronically herewith.

* Incorporated by reference to Exhibit of the same number to United Technologies Corporation Annual Report on Form 10K (Commission file number 1-812) for fiscal year ended December 31, 1992.

** Incorporated by reference to Exhibit of the same number to United Technologies Corporation Annual Report on Form 10K (Commission file number 1-812) for fiscal year ended December 31, 1994.

*** Incorporated by reference to Exhibit of the same number to United Technologies Corporation Annual Report on Form 10K (Commission file number 1-812) for fiscal year ended December 31, 1993.

Notes to exhibits:

**** Incorporated by reference to Exhibit of the same number to United Technologies Corporation Form 10Q (Commission file number 1-812) for the quarter ended September 30, 1995.

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

(b) No reports on Form 8-K were filed by the Registrant during the fourth quarter of 1996.

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 Stephen F. Page,
Date: February 7, 1997 Executive Vice President and Chief Financial Officer

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

Signature	Title	Date
/s/ GEORGE DAVID (George David)	President and Chief Executive Officer; Director	February 7, 1997
/s/ JAY L. HABERLAND (Jay L. Haberland)	Vice President - Controller	February 7, 1997
/s/ STEPHEN F. PAGE (Stephen F. Page)	Executive Vice President and Chief Financial Officer	February 7, 1997
ROBERT F. DANIELL * (Robert F. Daniell)	Chairman, Director)	
HOWARD H. BAKER, JR. * (Howard H. Baker, Jr.)	Director)	
ANTONIA HANDLER CHAYES * (Antonia Handler Chayes)	Director)	
ROBERT F. DEE * (Robert F. Dee)	Director)	
CHARLES W. DUNCAN, JR. * (Charles W. Duncan, Jr.)	Director)	
JEAN-PIERRE GARNIER * (Jean-Pierre Garnier)	Director)	
PEHR G. GYLLENHAMMAR * (Pehr G. Gyllenhammar)	Director)	*By:/s/William H. Trachsel (William H. Trachsel) Attorney-in Fact Date: February 7, 1997

Signature	Title	Date
GERALD D. HINES * (Gerald D. Hines)	Director)	
CHARLES R. LEE * (Charles R. Lee)	Director)	
ROBERT H. MALOTT * (Robert H. Malott)	Director)	
FRANK P. POPOFF * (Frank P. Popoff)	Director)	*By:/s/William H. (William H. Trachsel) Attorney-in Fact
HAROLD A. WAGNER * (Harold A. Wagner)	Director)	Date: February 7, 1997
JACQUELINE G. WEXLER * (Jacqueline G. Wexler)	Director)	
/s/ KARL J. KRAPEK (Karl J. Krapek)	Executive Vice President, Director	February 7, 1997

REPORT OF INDEPENDENT ACCOUNTANTS ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of United Technologies Corporation

Our audits of the consolidated financial statements referred to in our report dated January 23, 1997 appearing on page 28 of the 1996 Annual Report to Shareowners of United Technologies Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse LLP
Hartford, Connecticut
January 23, 1997

SCHEDULE II

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Schedule II - Valuation and Qualifying Accounts
Three Years Ended December 31, 1996
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 1993	$	466
Provision charged to income		107
Doubtful accounts written off (net)		(52)
Other adjustments		(12)
Balance December 31, 1994		509
Provision charged to income		1
Doubtful accounts written off (net)		(88)
Other adjustments		8
Balance December 31, 1995		430
Provision charged to income		40
Doubtful accounts written off (net)		(57)
Other adjustments		(1)
Balance December 31, 1996	$	412

Future Income Tax Benefits - Valuation Allowance:

Balance December 31, 1993	$	297
Additions charged to income tax expense		109
Reductions credited to income tax expense		(51)
Balance December 31, 1994		355
Additions charged to income tax expense		49
Reductions credited to income tax expense		(52)
Balance December 31, 1995		352
Additions charged to income tax expense		30
Reductions credited to income tax expense		(48)
Balance December 31, 1996	$	334

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (Nos. 33-46916, 33-40163, 33-34320, 33-31514, 33-29687 and 33-6452) and in the Registration Statements on Form S-8 (Nos. 33-57769, 33-45440, 33-11255, 33-26580, 33-26627, 33-28974, 33-51385, 33-58937, and 2-87322) of United Technologies Corporation of our report dated January 23, 1997 appearing on page 28 of the 1996 Annual Report to Shareowners which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-1 of this Form 10-K.

Price Waterhouse LLP
Hartford, Connecticut
February 7, 1997

EXHIBIT 11

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Computations of Earnings Per Share and Fully Diluted Earnings Per Share
Assuming All Outstanding Dilutive Convertible Securities Had Been Converted

For the Five Years Ended December 31, 1996
(Millions of Dollars, except per share amounts)

	1996 (1)	1995 (1)	1994 (1)(2)	1993 (3)	1992 (3)
Earnings (loss) applicable to Common Stock	$ 876	$ 723	$ 563	$ 444	$ (329)
ESOP Convertible Preferred Stock adjustment	24	21	17	-	-
Primary net earnings (loss) for period	$ 900	$ 744	$ 580	$ 444	$ (329)
Earnings (loss) applicable to Common Stock	$ 876	$ 723	$ 563	$ 444	$ (329)
ESOP Convertible Preferred Stock adjustment	24	21	17	16	16
Fully diluted net earnings (loss) for period	$ 900	$ 744	$ 580	$ 460	$ (313)
Average number of common shares and common stock equivalents outstanding during period (thirteen month-end average) (thousands) (4)	261,123	260,956	263,586	251,994	246,476
Fully diluted average number of common shares outstanding, assuming all outstanding convertible securities had been converted on the dates of issue (thousands) (4)	262,646	262,998	263,810	279,228	274,314
Primary earnings (loss) per common share (4)	$ 3.45	$ 2.85	$ 2.20	$ 1.77	$ (1.34)
Fully diluted earnings (loss) per common share (4)	$ 3.43	$ 2.83	$ 2.20	$ 1.65	$ (1.34)

(1) Fully diluted earnings per common share is less than 3% dilutive and is not shown separately on the Consolidated Statement of Operations.

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

(3) During 1992 and 1993, each share of the ESOP Preferred Stock is convertible into one share of Common Stock. A reduction in earnings applicable to Common Stock is required in the calculation of fully diluted earnings per share representing the Corporation's additional contribution to the ESOP to enable it to meet its debt repayment responsibilities were the preferred dividends not available for this purpose. The adjustment also reflects the adding back of the ESOP Preferred Stock dividend.

(4) Adjusted for two-for-one stock split effective December 10, 1996.

EXHIBIT 12

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

	Years Ended December 31,				
	1996	1995	1994	1993	1992
Fixed Charges:					
Interest on indebtedness	$ 221	$ 244	$ 275	$ 251	$ 282
Interest capitalized	16	16	19	29	52
One-third of rents*	87	88	101	115	135
Total Fixed Charges	$ 324	$ 348	$ 395	$ 395	$ 469
Earnings:					
Income (loss) before income taxes and minority interests	$ 1,560	$ 1,344	$ 1,076	$ 909	$ 200
Fixed charges per above	324	348	395	395	469
Less: interest capitalized	(16)	(16)	(19)	(29)	(52)
	308	332	376	366	417
Amortization of interest capitalized	38	41	43	42	43
Total Earnings	$ 1,906	$ 1,717	$ 1,495	$ 1,317	$ 660
Ratio of Earnings to Fixed Charges	5.88	4.93	3.78	3.33	1.41

* Reasonable approximation of the interest factor.

EXHIBIT 13

FIVE YEAR SUMMARY

In Millions of Dollars (except per share amounts)	1996	1995	1994	1993	1992
FOR THE YEAR					
Sales	$ 23,273	$ 22,624	$ 20,801	$ 20,736	$ 21,641
Research and development	1,122	963	978	1,137	1,221
Income before cumulative effect of accounting principle changes	906	750	585	487	35
Net income (loss)	906	750	585	487	(287)
Earnings (loss) per share before cumulative effect of accounting principle changes:					
Primary	3.45	2.85	2.20	1.77	(.03)
Fully diluted	3.45	2.85	2.20	1.65	(.03)
Earnings (loss) per share:					
Primary	3.45	2.85	2.20	1.77	(1.34)
Fully diluted	3.45	2.85	2.20	1.65	(1.34)
Cash dividends per common share	1.10	1.025	.95	.90	.90
Average number of shares of Common Stock outstanding (thousands):					
Primary	261,123	260,956	263,586	251,994	246,476
Fully diluted	261,123	260,956	263,586	279,228	274,314
Return on average common shareowners' equity, after tax	21.1%	18.6%	15.4%	13.1%	(8.7)%
AT YEAR END					
Net working capital	$ 2,221	$ 2,293	$ 1,675	$ 786	$ 1,064
Current asset ratio	1.3 to 1	1.3 to 1	1.3 to 1	1.1 to 1	1.2 to 1
Total assets	16,745	15,958	15,624	15,618	15,928
Long-term debt, including current portion	1,534	1,747	2,041	2,179	2,769
Total debt	1,785	2,041	2,443	2,959	3,146
Debt to total capitalization	29%	34%	39%	45%	48%
Net debt (total debt less cash)	658	1,141	2,057	2,538	2,792
Net debt to total capitalization	13%	22%	35%	41%	45%
ESOP Preferred Stock, net	434	398	339	176	151
Shareowners' equity	4,306	4,021	3,752	3,598	3,370
Equity per common share	18.09	16.47	15.24	14.27	13.62
Number of employees:					
United States	69,800	70,900	75,900	81,700	91,400
Europe	42,400	40,700	41,500	40,300	40,600
Asia Pacific	27,600	25,600	21,000	15,900	17,300
Other	34,000	33,400	33,100	30,700	28,700
Total	173,800	170,600	171,500	168,600	178,000

Equity per common share is based on shares outstanding at each year end.
1992 through 1995 common share and per share amounts are adjusted to give retroactive effect to the 2-for-1 stock split.

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

The Corporation's Otis, Carrier and UT Automotive subsidiaries serve customers in the commercial property, residential housing and automotive businesses. Additionally, the Corporation's Pratt & Whitney, Sikorsky and Hamilton Standard businesses serve commercial and government customers in the aerospace industry. See Note 15 of Notes to Consolidated Financial Statements for the operating results of the Corporation's business segments.

BUSINESS ENVIRONMENT

A principal strategic objective of the Corporation has been to expand its business operations overseas to gain market access and extend global market leadership. Growth has been particularly strong in the Asia Pacific region as the Corporation continues to benefit from early investment in this area. As worldwide businesses, the Corporation's operations are affected by global and regional economic factors. Revenues from outside the U.S., including U.S. export sales, in dollars and as a percentage of consolidated revenues are as follows:

In Millions of Dollars	1996	1995	1994	1996	1995	1994
Europe	$ 4,800	$ 4,599	$ 3,975	20%	20%	19%
Asia Pacific	3,042	2,707	2,281	13%	12%	11%
Other	2,238	2,042	1,825	10%	9%	8%
U.S. Exports	3,124	3,267	3,108	13%	14%	15%
International Revenues	$13,204	$12,615	$11,189	56%	55%	53%

As part of its globalization strategy, the Corporation has increased its investments in the People's Republic of China (PRC), the former Soviet Union and other emerging nations which carry higher levels of currency, political and economic risks. At December 31, 1996, the Corporation's net investment in any one of these countries was less than 4% of consolidated equity. The Corporation's combined revenues in the PRC and Hong Kong, including U.S. export sales, were $1,005 million, $901 million and $742 million in 1996, 1995 and 1994, respectively.

OTIS is the world's largest elevator and escalator manufacturing and service company. Otis' business is impacted by global and regional economic factors, particularly fluctuations in commercial construction which affect new equipment installations, and labor costs which can impact service and maintenance margins on installed elevators and escalators. The elevator and escalator service market remains an important aspect of Otis' business. Eighty-five percent of Otis' revenues were generated outside the U.S. in 1996. Accordingly, changes in foreign currency rates affect the translation of Otis' operating results into U.S. dollars for financial reporting purposes.

During 1996, U.S. office building construction starts were higher than the prior year and commercial vacancy rates continued to improve. In Europe, new equipment sales remain flat, but a growing base of service business has enabled Otis to maintain solid performance. Otis continues to benefit from its investment strategy in the Asia Pacific region where construction activity and economic growth rates remain strong.

CARRIER is the world's largest manufacturer of commercial and residential heating, ventilating and air conditioning (HVAC) systems and equipment. Carrier is also an important supplier of ship container and trailer transportation cooling equipment. During 1996, 55% of Carrier's revenues were generated by international operations and U.S. exports. Accordingly, Carrier is impacted by commercial and residential construction activity worldwide, as well as changes in foreign currency rates which affect the translation of Carrier's operating results into U.S. dollars for financial reporting purposes.

U.S. residential housing starts increased approximately 9% over 1995, while commercial construction starts in the U.S. were lower than in 1995. Construction activity in Asia remained strong, while Europe remained weak.

UT AUTOMOTIVE (UTA) develops and manufactures a wide variety of electrical and interior trim systems and components for original equipment manufacturers (OEMs) in the automotive industry. Sales to Ford Motor Company, UTA's largest customer, comprised approximately 38% of UTA's revenues in 1996. UTA also has important relationships with Chrysler Corporation and General Motors Corporation as well as PSA, Renault, Volvo and Fiat in Europe and the New American Manufacturing divisions of Japanese automotive OEMs.

North American car and light truck production was essentially flat in 1996, while European car sales were higher, compared to 1995. UTA's revenues benefited from higher vehicle content in North America and higher volumes in Europe. However, the automotive OEMs apply significant pricing pressures on UTA and their other suppliers and have required suppliers to bear an increasing portion of engineering, development and tooling expenditures.

COMMERCIAL AEROSPACE

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

Worldwide airline profits continue to improve as a result of increased load factors and lower costs. U.S. airlines remain disciplined with moderate expansion plans as near term profitability is primarily being used to improve financial condition from historically weak levels. Strong economic growth continues to drive new aircraft orders from the Asia Pacific region, while

European airline financial resources remain constrained in the near term by increasing competition, higher cost structures and privatization.

Pratt & Whitney's mix of large commercial engine shipments has shifted to newer, higher thrust engines for wide-bodied aircraft. This market is very price and product competitive and the newer engines, through technological improvements and fewer parts, will require fewer spare parts than older engines.

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

GOVERNMENT BUSINESS

During 1996, the Corporation's sales to the U.S. Government were $3,382 million or 15% of total sales, a decline from $3,651 million or 16% of total sales in 1995 and $3,809 million or 18% of total sales in 1994.

The defense portion of the Corporation's aerospace businesses continues to respond to a changing global political environment. The U.S. defense industry continues to downsize and consolidate in response to continued pressure on U.S. defense spending. As a result, the Corporation has continued to reduce its reliance on U.S. defense contracts.

Sikorsky will continue to supply Black Hawk helicopters to the U.S. and foreign governments under contracts extending through 1998, albeit at lower volumes than in the past. The program plan for the development of the U.S. Army Comanche helicopter now supports completion of the prototype development and flight testing. A commitment to production has not been made.

The significant decrease in the U.S. defense procurement of helicopters in recent years has placed the U.S. helicopter manufacturers under some of the same pressures that have led to consolidation in other segments of the U.S. defense industry. Sikorsky expects to maintain its market position by improving its products for both its U.S. and foreign government customers. In addition, an international team led by Sikorsky is developing the S-92, a large cabin derivative of the Black Hawk family, for commercial and military markets.

Pratt & Whitney continues to deliver F100 engines and military spare parts to both U.S. and foreign governments. Pratt & Whitney's engines will power two of the primary U.S. Air Force programs of the future: the C-17 airlifter which is currently in production, and the F-22 fighter which is currently being developed. In 1996, derivatives of Pratt & Whitney's F119 engine were chosen to provide power for the Joint Strike Fighter demonstration aircraft. The Joint Strike Fighter program is intended to lead to the development of a single aircraft and engine that, with minor modifications, would satisfy future strike requirements of the U.S. Navy, Air Force, and Marine Corps and the United Kingdom Royal Navy.

RESULTS OF OPERATIONS

Revenues:

Increased 3% or $710 million from 1995 to 1996.

Increased 8% or $1,605 million from 1994 to 1995.

In Millions of Dollars	1996	1995	1994
Product sales	$18,247	$17,972	$16,670
Service sales	5,026	4,652	4,131
Financing revenues and other	239	178	396

During 1996, UTC's commercial and industrial revenues increased 7% and aerospace and defense revenues increased 2%, excluding the impact of Pratt & Whitney's change in classification of sales as described in Note 1 of the Notes to Consolidated Financial Statements. The Corporation estimates that increases in selling prices to customers averaged approximately 1% and 2% in 1996 and 1995, respectively. Foreign currency translation had an unfavorable effect on 1996 revenue; excluding this effect, consolidated revenues would have increased by 4% and 6% in 1996 and 1995, respectively, indicating that the real volume of revenues increased 3% in 1996 and 4% in 1995.

Financing revenues and other income, less other deductions increased $61 million in 1996 and decreased $218 million in 1995. Financing revenues and other income, less other deductions increased in 1996 principally due to a gain on the sale of UT Automotive's steering wheels business in the fourth quarter. The gain was partially offset by lower financing revenues in 1996, associated with a lower customer financing asset base. In addition, 1995 included gains realized on the sale of customer financing assets and the sale of a joint venture interest in Carrier's Arkadelphia scroll compressor plant. Financing revenues and other income, less other deductions decreased $218 million in 1995 from 1994, in part due to lower financing revenues associated with a lower customer financing asset base. In addition, 1994 included an $87 million gain on the sale of the interest in Westland Group plc, the sale of an additional participation interest in the PW4000 engine program by Pratt & Whitney and insurance litigation settlements, partially offset by a $51 million charge relating to the adoption of AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans."

In Millions of Dollars	1996	1995	1994
Cost of products sold	$14,625	$14,793	$13,773
Product margin %	19.8%	17.7%	17.4%
Cost of services sold	$ 3,112	$ 2,807	$ 2,559
Service margin %	38.1%	39.7%	38.1%

Product margin as a percentage of sales increased 2.1 percentage points compared to 1995 primarily as a result of improved margin percentages at Pratt & Whitney, Carrier, and Flight Systems as a result of the Corporation's continuing efforts to reduce manufacturing costs and floor space. Service margin as a percentage of sales decreased 1.6 percentage points compared to 1995 with Otis, Carrier, and Pratt & Whitney all experiencing declines.

In Millions of Dollars	1996	1995	1994
Research and development	$1,122	$963	$978

Percent of sales	4.8%	4.3%	4.7%

Research and development expenses increased $159 million (17%) in 1996 while decreasing $15 million in 1995. The 1996 increase occurred in most segments, but principally at Pratt & Whitney's general aviation and power generation businesses. The decrease in 1995 occurred principally in the Flight Systems segment as several development programs at Hamilton Standard reached completion. Research and development expenses in 1997 are expected to remain between 4% and 5% of sales.

[Bar Charts - Page 23]

	1992	1993	1994	1995	1996
GLOBAL GROWTH ($ Billions)					
International Revenues	$11.4	$11.1	$11.2	$12.6	$13.2
Domestic Revenues	$10.6	$10.0	$10.0	$10.2	$10.3
GROSS MARGIN (% of Sales)					
Product Sales	16.6%	18.0%	17.4%	17.7%	19.8%
Service Sales	36.5%	36.8%	38.1%	39.7%	38.1%

In Millions of Dollars	1996	1995	1994
Selling, general and administrative	$2,872	$2,651	$2,536
Percent of sales	12.3%	11.7%	12.2%

Selling, general and administrative expenses increased six-tenths of a percentage point as a percentage of sales during 1996 and decreased one-half of a percentage point during 1995. The 1996 increase, although somewhat mitigated by ongoing cost reduction efforts, was attributable to higher expenses for incentive based compensation plans and litigation costs. The 1995 decrease resulted principally from the effects of the Corporation's cost reduction efforts.

In Millions of Dollars	1996	1995	1994
Interest expense	$221	$244	$275

Interest expense decreased 9% in 1996 and 11% in 1995 mainly due to reduced average borrowing levels as the Corporation continued to retire or extinguish debt with its improved cash flow.

	1996	1995	1994
Average interest rate on short-term borrowings	11.8%	8.8%	6.3%
Average interest rate on total debt (including the effect of interest rate hedges)	8.7%	8.5%	7.6%

The weighted-average rate applicable to debt outstanding at December 31, 1996 was 9.6% for short-term borrowings and 7.9% for total debt, including the effect of interest rate hedges. The average interest rate on short-term borrowings increased 3 percentage points in 1996 primarily due to the reduction in lower rate domestic debt. Short-term borrowing rates exceed those of total debt due to higher short-term borrowing rates in certain foreign operations.

	1996	1995	1994
Effective income tax rate	33.5%	34.5%	35.7%

The Corporation has reduced its effective income tax rate over the last three years by implementing tax reduction strategies.

The future tax benefit arising from net deductible temporary differences is $1,561 million and relates to expenses recognized for financial reporting purposes which will result in tax deductions over varying future periods. Management believes that the Corporation's earnings during the periods when the temporary differences turn around will be sufficient to realize those future income tax benefits.

While some tax credit and loss carryforwards have no expiration date, certain foreign and state tax loss carryforwards arise in a number of different taxing jurisdictions with expiration dates beginning in 1997. For those jurisdictions where the expiration date or the projected operating results indicate that realization is not likely, a valuation allowance has been provided. U.S. foreign tax credit carryforwards, which require future foreign source income to be utilized, expire after five years and are reserved through valuation allowances.

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

Net income:
Increased 21% or $156 million from 1995 to 1996.
Increased 28% or $165 million from 1994 to 1995.

On September 30, 1996, the Corporation announced a two-for-one stock split which was paid on December 10, 1996 in the form of a stock dividend. All common share and per share amounts in this report reflect the stock split.

SEGMENT REVIEW

	Revenues			Operating Profits			Operating Profit Margin		
In Millions of Dollars	1996	1995	1994	1996	1995	1994	1996	1995	1994
Otis	$5,595	$5,287	$4,644	$524	$511	$421	9.4%	9.7%	9.1%
Carrier	5,958	5,456	4,919	422	354	278	7.1%	6.5%	5.7%
Automotive	3,233	3,061	2,683	196	180	182	6.1%	5.9%	6.8%
Pratt & Whitney	6,201	6,170	5,846	637	530	380	10.3%	8.6%	6.5%
Flight Systems	2,651	2,947	3,218	234	209	282	8.8%	7.1%	8.8%

1996 COMPARED TO 1995

OTIS segment revenues for 1996 increased $308 million (6%) over 1995. Excluding the unfavorable impact of foreign currency translation, 1996 revenues would have increased approximately 9% over 1995 with all geographic regions showing an increase compared to last year. Acquisitions in 1996 and 1995 had a positive impact on 1996 revenues.

Segment operating profits for Otis in 1996 increased $13 million (3%) compared to 1995. Excluding the effect of foreign currency translation, Otis' operating profits would have increased 6% compared to 1995. North America, Latin America and Asia Pacific regions showed an increase over 1995. European operations were flat as a result of 1996 charges related to headcount reductions and the closure of a manufacturing facility.

CARRIER segment revenues for 1996 increased $502 million (9%) over 1995. Foreign currency translation had a minimal impact on 1996 revenues. Revenues increased in all geographic regions led by strong growth in the Asia Pacific region and a strong summer selling season in North America.

Carrier segment operating profits for 1996 increased $68 million (19%) compared to 1995, with foreign currency translation having little effect. Improvements were driven by strong demand for residential and commercial packaged air conditioning in North America, continued growth in the Asia Pacific region and strong performance in Latin America, while European operations remained essentially flat. Carrier Transicold results were lower in 1996 due to softness in the transport refrigeration business in the second half of the year.

AUTOMOTIVE segment revenues increased $172 million (6%) in 1996, primarily due to higher vehicle content in North America, higher industry volumes in Europe and a fourth quarter gain realized on the sale of the steering wheels business.

Automotive segment operating profits for 1996 increased $16 million (9%) compared to 1995. The increase is due to the fourth quarter gain of $78 million on the sale of the steering wheels business, which was largely offset by fourth quarter 1996 charges for cost reduction and other actions, including the discontinuance of certain product lines and the consolidation of certain production facilities. These actions were taken in response to changing industry conditions and to enhance Automotive's cost structure and competitive position. In addition, the Interiors business continues to experience manufacturing problems and higher costs to implement turn around strategies. The 1996 results also include costs associated with the agreement reached with Ford Motor Company regarding UT Automotive's participation in the costs of a Ford recall program in the second quarter of 1996. 1995 results also include a fourth quarter provision for cost reduction actions.

PRATT & WHITNEY segment revenues for 1996 increased $31 million compared to 1995. Revenues for 1996 reflect the impact of the change in classification of sales associated with Pratt & Whitney's strategic alliances and related collaborative arrangements on its engine programs as described in Note 1 of the Notes to Consolidated Financial Statements. This reclassification did not affect operating profits or assets. While 1995 amounts were not reclassified, the impact would have been a reduction of revenues and cost of sales of approximately $400 million. 1996 benefited from increases in the commercial and government after-market and general aviation businesses.

Pratt & Whitney segment operating profits increased $107 million (20%) compared to 1995. The increase reflects continued margin improvements in the commercial and government after-market and general aviation businesses, more than offsetting planned increases in research and development spending and higher selling, general and administrative expenses.

FLIGHT SYSTEMS segment revenues for 1996 decreased $296 million (10%) from 1995 due to fewer helicopter shipments.

Flight Systems operating profits increased $25 million (12%) in 1996. The 1996 results reflect continuing performance improvements at Hamilton Standard partially offset by lower 1996 helicopter volume at Sikorsky. In addition, 1995 results include costs associated with selling the wafer fabrication facility of Hamilton Standard's Microelectronics Center and a service and warranty provision for a Hamilton Standard propeller.

1995 COMPARED TO 1994

OTIS segment revenues for 1995 increased $643 million (14%) over 1994. Excluding the favorable impact of foreign exchange translation effects, 1995 revenues increased approximately 8% over 1994 with all geographic regions showing an increase compared to the prior year, led by the Asia Pacific region.

Segment operating profits for Otis in 1995 increased $90 million (21%) compared to 1994. Approximately one-third of the increase was due to favorable foreign exchange translation effects with the balance due to improved performance, principally in the service businesses. All geographic regions registered increases over the prior year with the strongest gain coming from the Asia Pacific region.

CARRIER segment revenues for 1995 increased $537 million (11%) over 1994. Excluding the favorable impact of foreign exchange translation effects, 1995 revenues increased approximately 8% over 1994. Revenues increased in all businesses led by strong growth in the Asia Pacific region and a strong summer selling season in North America.

Carrier segment operating profits for 1995 increased $76 million (27%) compared to 1994. Approximately one-fourth of the increase was due to favorable foreign exchange translation effects with the balance due to improved performance in all businesses compared to 1994. 1995 results also include a gain from selling a joint venture interest in its Arkadelphia scroll compressor plant, which was substantially offset by charges for closure and consolidation of certain facilities and start-up costs of four new joint ventures in the PRC.

AUTOMOTIVE segment revenues increased $378 million (14%) in 1995, on relatively flat industry volumes, primarily due to higher vehicle content and new vehicle launches in North America and increased European market penetration.

Automotive segment operating profits for 1995 decreased $2 million from 1994. The positive effects of higher revenues in Europe and North America were partially offset by global increases in raw material costs and continuing costs in support of new vehicle model awards in North America. Segment results are lower year to year due to a fourth quarter 1995 provision for cost reduction actions, including consolidation of certain production facilities to enhance Automotive's cost structure and competitive position.

PRATT & WHITNEY segment revenues for 1995 increased $324 million (6%) from 1994. The increase reflects higher volumes in Pratt & Whitney's commercial and general aviation businesses.

Pratt & Whitney segment operating profits increased $150 million (39%) from 1994, $50 million attributable to a 1994 downsizing charge. Excluding the 1994 downsizing charge, the 1995 increase over 1994 was $100 million or 23%, reflecting higher revenues and improved margins. Improved results were partially offset by increases to manufacturing cost estimates on commercial engine contracts, principally higher than anticipated production costs on the PW4084 engine, and the absence of the 1994 sale of a participation interest in the PW4000 engine program.

FLIGHT SYSTEMS segment revenues for 1995 decreased $271 million (8%) from 1994. The decrease is the result of lower 1995 revenues at Sikorsky due to lower helicopter sales as well as the 1994 sale of shares of Westland Group plc, and the 1994 Norden divestiture.

Flight Systems operating profits decreased $73 million (26%) in 1995. The 1994 results include an $87 million gain realized on the sale of shares of Westland Group plc and $35 million in downsizing charges at Hamilton Standard. Operating profits excluding those items decreased $21 million. The 1995 results reflect improved operating performance at Hamilton Standard, offset by a service and warranty provision for a Hamilton Standard propeller, costs associated with selling the wafer fabrication facility of Hamilton Standard's Microelectronics Center and lower helicopter volumes and workforce reduction charges at Sikorsky.

[Bar Charts - Page 25]

	1992	1993	1994	1995	1996
RESEARCH AND DEVELOPMENT (% of Sales)	5.6%	5.5%	4.7%	4.3%	4.8%
SELLING, GENERAL AND ADMINISTRATIVE (% of Sales)	13.9%	12.3%	12.2%	11.7%	12.3%

LIQUIDITY AND FINANCING COMMITMENTS

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

In Millions of Dollars	1996	1995	1994
Net Cash Flows from Operating Activities	$2,095	$2,044	$1,357
Capital expenditures	(794)	(780)	(759)
Decrease in customer financing assets, net	48	235	297
Common Stock repurchase	(459)	(221)	(270)
Change in total debt	(256)	(402)	(516)
Change in net debt	(483)	(916)	(481)

Cash flows from operating activities increased $51 million in 1996 compared to 1995. The improvement resulted primarily from improved operating performance.

Cash flows from investing activities were a net use of funds of $802 million during 1996 compared to a $654 million net use of funds in 1995. While capital expenditures in 1996 were comparable to 1995, the Corporation expects 1997 capital spending to be moderately higher than 1996. Customer financing activity was a net source of funds of $48 million and $235 million in 1996 and 1995, respectively. 1996 results reflect lower customer financing asset sales than in 1995. While the Corporation expects that customer financing will be a net use of funds in 1997, actual funding is subject to usage under existing customer financing commitments. Acquisitions and dispositions of business units were a net use of investment funds in 1996 and 1995. The increase in funding for acquisitions in 1996 is attributable to the acquisition of a UK elevator company by Otis, UT Automotive's ownership increase in a European subsidiary and the purchase of a European transportation air conditioning company and a French commercial refrigeration distribution company by Carrier. Acquisition funding in 1995 included the acquisition of Boral Building Technologies, an Australian elevator company. Proceeds from the disposition of business units in 1996 included the sale of UT Automotive's steering wheels business. Proceeds in 1995 included the sale of a joint venture interest in Carrier's Arkadelphia scroll compressor plant.

Financing cash flows include the Corporation's repurchase of $459 million of Common Stock during 1996, representing eight million shares, under previously announced stock repurchase programs. These stock repurchase programs were undertaken, in part, to counter the dilutive effects of shares issued under employee compensation and benefit programs.

In Millions of Dollars	1996	1995
Cash and cash equivalents	$1,127	$ 900
Total debt	1,785	2,041
Net debt (total debt less cash)	658	1,141
Shareowners' equity	4,306	4,021
Debt to total capitalization	29%	34%
Net debt to total capitalization	13%	22%

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

At December 31, 1996, the Corporation had credit commitments from banks totaling $1.1 billion under a Revolving Credit Agreement. The agreement provides for borrowings at prevailing interest rates up to the prime rate and expires September 30, 1999. At December 31, 1996, there were no borrowings under the Revolving Credit Agreement. Long-term financing will continue to be considered in the future if conditions are advantageous, and in that regard, under an effective Registration Statement on file with the Securities and Exchange Commission at December 31, 1996, up to $871 million of medium-term and long-term debt of the Corporation could be issued.

During 1995, the Corporation cancelled $600 million of outstanding interest rate swap contracts to fix interest rates on the Corporation's debt at favorable rates. As a result of debt reduction and these contract cancellations, the Corporation's ratio of floating-rate debt to total debt, after taking interest rate hedges into account, was 18% at December 31, 1996 and 1995.

In addition, at December 31, 1996, the Corporation had commitments to finance or arrange financing for approximately $1.6 billion of commercial aircraft, of which as much as $550 million may be required to be disbursed in 1997. The Corporation cannot currently predict the extent to which these commitments will be utilized, since certain customers may be able to obtain more favorable terms from other financing sources. From time to time, the Corporation also arranges for third party investors to assume a portion of its commitments. Refer to Note 3 of the Notes to Consolidated Financial Statements for additional discussion of the Corporation's airline industry and customer financing assets.

The Corporation believes that existing sources of liquidity are adequate to meet anticipated short-term borrowing needs at comparable risk-based interest rates for the foreseeable future.

ENVIRONMENTAL MATTERS

The Corporation's operations are subject to environmental regulation by federal, state, and local authorities in the United States and regulatory authorities with jurisdiction over its foreign operations. As a result of this, the Corporation has established certain policies and continually updates its policies relating to environmental standards of performance for its operations worldwide.

The Corporation has identified approximately 360 locations, most of which are in the United States, at which it may have some liability for remediating contamination. The Corporation does not believe that any single location's exposure is individually material to the Corporation. Sites in the investigation or remediation stage represent approximately 97% of the Corporation's recorded liability. The remaining 3% of the recorded liability consists of sites identified where the Corporation may have some liability but investigation is in the initial stages or has not begun. Expenditures for environmental remediation activities were $30 million in 1996, $40 million in 1995 and $57 million in 1994. The Corporation estimates that expenditures in each of the next two years will not exceed $75 million in the aggregate for these sites.

Included within the sites known to the Corporation are those sites at which the Corporation has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or Superfund). The Corporation has been identified as a potentially responsible party at approximately 90

such federal Superfund sites. The number of Superfund sites in and of itself does not represent a relevant measure of liability, because the nature and extent of environmental concerns vary from site to site and the Corporation's share of responsibility varies from sole responsibility to very little responsibility. In estimating its liability for remediation, the Corporation considers its likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations.

Notwithstanding the uncertainties discussed above, and taking into account the Corporation's policies, standards of performance and programs related to the environment, the Corporation believes that expenditures necessary to comply with the present regulations governing environmental protection will not have a material effect upon its capital expenditures, competitive position, financial position or results of operations.

Refer to Note 14 of the Notes to Consolidated Financial Statements for additional discussion of the Corporation's commitments and contingencies, including those related to environmental matters.

U.S. GOVERNMENT

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses derivative financial instruments to manage foreign currency, interest rate and raw material price exposures in the following five areas: foreign currency transactions, foreign net assets, customer financing assets, debt and raw material requirements. Derivative financial instruments utilized by the Corporation in its hedging activities involve little complexity and are viewed as risk management tools. The Corporation prohibits the use of derivative financial instruments for speculative purposes. The Corporation diversifies the counterparties used and monitors the concentration of risk to limit its counterparty exposure.

International operations, including U.S. export sales, constitute a significant portion of the revenues and identifiable assets of the Corporation, averaging approximately $12 billion and $6 billion, respectively, over the last three years. These operations result in a large volume of foreign currency commitment and transaction exposures and significant foreign currency net asset exposures. Foreign currency commitment and transaction exposures are managed at the operating unit level as an integral part of the business. To the extent that foreign currency exposures cannot be offset or managed to an insignificant amount, it is the Corporation's policy to hedge these residual foreign currency commitment and transaction exposures. These hedges are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions.

The Corporation manages the relative proportions of its fixed rate and floating rate debt in the context of the interest rate environment, expected cash flow and anticipated debt retirements. While the hedging strategies on both debt and customer financing assets are an integral portion of the Corporation's risk management, the impact on earnings during the periods was not material.

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

FUTURE ACCOUNTING CHANGES

In June 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The Corporation will adopt the new standard in 1997. The most significant aspect of this standard affecting the Corporation will be the elimination of in-substance defeasances as a tool to extinguish debt in future periods.

In October 1996, the American Institute of Certified Public Accountants issued Statement of Position 96-1, "Environmental Remediation Liabilities." The Corporation will adopt this new statement in 1997. The most significant aspect of this statement affecting the Corporation will be the accrual of incremental operating and maintenance costs for environmental remediation activities. Management does not believe this change will have a material effect on the Corporation as a whole.

SAFE HARBOR STATEMENT

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

For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward looking statements, such as the economic, political, climatic, currency, regulatory, technological and competitive changes which may affect the Corporation's operations, products, and markets, see the Corporation's Securities and Exchange Commission filings.

[Bar Charts - Page 27]

	1992	1993	1994	1995	1996
CAPITAL EXPENDITURES AND DEPRECIATION ($ Millions)					
Capital Expenditures	$920	$846	$759	$780	$794
Depreciation	$777	$777	$793	$792	$786

OPERATING CASH FLOWS

($ Billions)	$1.2	$1.5	$1.4	$2.0	$2.1

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The Corporation assessed its internal control system as of December 31, 1996. Based on this assessment, management believes the internal accounting controls in use provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with management's authorizations, and that the financial records are reliable for the purpose of preparing financial statements.

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

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

/s/ GEORGE DAVID
George David
President and Chief Executive Officer

/s/ STEPHEN F. PAGE
Stephen F. Page
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareowners of
United Technologies Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations and of cash flows present fairly, in all material respects, the financial position of United Technologies Corporation and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICE WATERHOUSE LLP
One Financial Plaza
Hartford, Connecticut
January 23, 1997

CONSOLIDATED STATEMENT OF OPERATIONS

In Millions of Dollars (except per share amounts) Years Ended December 31	1996	1995	1994
REVENUES			
Product sales	$18,247	$17,972	$16,670
Service sales	5,026	4,652	4,131
Financing revenues and other income, less other deductions	239	178	396
	23,512	22,802	21,197
COSTS AND EXPENSES			
Cost of products sold	14,625	14,793	13,773
Cost of services sold	3,112	2,807	2,559
Research and development	1,122	963	978
Selling, general and administrative	2,872	2,651	2,536
Interest	221	244	275
	21,952	21,458	20,121
Income before income taxes and minority interests	1,560	1,344	1,076
Income taxes	523	464	384
Minority interests in subsidiaries' earnings	131	130	107
NET INCOME	$ 906	$ 750	$ 585
EARNINGS PER SHARE OF COMMON STOCK	$ 3.45	$ 2.85	$ 2.20

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

In Millions of Dollars December 31	1996	1995
ASSETS		
Cash and cash equivalents	$ 1,127	$ 900
Accounts receivable (net of allowance for doubtful accounts of $331 and $347)	3,717	3,682
Inventories and contracts in progress (net of progress payments and billings)	3,342	2,954
Future income tax benefits	946	950
Other current assets	479	466
Total Current Assets	9,611	8,952
Customer financing assets	296	321
Future income tax benefits	615	552
Fixed assets	4,371	4,420
Other assets	1,852	1,713
TOTAL ASSETS	$16,745	$15,958
LIABILITIES AND SHAREOWNERS' EQUITY		
Short-term borrowings	$ 251	$ 294
Accounts payable	2,186	2,084
Accrued liabilities	4,856	4,183
Long-term debt currently due	97	98
Total Current Liabilities	7,390	6,659
Long-term debt	1,437	1,649
Future pension and postretirement benefit obligations	1,247	1,399
Future income taxes payable	155	130
Other long-term liabilities	1,298	1,233
Commitments and contingent liabilities (Notes 3 and 14)		
Minority interests in subsidiary companies	478	469
Series A ESOP Convertible Preferred Stock, $1 par value (Authorized-20,000,000 shares) Outstanding-13,259,750 and 13,407,056 shares	880	892
ESOP deferred compensation	(446)	(494)
	434	398
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value (Authorized-230,000,000 shares; none issued or outstanding)	--	--
Common Stock, $5 par value (Authorized-500,000,000 shares) Issued-285,624,723 and 283,839,480 shares	2,345	2,249
Treasury Stock (47,650,110 and 39,696,974 common shares at cost)	(1,626)	(1,168)
Retained earnings	3,849	3,252
Currency translation and minimum pension liability	(262)	(312)
TOTAL SHAREOWNERS' EQUITY	4,306	4,021
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$16,745	$15,958

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

In Millions of Dollars — Years Ended December 31	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 906	$ 750	$ 585
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	853	844	840
Minority interests in subsidiaries' earnings	131	130	107
Change in:			
Accounts receivable	1	149	(756)
Inventories and contracts	(364)	2	290
Other current assets	(23)	(179)	161
Accounts payable and accrued liabilities	618	177	6
ESOP deferred compensation	18	45	119
Other, net	(45)	126	5
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 2,095	$ 2,044	$ 1,357
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(794)	(780)	(759)
Increase in customer financing assets	(137)	(138)	(248)
Decrease in customer financing assets	185	373	545
Acquisitions of business units	(317)	(204)	(125)
Dispositions of business units	177	103	282
Other, net	84	(8)	16
NET CASH FLOWS FROM INVESTING ACTIVITIES	$ (802)	$ (654)	$ (289)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	30	--	25
Repayment of long-term debt	(273)	(299)	(207)
Decrease in short-term borrowings	(93)	(92)	(379)
Common Stock issued for employee stock plans and other	96	101	73
Dividends paid on Common Stock	(265)	(252)	(238)
Common Stock repurchase	(459)	(221)	(270)
Dividends to minority interests and other	(91)	(111)	(102)
NET CASH FLOWS FROM FINANCING ACTIVITIES	$(1,055)	$ (874)	$(1,098)
Effect of foreign exchange rate changes on Cash and cash equivalents	(11)	(2)	(5)
Net increase (decrease) in Cash and cash equivalents	227	514	(35)
Cash and cash equivalents, beginning of year	900	386	421
Cash and cash equivalents, end of year	$ 1,127	$ 900	$ 386
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 187	$ 220	$ 237
Income taxes paid, net of refunds	480	461	248

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. International operating subsidiaries are included generally on the basis of fiscal years ending November 30. Intercompany transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. 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.

CASH AND CASH EQUIVALENTS

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

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) cost or average cost methods; however, certain subsidiaries use the last-in, first-out (LIFO) method. Costs accumulated against specific contracts or orders are at actual costs. Materials in excess of requirements for contracts and orders currently in effect or anticipated have been written off.

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

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

FIXED ASSETS

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

GOODWILL

Costs in excess of values assigned to the underlying net assets of acquired companies are included in other assets and are generally being amortized over periods ranging up to 40 years. On a periodic basis, the Corporation estimates the future undiscounted cash flows of the businesses to which goodwill relates to ensure that the carrying value of such goodwill has not been impaired.

REVENUE RECOGNITION

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

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

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

In 1996, the Corporation changed its classification of sales associated with Pratt & Whitney's strategic alliances and related collaborative arrangements on its engine programs. Collaboration participants' share of revenue, previously included in cost of sales, has been reclassified as a reduction of sales in the Consolidated Statement of Operations for the year ended December 31, 1996. This reclassification was made to more clearly present Pratt & Whitney's production costs and operating activities. This reclassification did not affect net income or assets. While 1995 and 1994 amounts were not reclassified, the impact would have been a reduction of revenues and cost of sales of approximately $400 million and $300 million, respectively.

RESEARCH AND DEVELOPMENT

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

HEDGING ACTIVITY

The Corporation uses derivative financial instruments, including swaps, forward contracts, and options, to manage foreign currency, interest rate, and raw material price exposures in the following five areas: foreign currency transactions (Note 12), foreign net assets (Note 12), customer financing assets (Note 3), debt (Note 8), and raw material requirements (Note 4). These derivative financial instruments are accounted for on an accrual basis and income and expense is generally recorded in the same category as that arising from the related asset or liability. Derivative financial instruments are viewed by the Corporation as risk management tools and are not used for speculative purposes.

Gains and losses on hedges of foreign currency exposure of net investments in subsidiaries are recorded in the currency translation account in Shareowners' equity.

For derivatives that hedge firm commitments, gains and losses are deferred and recognized when the associated hedged transaction occurs. For derivative instruments that hedge foreign currency denominated receivables and payables, gains and losses offset the effects of foreign exchange gains and losses from the associated hedged receivables and payables.

EARNINGS PER SHARE
Earnings per share computations are based on the average number of shares of Common Stock and common stock equivalents outstanding during the year. Shares of ESOP Convertible Preferred Stock are considered common stock equivalents when committed to employees' savings plan accounts.

STOCK SPLIT
On September 30, 1996, the Corporation announced a two-for-one stock split which was paid on December 10, 1996 in the form of a stock dividend to shareowners of record at the close of business on November 22, 1996. All common share and per share amounts in this report reflect the stock split.

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

During the second quarter of 1994, the Corporation sold its equity share holdings in Westland Group plc and the net operating assets (excluding real property) of its Norden subsidiary for proceeds totaling approximately $227 million. The Corporation recorded a pretax gain of $87 million on the Westland sale which is included in Financing revenues and other income, less other deductions in the Consolidated Statement of Operations. The impact of the Norden sale on the Corporation's results was not significant.

3. AIRLINE INDUSTRY AND CUSTOMER FINANCING ASSETS
The Corporation has significant receivables and other financing assets, which result from its business activities with commercial airline industry customers, totaling $1,669 million and $1,637 million at December 31, 1996 and 1995, respectively. These amounts primarily relate to Pratt & Whitney, UT Finance Corporation and Hamilton Standard.

Customer financing assets consist of the following:

In Millions of Dollars	1996	1995
Notes receivable	$136	$193
Leases receivable, less unearned income of $3 and $42	16	63
Products under lease	214	150
	366	406
Less: receivables due within one year	70	85
	$296	$321

Scheduled maturities of notes and leases receivable due after one year are as follows: $20 million in 1998, $20 million in 1999, $20 million in 2000, $13 million in 2001 and $9 million in 2002 and thereafter.

Customer aircraft financing activities are conducted principally through UT Finance Corporation, its consolidated subsidiaries and certain other customer financing operations. The Corporation may sell customer financing assets from time to time based on current market conditions and other factors.

The competitive commercial aircraft engine market often requires customer financing commitments. These commitments may be in the form of guarantees, secured debt or lease financing. At December 31, 1996, the Corporation had commitments to finance or arrange financing for approximately $1.6 billion of commercial aircraft and related equipment. The Corporation cannot currently predict the extent to which these commitments will be utilized, since certain customers may be able to obtain more favorable terms from other financing sources. From time to time, the Corporation also arranges for third party investors to assume a portion of its commitments. However, should all current commitments be exercised as scheduled, the maximum amounts that will be disbursed are as follows: $550 million in 1997, $367 million in 1998, $193 million in 1999, $43 million in 2000, $50 million in 2001, and $350 million in 2002 and thereafter. If exercised, any such financing arrangements contemplating debt financing will be secured by assets with fair market values equal to or exceeding the financed amounts. The interest rates on the financing commitments are established at the time they are funded.

The Corporation's customer financing activities also include leasing aircraft and subleasing the aircraft to customers. At December 31, 1996, the Corporation's rental commitments under long-term noncancelable operating leases aggregated $123 million ($10 million in each of the years 1997 through 2001, and $73 million through 2008) and $133 million at December 31, 1995. In some instances, customers may have minimum lease terms which result in sublease periods shorter than the Corporation's lease obligation.

At December 31, 1996, the Corporation also had approximately $127 million ($176 million at December 31, 1995) of residual value and other guarantees related to various commercial aircraft engine customer financing arrangements. Where applicable, the estimated fair market values of the assets against which such guarantees have been provided, equal or exceed the value of the related guarantees, after considering existing reserves.

The Corporation has a 33% interest in International Aero Engines AG (IAE), an international consortium of five shareholders for the V2500 commercial aircraft engine program. IAE may offer customer financing in support of V2500 engine sales. As of December 31, 1996, IAE has lease obligations under long-term noncancelable leases of approximately $370 million through 2021. These lease obligations relate to aircraft which are subleased to customers under long-term leases, with short-term cancellation provisions, and whose fair market values exceed the financed amounts. IAE has remaining commitments to provide approximately $280 million of similar lease financing. In addition, IAE has commitments to provide secured debt financing or guarantees for approximately $400 million of commercial aircraft. The shareholders of IAE have guaranteed IAE's lease obligations and other financing commitments to the extent of their respective ownership interests. In the event any shareholder were to default on certain of these guarantees and other financing commitments, the other shareholders would be proportionately responsible. The Corporation's share of IAE lease commitments, guarantees and other financing commitments was approximately $350 million and $250 million at December 31, 1996 and 1995, respectively.

Allowances for possible losses relating to financing activities with commercial airline customers decreased to $254 million at December 31, 1996, from $274 million at December 31, 1995.

4. INVENTORIES AND CONTRACTS IN PROGRESS

Inventories and contracts in progress consist of the following:

In Millions of Dollars	1996	1995
Inventories	$ 3,701	$ 3,278
Elevator and escalator contracts in progress	1,434	1,203
	5,135	4,481
Less:		
Progress payments, secured by lien, on United States Government contracts	(230)	(154)
Billings on contracts in progress	(1,563)	(1,373)
	$ 3,342	$ 2,954

The methods of accounting followed by the Corporation do not permit classification of inventories by categories; however, inventories consist primarily of raw materials and work in process. Contracts in progress relate to elevator and escalator contracts and include costs of manufactured components, accumulated installation costs and estimated earnings on incomplete contracts.

The Corporation's sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. Approximately 58% and 55% of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts at December 31, 1996 and 1995, respectively. It is impracticable for the Corporation to determine the amounts of inventory scheduled for delivery under long-term contracts within the next twelve months.

If inventories which were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $140 million at December 31, 1996 ($135 million at December 31, 1995).

To mitigate the exposure to certain raw material price changes, the Corporation has entered into raw material swap and option contracts of $162 million at December 31, 1996 ($136 million at December 31, 1995), that mature in 1997 and 1998.

5. FIXED ASSETS

Fixed assets consist of the following:

In Millions of Dollars	1996	1995
Land	$ 175	$ 180
Buildings and improvements	3,157	3,075
Machinery, tools and equipment	7,011	6,753
Under construction	318	318
	10,661	10,326
Accumulated depreciation	(6,290)	(5,906)
	$ 4,371	$ 4,420

Depreciation expense was $786 million in 1996, $792 million in 1995 and $793 million in 1994.

6. OTHER ASSETS

Other assets consist of the following:

In Millions of Dollars	1996	1995
Goodwill (net of accumulated amortization of $381 and $337)	$ 682	$ 587
Receivables due after one year	210	220
Investments	310	261
Prepaid pension costs and other	650	645
	$1,852	$1,713

Current and long-term accounts receivable at December 31, 1996 and 1995 include approximately $117 million and $103 million, respectively, representing retainage under contract provisions and amounts which are not presently billable because of lack of funding, final prices or contractual documents under government contracts or for other reasons. These items are expected to be collected in the normal course of business.

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

In Millions of Dollars	1996	1995
Accrued salaries, wages and employee benefits	$ 956	$ 994
Service and warranty accruals	594	510
Advances on sales contracts	694	611
Income taxes payable	526	435
Other	2,086	1,633
	$4,856	$4,183

8. BORROWINGS AND LINES OF CREDIT

Short-term borrowings consist of the following:

In Millions of Dollars	1996	1995
Foreign bank borrowings	$219	$219
Notes payable	32	75
	$251	$294

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 1996 and 1995 were 9.6% and 10.5%, respectively, including the effect of interest rate hedges.

At December 31, 1996, the Corporation had credit commitments from banks totaling $1.1 billion under a Revolving Credit Agreement. The agreement provides for borrowings at prevailing interest rates up to the prime rate. The expiration date for the agreement is September 30, 1999 with a facility fee of .1% per year on the aggregate commitment. There were no borrowings under the Revolving Credit Agreement during the two years ended December 31, 1996.

Long-term debt consists of the following:

In Millions of Dollars	1996 Debt Weighted Average Interest Rate	1996 Debt Maturity	1996	1995
Notes and other debt:				
Denominated in U.S. dollars	8.4%	1997-2021	$ 642	$ 828
Denominated in foreign currency	7.2%	1997-2030	82	28
Capital lease obligations	7.3%	1997-2013	365	409
ESOP debt	7.7%	1997-2009	445	482
			1,534	1,747
Less: long-term debt currently due			97	98
			$1,437	$1,649

Principal payments required on long-term debt for the next five years are $97 million in 1997, $98 million in 1998, $112 million in 1999, $202 million in 2000, and $92 million in 2001.

During 1996 and 1995 the Corporation executed in-substance defeasances of $166 million and $130 million, respectively. The Corporation deposited U.S. Government Securities into irrevocable trusts to cover the interest and principal payments on this debt. For financial reporting purposes, the debt has been considered extinguished, and the loss on these transactions, which was immaterial, is included in Financing revenues and other income, less other deductions in the Consolidated Statement of Operations.

The Corporation enters into interest rate contracts to decrease funding costs by managing the relative proportion of fixed and floating rate debt, to diversify sources of funding and to manage the scheduled maturities of debt. The Corporation had $16 million and $18 million of interest rate contracts which swap fixed interest rates for floating rates at December 31, 1996 and 1995, respectively. The expiration dates of the various contracts are tied to scheduled debt and capital lease obligation payment dates and extend to 2002.

In 1991, the Corporation entered into a $75 million structured financing arrangement. Under this arrangement, noteholders are entitled to receive the original principal plus an amount based on the appreciation in the Standard & Poors Pharmaceutical Index. The Corporation has hedged the appreciation portion of this obligation through an option and a swap which effectively converts the payments to floating short-term interest rates at a discount to that of commercial paper. During 1996, the Corporation repurchased $48 million of the principal of these notes and cancelled an equivalent amount of the option and swap which hedged the appreciation portion of the obligation. The Corporation is obligated to repurchase these notes from time to time, until maturity in 1997.

The percentage of total debt at floating interest rates after taking effect of the interest rate hedges was 18% at December 31, 1996 and 1995. The weighted-average interest rates on long-term debt presented in the table include the effect of interest rate swap agreements.

CAPITALIZED INTEREST

During 1996, the Corporation capitalized $16 million ($16 million in 1995 and $19 million in 1994) of interest, to be depreciated over the lives of the related fixed assets.

9. TAXES ON INCOME

Significant components of income taxes (benefits) for each year are as follows:

In Millions of Dollars	1996	1995	1994
Current:			
United States:			
Federal	$174	$105	$ 112
State	19	21	25
Foreign	371	360	351
	564	486	488
Future:			
United States:			
Federal	(12)	(78)	(133)
State	5	(6)	2
Foreign	(13)	5	1
	(20)	(79)	(130)
	544	407	358
Attributable to items credited (charged) to equity and goodwill	(21)	57	26
	$523	$464	$ 384

Future income taxes represent the tax effects of transactions which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets, and tax carryforwards. The tax effects of temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 1996 and 1995 are as follows:

In Millions of Dollars	1996	1995

Future income tax benefits:		
Inventories and contracts	$ 340	$ 393
Fixed assets	(162)	(221)
Insurance and employee benefits	569	596
Warranty liability	265	191
Environmental and restructuring liabilities	233	238
Other items, net	348	308
Tax loss carryforwards	142	125
Tax credit carryforwards	160	224
Valuation allowance	(334)	(352)
	$1,561	$1,502
Future income taxes payable:		
Insurance and employee benefits	$ 11	$ 7
Fixed assets	109	99
Other items, net	48	36
	$ 168	$ 142

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

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

In Millions of Dollars	1996	1995	1994
United States	$ 488	$ 346	$ 244
Foreign	1,072	998	832
	$1,560	$1,344	$1,076

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

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

	1996	1995	1994
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	0.9	1.3	1.8
Varying tax rates of consolidated subsidiaries (including Foreign Sales Corporation)	(3.9)	(3.7)	(4.7)
Amortization of goodwill, without tax effect	0.7	0.5	0.6
Foreign tax credits	(1.6)	(1.7)	1.3
Other	2.4	3.1	1.7
Effective income tax rate	33.5%	34.5%	35.7%

Tax credit carryforwards at December 31, 1996 are $160 million and expire as follows: $1 million in 1999, $1 million in 2000, $1 million in 2001 and $157 million over an indefinite carry-forward period. Tax loss carryforwards at December 31, 1996 are $790 million and expire as follows:

In Millions of Dollars	Federal	State	Foreign
1997-2001	$27	$260	$106
2002-2006	4	94	11
2007-2011	23	159	--
Indefinite	--	--	106

10. EMPLOYEE BENEFIT PLANS

EMPLOYEE PENSION BENEFITS

The Corporation and its domestic subsidiaries have a number of defined benefit pension plans covering substantially all U.S. employees. Plan benefits are generally based on years of service and the employee's compensation during the last several years of employment. The Corporation's funding policy is based on an actuarially determined cost method allowable under Internal Revenue Service regulations. The funds are invested either in various securities by trustees or in insurance annuity contracts. Certain foreign subsidiaries have defined benefit pension plans or severance indemnity plans covering their employees.

In addition to the defined benefit plans covering U.S. and foreign employees discussed above, the Corporation makes contributions to multiemployer plans (predominantly defined benefit plans) covering certain employees in some of its U.S. operations.

Summarized below are the components of pension expense for defined benefit plans and multiemployer plans:

In Millions of Dollars	1996	1995	1994
Defined benefit plans:			
Service expense	$ 213	$ 181	$ 192
Interest expense	648	621	586
Actual return on assets	(1,130)	(1,279)	(193)
Net amortization and deferral of actuarial gains (losses)	399	576	(506)
Pension expense	$ 130	$ 99	$ 79
Pension expense of multiemployer plans	$ 24	$ 25	$ 21

The following table summarizes the funded status of the defined benefit pension plans:

	December 31, 1996		December 31, 1995	
In Millions of Dollars	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets

Actuarial present value of benefit obligations:				
Vested	$7,199	$ 227	$5,311	$1,851
Nonvested	569	37	467	157
Accumulated benefit obligation	7,768	264	5,778	2,008
Effect of projected future salary increases	1,057	106	930	128
Projected benefit obligation for services rendered to date	8,825	370	6,708	2,136
Plan assets available for benefits	8,952	4	6,537	1,584
Projected benefit obligation in excess of plan assets	127	(366)	(171)	(552)
Unrecognized net loss	104	78	416	226
Unrecognized prior service cost	173	40	43	141
Unrecognized net (asset)/obligation at transition	(98)	22	(78)	(16)
Additional minimum liability recognized	--	(48)	--	(245)
Pension asset (liability) included in the Consolidated Balance Sheet	$ 306	$ (274)	$ 210	$ (446)

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

December 31	1996	1995	1994
Discount rate	7.5%	7.6%	8.3%
Salary scale	5.0%	5.0%	4.9%
Expected return on assets	9.7%	9.7%	9.7%

EMPLOYEE HEALTH CARE AND INSURANCE BENEFITS
Substantially all domestic full-time employees who retire from the Corporation between age 55 and age 65, and certain foreign employees, are eligible to receive postretirement health care and life insurance benefits under various plans. Certain of these plans call for defined dollar benefits. Other plans are contributory defined benefit plans and include certain cost sharing features such as deductibles and co-payments. These benefits are generally funded on a pay-as-you-go basis. Certain retired employees of businesses acquired by the Corporation are covered under other health care plans that differ from current plans in coverage, deductibles, and retiree contributions.

Summary information on the Corporation's plans is as follows:

In Millions of Dollars December 31	1996	1995
Accumulated postretirement benefit obligation (APBO):		
Retirees	$476	$461
Fully eligible, active participants	9	11
Other active participants	218	216
	703	688
Less: plan assets at fair value	83	85
Postretirement benefit obligation in excess of plan assets	620	603
Unrecognized net gain	53	57
Unrecognized net reduction in prior service expense	229	244
Accrued postretirement benefit liability	$902	$904

The components of postretirement benefit expense are as follows:

In Millions of Dollars	1996	1995	1994
Service expense	$ 10	$ 9	$ 12
Interest expense	52	57	60
Actual return on plan assets	(6)	(6)	(7)
Net amortization and deferral of actuarial gains	(20)	(17)	(17)
Net postretirement benefit expense	$ 36	$ 43	$ 48

Discount rates of 7.6%, 7.7% and 8.4% were used to calculate the accumulated postretirement benefit obligation at December 31, 1996, 1995 and 1994, respectively. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 12.25% in 1996, declining by .75% per year to an ultimate rate of 7.50%. If the health care cost trend rate assumptions were increased by 1% per year, the APBO as of December 31, 1996 would be increased by approximately 4%. The effect of this change on the service expense and interest expense components of the postretirement benefit expense for 1996 would be an increase of 10%.

EMPLOYEE SAVINGS PLANS
In 1989, the Corporation established an Employee Stock Ownership Plan (ESOP) to fund the Corporation's match of employee contributions within its savings plan covering substantially all nonunion domestic employees. At that time, the Corporation's Board of Directors authorized 20,000,000 shares of Series A ESOP Convertible Preferred Stock (ESOP Preferred Stock), par value $1.00 per share, having a $4.80 dividend per year. Each share is convertible into two shares of Common Stock and has a guaranteed value of $65. Because of the guaranteed value, the ESOP Preferred Stock is classified outside of permanent equity in the Consolidated Balance Sheet. The ESOP Preferred Stock is redeemable, by the Corporation, at a price of $66.44 per share. Upon notice of redemption, the ESOP Trustee has the right to convert each share of ESOP Preferred Stock into two shares of Common Stock.

Since its inception, the ESOP has purchased approximately 14.5 million shares of Preferred Stock to fulfill the Corporation's current and estimated future matching requirements. External borrowing, guaranteed by the Corporation, was obtained for a portion of the share purchases and is reported as debt on the Consolidated Balance Sheet. Shares of ESOP Preferred Stock are committed to each employee based upon fair value at the date earned. To the extent that shares are not sufficient to fulfill the matching commitment, the Corporation must contribute additional ESOP Preferred Stock, Common Stock or cash. At December 31, 1996, 6.5 million shares had been committed to employees, leaving 6.8 million uncommitted shares in the ESOP trust, with an approximate fair value of $900 million.

Shares committed to employees generally may not be withdrawn until the employee's termination, disability, retirement or death. Upon withdrawal, shares of the ESOP Preferred Stock must be converted into the Corporation's Common Stock or, if the value of the Common Stock is less than the guaranteed value of the ESOP Preferred Stock, the Corporation must repurchase the shares at their guaranteed value.

The Corporation and a number of its subsidiaries have additional savings plans in which a portion of employee contributions is matched in cash by the employer. The amount expensed relating to contributions for all savings plans totaled $75 million, $72 million and $84 million for 1996, 1995 and 1994, respectively.

LONG-TERM INCENTIVE PLANS

The Corporation has a Long-Term Incentive Plan (1989 Plan) under which shares of Common Stock may be sold or awarded to officers and key employees.

The 1989 Plan authorizes various types of market-based incentive and performance-based awards. The exercise price of a stock option, as set at the time of the grant, will not be less than the fair market value of the shares on the date of grant. The maximum number of shares which may be utilized for awards granted during a given calendar year may not exceed 2% of the aggregate shares of Common Stock, common stock equivalents and treasury shares for the preceding year.

In 1995, the Board of Directors established the Special Retention and Stock Appreciation Program (1995 Plan) for certain key employees whose continued performance and retention is deemed to be important to the Corporation. Up to 2,000,000 award units can be granted under the 1995 Plan in any calendar year.

In June 1995, the Corporation granted a key group of senior executives 1,200,000 stock appreciation units under the 1995 Plan and 1,200,000 market-based incentive awards under the 1989 Plan, with a ten year term. The grant price of $39.125 represented the market value per share at the date of grant. These awards became exercisable in September, 1996 when the closing price of the Corporation's Common

Stock averaged more than $57.00 for thirty consecutive days.

A summary of the transactions under all Plans for the three years ended December 31, 1996 follows:

	Stock Options		Other
	Shares	Average Price	Incentive Awards
OUTSTANDING AT:			
DECEMBER 31, 1993	15,110,114	$23.46	1,232,984
Granted	4,374,500	32.97	--
Exercised/earned	(3,118,170)	22.59	(986,776)
Cancelled	(174,172)	29.02	(98,058)
DECEMBER 31, 1994	16,192,272	26.14	148,150
Granted	4,387,000	33.47	1,969,000
Exercised/earned	(4,123,180)	23.65	(84,650)
Cancelled	(387,420)	31.49	(22,000)
DECEMBER 31, 1995	16,068,672	28.65	2,010,500
Granted	4,392,350	51.10	12,800
Exercised/earned	(2,139,178)	24.09	(236,000)
Cancelled	(242,166)	39.56	--
DECEMBER 31, 1996	18,079,678	$34.49	1,787,300

The Corporation applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its Plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans. The compensation cost that has been charged against income for stock-based performance awards was $45 million, $22 million and $4 million for 1996, 1995 and 1994, respectively.

The following table summarizes information about stock options outstanding at December 31, 1996:

	Options Outstanding			Options Exercisable	
Exercise Price	Shares	Average Price	Term	Shares	Average Price
$15.01-$30.00	5,802,278	$23.88	4.44	5,742,278	$23.82
$30.01-$45.00	7,997,850	33.27	7.68	751,350	36.95
$45.01-$60.00	4,199,550	50.99	9.11	--	--
$60.01-$75.00	80,000	60.13	9.74	--	--

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

In Millions of Dollars (except per share amounts)		1996	1995
Net income	As reported	$ 906	$ 750
	Pro forma	894	746
Earnings per share	As reported	$3.45	$2.85
	Pro forma	3.40	2.84

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

	1996	1995
Risk-free interest rate	5.3%	7.5%
Expected life	6 years	6 years
Expected volatility	17%	21%
Expected dividend yield	2%	3%

The weighted-average grant date fair values of options granted during 1996 and 1995 were $11.91 and $8.80, respectively.

11. CHANGES IN SHAREOWNERS' EQUITY

In Millions of Dollars	1996	1995	1994
COMMON STOCK			
Balance at January 1	$ 2,249	$ 2,148	$ 2,075
Issued under employee plans (a)	96	101	73
BALANCE AT DECEMBER 31	$ 2,345	$ 2,249	$ 2,148
TREASURY STOCK			
Balance at January 1	$(1,168)	$ (947)	$ (677)
Purchase of shares (b)	(458)	(221)	(270)
BALANCE AT DECEMBER 31	$(1,626)	$(1,168)	$ (947)
RETAINED EARNINGS			
Balance at January 1	$ 3,252	$ 2,790	$ 2,466
Net income	906	750	585
Dividends on Common			

Stock (c)	(265)	(252)	(238)
Dividends on ESOP Preferred Stock (d)	(30)	(27)	(22)
Other	(14)	(9)	(1)
BALANCE AT DECEMBER 31	$ 3,849	$ 3,252	$ 2,790
CURRENCY TRANSLATION			
Balance at January 1	$ (246)	$ (219)	$ (227)
Deferred foreign currency translation and hedging adjustments	2	(36)	(17)
Income (taxes) benefits	(9)	9	25
BALANCE AT DECEMBER 31	$ (253)	$ (246)	$ (219)
MINIMUM PENSION LIABILITY			
Balance at January 1	$ (66)	$ (20)	$ (39)
Pension adjustment	94	(76)	32
Income (taxes) benefits	(37)	30	(13)
BALANCE AT DECEMBER 31	$ (9)	$ (66)	$ (20)

(a) 1.8 million, 3.5 million and 2.9 million shares issued, net of shares purchased and reissued in 1996, 1995 and 1994, respectively.
(b) 8 million, 5.7 million and 8.7 million shares of Common Stock purchased, net of shares reissued in 1996, 1995 and 1994, respectively.
(c) $1.10, $1.025 and $.95 per share in 1996, 1995 and 1994, respectively.
(d) $4.80 per share.

12. FOREIGN EXCHANGE

The Corporation conducts business in many different currencies and, accordingly, is subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of the Corporation's significant foreign subsidiaries are measured using the local currency as the functional currency. The aggregate effects of translating the financial statements of these subsidiaries are deferred as a separate component of Shareowners' equity. The Corporation had foreign currency net assets in more than forty currencies, aggregating $1.8 billion and $1.5 billion at December 31, 1996 and 1995, respectively. The primary foreign currency net assets, each five percent or more of the Corporation's Shareowners' equity, are set forth below:

In Millions of Dollars	1996	1995
Currency:		
Canadian dollar	$460	$299
Spanish peseta	209	240

In addition, the Corporation had net assets in the People's Republic of China and Hong Kong combined of $158 million and $156 million at December 31, 1996 and 1995, respectively.

At December 31, 1996 and 1995, the Corporation had $139 million and $244 million notional principal amount of outstanding currency swap contracts to hedge its foreign net assets. These foreign currency hedges mature ratably over the period 1997 - 2001.

Foreign currency commitment and transaction exposures are managed at the operating unit level as an integral part of the business. To the extent that foreign currency exposures cannot be offset or managed to an insignificant amount, it is the Corporation's policy that these residual foreign currency commitment and transaction exposures be hedged. These hedges are executed by authorized management at the operating units and are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions. Certain of these hedges involve the exchange of two foreign currencies according to local needs at foreign operations. Transactions that are hedged include foreign currency denominated receivables and payables on the balance sheet, firm purchase orders and firm sales commitments.

At December 31, 1996 and 1995, the Corporation had the following amounts related to forward foreign exchange contracts hedging foreign currency transactions and firm commitments:

In Millions of Dollars	1996	1995
Notional amount:		
Buy contracts	$1,928	$2,011
Sell contracts	780	495
Gains and losses explicitly deferred as a result of hedging firm commitments:		
Gains deferred	$ 14	$ 24
Losses deferred	(14)	(9)
	$ --	$ 15

The deferred gains and losses are expected to be recognized in income over the next two years as these transactions are realized.

13. FINANCIAL INSTRUMENTS

The Corporation operates internationally and, in the normal course of business, is exposed to continuous fluctuations in interest rates, currency values and raw material prices. These fluctuations can increase the costs of financing, investing, and operating the business. The Corporation manages this risk to acceptable limits through the use of derivatives to create offsetting positions in foreign currency, interest rate and raw materials markets. The Corporation views derivative financial instruments as risk management tools and is not party to any leveraged derivatives. The Corporation's policies prohibit speculation in derivatives.

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

By nature, all financial instruments involve market risk and credit risk. The Corporation enters into derivative financial instruments with major investment grade financial institutions. The credit exposure is represented by the fair value of contracts in the table below.

The Corporation has policies to monitor its credit risks of counterparties to derivative financial instruments. Pursuant to these policies the Corporation periodically performs mark-to-market valuations of its derivative instruments. The Corporation diversifies the counterparties used as a means to limit counterparty exposure and concentration of risk. Credit risk is assessed prior to entering into transactions and periodically thereafter. The Corporation does not anticipate nonperformance by any of these counterparties.

The following table presents the carrying amounts and fair values of the Corporation's financial instruments at December 31, 1996 and 1995. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Significant differences can arise between the fair value and carrying amount of financial instruments at historic cost.

The carrying amount and fair value of financial instruments is as follows:

In Millions of Dollars	December 31, 1996 Carrying Amount	December 31, 1996 Fair Value	December 31, 1995 Carrying Amount	December 31, 1995 Fair Value
Financial assets:				
Long-term receivables	$ 118	$ 118	$ 126	$ 121
Customer financing assets	136	133	154	153
Financial liabilities:				
Short-term borrowings	251	250	294	288
Long-term debt	1,169	1,339	1,338	1,588
Derivative Financial Instruments:				
Raw Materials Hedges (Note 4):				
In a receivable position	10	2	11	(1)
In a payable position	6	5	4	3
Debt Interest Rate Hedges (Note 8):				
In a receivable position	16	18	23	30
In a payable position	16	17	23	29
Forward Exchange Contracts (Note 12):				
In a receivable position	24	29	45	65
In a payable position	29	(1)	18	14
Currency Swaps (Note 12):				
In a payable position	30	30	89	81

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

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

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

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

INTEREST RATE HEDGES, FOREIGN CURRENCY CONTRACTS
AND RAW MATERIALS HEDGE AGREEMENTS
The fair value is the estimated amount that the Corporation would receive or pay to terminate the agreements at the reporting date.

FINANCING COMMITMENTS
The Corporation had outstanding financing commitments totaling approximately $1.6 billion and $1.0 billion at December 31, 1996 and 1995, respectively. Risks associated with changes in interest rates are negated by the fact that interest rates are variable during the commitment term and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financings is expected to equal the amounts funded. The fair value of the commitment itself is not readily determinable and is not considered significant. Additional information pertaining to these commitments is included in Note 3.

14. COMMITMENTS AND CONTINGENT LIABILITIES

LEASES

The Corporation occupies space and uses certain equipment under lease arrangements. Rent expense in 1996, 1995 and 1994 under such arrangements was $262 million, $265 million and $302 million, respectively. Rental commitments at December 31, 1996 under long-term noncancelable operating leases are as follows (see Note 3 for lease commitments associated with customer financing arrangements):

In Millions of Dollars	
1997	$176
1998	129
1999	91
2000	68
2001	60
After 2001	186
	$710

ENVIRONMENTAL

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

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

Where the Corporation is not the only party responsible for the remediation of a site, the Corporation considers its likely proportionate share of the anticipated remediation expense in establishing a provision for those costs. Included within the sites known to the Corporation are those sites at which the Corporation has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or Superfund). Under the provisions of this statute, the Corporation may be held liable for all costs of environmental remediation without regard to the legality of the Corporation's actions resulting in the contamination. In estimating its liability for remediation, the Corporation considers its likely proportionate share of the anticipated remediation expense and the ability of the other potentially responsible parties to fulfill their obligations.

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

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

U.S. GOVERNMENT

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

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

OTHER

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

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

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

15. BUSINESS SEGMENT FINANCIAL DATA

The Corporation and its subsidiaries design, develop, manufacture and sell high-technology products, classified in five principal business segments.

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

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

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

Pratt & Whitney products are principally aircraft engines and substantial spare parts sold to a diversified customer base including international and domestic commercial airlines and aircraft leasing companies, aircraft manufacturers, regional and commuter airlines, and U.S. and non-U.S. governments. Pratt & Whitney also produces modified aircraft engines which are used for electrical power generation and other applications.

The Flight Systems segment includes Sikorsky Aircraft and Hamilton Standard, as well as Norden Systems through May 31, 1994. Sikorsky Aircraft products include helicopters and spare parts sold primarily to U.S. and non-U.S. governments. Hamilton Standard products include fuel, environmental and flight control systems and propellers sold primarily to U.S. and non-U.S. governments, aerospace and defense prime contractors, and airframe and jet engine manufacturers. Hamilton Standard products also include fuel cells sold primarily to commercial manufacturers. Norden Systems products included cockpit and integrated display systems sold primarily to the U.S. Government.

Business segment information for the three years ended December 31, 1996 follows:

BUSINESS SEGMENTS

	Total Revenues			Operating Profits		
In Millions of Dollars	1996	1995	1994	1996	1995	1994
Otis	$ 5,595	$ 5,287	$ 4,644	$ 524	$ 511	$ 421
Carrier	5,958	5,456	4,919	422	354	278
Automotive	3,233	3,061	2,683	196	180	182
Pratt & Whitney	6,201	6,170	5,846	637	530	380
Flight Systems	2,651	2,947	3,218	234	209	282
Corporate items and eliminations	(126)	(119)	(113)	(21)	2	1
Total	$23,512	$22,802	$21,197	1,992	1,786	1,544
Financing revenues and other income, net				(23)	(23)	(17)
Interest expense				(221)	(244)	(275)
General corporate expenses				(188)	(175)	(176)
Consolidated income before income taxes and minority interests				$1,560	$1,344	$1,076

	Identifiable Assets			Capital Expenditures			Depreciation and Amortization		
In Millions of Dollars	1996	1995	1994	1996	1995	1994	1996	1995	1994
Otis	$ 2,712	$ 2,613	$ 2,068	$132	$115	$101	$116	$108	$103
Carrier	3,387	2,959	2,776	169	151	134	145	134	136
Automotive	1,856	1,875	1,818	138	140	151	128	122	106
Pratt & Whitney	4,261	4,215	4,221	248	240	226	296	314	323
Flight Systems	1,416	1,425	1,720	86	106	130	123	127	140
Corporate items and eliminations	3,113	2,871	3,021	21	28	17	45	39	32
Consolidated total	$16,745	$15,958	$15,624	$794	$780	$759	$853	$844	$840

GEOGRAPHIC AREAS

	Total Revenues			Intergeographic Revenues			External Revenues		
In Millions of Dollars	1996	1995	1994	1996	1995	1994	1996	1995	1994
United States operations	$14,007	$13,968	$13,545	$ 592	$ 534	$ 457	$13,415	$13,434	$13,088
International operations:									
Europe	4,977	4,769	4,119	177	170	144	4,800	4,599	3,975
Asia Pacific	3,395	3,024	2,461	353	317	180	3,042	2,707	2,281
Other	2,668	2,463	2,210	430	421	385	2,238	2,042	1,825
Corporate items and eliminations	(1,535)	(1,422)	(1,138)	(1,552)	(1,442)	(1,166)	17	20	28
Total	$23,512	$22,802	$21,197	$ --	$ --	$ --	$23,512	$22,802	$21,197

	Operating Profits			Identifiable Assets		
In Millions of Dollars	1996	1995	1994	1996	1995	1994
United States operations	$ 965	$ 773	$ 746	$ 7,252	$ 7,110	$ 7,912
International operations:						
Europe	461	457	399	2,749	2,540	2,199
Asia Pacific	272	235	200	2,171	2,078	1,524
Other	310	321	204	1,454	1,357	1,022
Corporate items and eliminations	(16)	--	(5)	3,119	2,873	2,967
Total	$1,992	$1,786	$1,544	$16,745	$15,958	$15,624

REVENUES

Total revenues by business segment and geographic area include intersegment and intergeographic sales and transfers between geographic areas. Generally, such sales and transfers are made at prices approximating those which the selling or transferring entity is able to obtain on sales of similar products to unaffiliated customers.

Revenues include sales under prime contracts and subcontracts to the U.S. Government, for the most part Pratt & Whitney and Flight Systems products, as follows:

In Millions of Dollars	1996	1995	1994
Pratt & Whitney	$1,857	$1,841	$1,830
Flight Systems	1,498	1,780	1,948

Sales to Ford Motor Company, Automotive's largest customer, comprised approximately 38%, 40% and 37% of Automotive's revenues in 1996, 1995 and 1994, respectively.

Revenues from United States operations include export sales as follows:

In Millions of Dollars	1996	1995	1994
Europe	$ 854	$ 869	$ 737
Asia Pacific	1,478	1,686	1,772
Other	792	712	599
	$3,124	$3,267	$3,108

Export sales include direct sales to commercial customers outside the United States and sales to the U.S. Government, commercial and affiliated customers which are known to be for resale to customers outside the United States.

IDENTIFIABLE ASSETS

Identifiable assets are those which are specifically identified with the business segments and geographic areas in which operations are conducted. General corporate assets consist principally of customer financing subsidiaries, future income tax benefits, and investments in other companies.

ELIMINATIONS

Eliminations made in reconciling business and geographic area data with the related consolidated amounts include intersegment sales and transfers between geographic areas, unrealized profits in inventory and similar items.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

In Millions of Dollars (except per share amounts) Quarter Ended	March 31	June 30	September 30	December 31
1996				
Sales	$5,348	$6,002	$5,908	$6,015
Gross Profit	1,240	1,444	1,432	1,420
Net income	164	259	254	229
Earnings per share of Common Stock and common stock equivalents	.62	.98	.97	.87
1995				
Sales	$5,318	$5,774	$5,604	$5,928
Gross Profit	1,135	1,288	1,279	1,322
Net income	135	218	210	187
Earnings per share of Common Stock and common stock equivalents	.51	.82	.80	.71

Beginning January 1, 1997, international operating subsidiaries which have generally been included in the consolidated financial statements based on fiscal years ending November 30, will be included in the consolidated financial statements based on fiscal years ending December 31. The pattern of future quarterly results may differ from the past due in part to seasonality in some business segments. If this change had been made effective January 1, 1996, the estimated impact would have been an increase in first quarter results and a decrease in fourth quarter results, with no significant impact on the full year.

COMPARATIVE STOCK DATA

	1996			1995		
Common Stock	High	Low	Dividend	High	Low	Dividend
First Quarter	59	45 1/4	$.275	34 3/4	31 1/8	$.25
Second Quarter	58 1/8	50 3/16	$.275	39 11/16	33 3/4	$.25
Third Quarter	60 13/16	50 3/4	$.275	44 5/16	39	$.25
Fourth Quarter	70 7/16	59 3/4	$.275	48 7/8	41 7/16	$.275

The Corporation's Common Stock is listed on the New York Stock Exchange. The high and low prices are based on the Composite Tape of the New York Stock Exchange. There were approximately 23,000 common shareowners of record at December 31, 1996.

Amounts are adjusted to give retroactive effect to the 2-for-1 stock split in 1996.

Exhibit (21)

SUBSIDIARIES OF THE REGISTRANT

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

United Technologies Automotive Holdings, Inc.	Delaware
Carrier Corporation	Delaware
Otis Elevator Company	New Jersey
Otis Europe S.A.	France
Pratt & Whitney Canada Inc.	Canada
Sikorsky Aircraft Corporation	Delaware

Other subsidiaries of the Registrant have been omitted from this listing since, considered in the aggregate or as a single subsidiary, they would not constitute a significant subsidiary.

Exhibit (24)

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints STEPHEN F. PAGE, IRVING B. YOSKOWITZ, WILLIAM H. TRACHSEL, AND JAY L. HABERLAND, or any one of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K, 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 the Corporation's Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ HOWARD H. BAKER, JR.
Howard H. Baker, Jr.

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints STEPHEN F. PAGE, IRVING B. YOSKOWITZ, WILLIAM H. TRACHSEL, AND JAY L. HABERLAND, or any one of them, her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K, 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 the Corporation's Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ ANTONIA HANDLER CHAYES
Antonia Handler Chayes

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ ROBERT F. DANIELL
Robert F. Daniell

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ ROBERT F. DEE
Robert F. Dee

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ CHARLES W. DUNCAN, JR.
Charles W. Duncan, Jr.

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ JEAN-PIERRE GARNIER
Jean-Pierre Garnier

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ PEHR G. GYLLENHAMMAR
Pehr G. Gyllenhammar

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints STEPHEN F. PAGE, IRVING B. YOSKOWITZ, WILLIAM H. TRACHSEL, AND JAY L. HABERLAND, or any one of them, his true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K, 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 the Corporation's Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ GERALD D. HINES
Gerald D. Hines

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ CHARLES R. LEE
Charles R. Lee

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ ROBERT H. MALOTT
Robert H. Malott

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ FRANK P. POPOFF
Frank P. Popoff

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ H. A. WAGNER
H. A. Wagner

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 3rd day of February, 1997.

/s/ JACQUELINE G. WEXLER
Jacqueline G. Wexler

The schedule contains summary financial information extracted from the
Consolidated Balance Sheet at December 31, 1996 and the Consolidated Statement
of Operations for the year ended December 31, 1996 and is qualified in its
entirety by reference to such financial statements.

1,000,000

YEAR
DEC-31-1996
JAN-01-1996
DEC-31-1996
1,127
0
4,048
331
3,342
9,611
10,661
6,290
16,745
7,390
1,437
434
0
2,345
1,961
16,745
18,247
23,512
14,625
17,737
1,122
0
221
1,560
523
906
0
0
0
906
3.45
3.45