

---

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

---

**FORM 10-Q**

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C.**

20549

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-812

---

**UNITED TECHNOLOGIES CORPORATION**

---

DELAWARE

06-0570975

One Financial Plaza, Hartford, Connecticut 06103

(860) 728-7000

---

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes . No .

At June 30, 2004 there were 511,630,546 shares of Common Stock outstanding.

---

[Table of Contents](#)

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**  
**CONTENTS OF QUARTERLY REPORT ON FORM 10-Q**  
**Quarter Ended June 30, 2004**

	<u>Page</u>
<a href="#">Part I - Financial Information</a>	
<a href="#">Item 1. Financial Statements:</a>	
<a href="#">Condensed Consolidated Statement of Operations for the quarters ended June 30, 2004 and 2003</a>	2
<a href="#">Condensed Consolidated Statement of Operations for the six months ended June 30, 2004 and 2003</a>	3
<a href="#">Condensed Consolidated Balance Sheet at June 30, 2004 and December 31, 2003</a>	4
<a href="#">Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2004 and 2003</a>	5
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	6
<a href="#">Report of Independent Registered Public Accounting Firm</a>	19
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	20
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	29
<a href="#">Item 4. Controls and Procedures</a>	29
<a href="#">Part II - Other Information</a>	
<a href="#">Item 1. Legal Proceedings</a>	31
<a href="#">Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities</a>	32
<a href="#">Item 4. Submission of Matters to a Vote of Security Holders</a>	32
<a href="#">Item 6. Exhibits and Reports on Form 8-K</a>	34
<a href="#">Signatures</a>	35
<a href="#">Exhibit Index</a>	36

“Corporation,” unless the context otherwise requires, means United Technologies Corporation, or UTC, and its subsidiaries.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Part I – Financial Information****Item 1. Financial Statements**

**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	Quarter Ended June 30,	
	2004	2003
<b>In Millions (except per share amounts)</b>		
<b>Revenues</b>		
Product sales	\$ 6,826	\$ 5,813
Service sales	2,629	1,895
Financing revenues and other income, net	167	82
	<u>9,622</u>	<u>7,790</u>
<b>Costs and expenses</b>		
Cost of products sold	5,251	4,381
Cost of services sold	1,720	1,238
Research and development	313	281
Selling, general and administrative	1,088	857
	<u>8,372</u>	<u>6,757</u>
<b>Operating Profit</b>	<b>\$ 1,250</b>	<b>\$ 1,033</b>
Interest	91	93
<b>Income before income taxes and minority interests</b>	<b>1,159</b>	<b>940</b>
Income taxes	261	263
Minority interests	61	45
	<u>531</u>	<u>551</u>
<b>Net income</b>	<b>\$ 837</b>	<b>\$ 632</b>
<b>Earnings per share of Common Stock</b>		
Basic	\$ 1.69	\$ 1.33
Diluted	\$ 1.66	\$ 1.26
<b>Dividends per share of Common Stock</b>	<b>\$ .35</b>	<b>\$ .27</b>
<b>Average number of shares outstanding</b>		
Basic	496	468
Diluted	505	500

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	Six Months Ended June 30,	
	2004	2003
<b>In Millions (except per share amounts)</b>		
<b>Revenues</b>		
Product sales	\$ 12,672	\$ 10,677
Service sales	5,140	3,684
Financing revenues and other income, net	456	131
	<u>18,268</u>	<u>14,492</u>
<b>Costs and expenses</b>		
Cost of products sold	9,852	8,088
Cost of services sold	3,389	2,397
Research and development	621	516
Selling, general and administrative	2,193	1,621
	<u>                    </u>	<u>                    </u>
Operating Profit	\$ 2,213	\$ 1,870
Interest	178	184
Income before income taxes and minority interests	2,035	1,686
Income taxes	506	472
Minority interests	113	80
	<u>                    </u>	<u>                    </u>
Net income	\$ 1,416	\$ 1,134
	<u>                    </u>	<u>                    </u>
<b>Earnings per share of Common Stock</b>		
Basic	\$ 2.85	\$ 2.38
Diluted	\$ 2.79	\$ 2.27
<b>Dividends per share of Common Stock</b>	\$ .70	\$ .515
<b>Average number of shares outstanding</b>		
Basic	498	469
Diluted	507	500

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

In Millions	June 30, 2004	December 31, 2003
	(Unaudited)	(Audited)
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 2,018	\$ 1,623
Accounts receivable, net	6,000	5,187
Inventories and contracts in progress, net	4,442	4,420
Future income tax benefits	1,342	1,372
Other current assets	361	388
<b>Total Current Assets</b>	<b>14,163</b>	<b>12,990</b>
Customer financing assets	1,066	1,031
Future income tax benefits	1,164	1,283
Fixed assets	12,100	12,082
Less: Accumulated depreciation	(7,253)	(7,002)
	4,847	5,080
Goodwill	9,644	9,329
Other assets	5,808	5,561
<b>Total Assets</b>	<b>\$ 36,692</b>	<b>\$ 35,274</b>
<b><u>Liabilities and Shareowners' Equity</u></b>		
Short-term borrowings	\$ 350	\$ 669
Accounts payable	3,269	2,806
Accrued liabilities	7,414	7,071
Long-term debt currently due	368	375
<b>Total Current Liabilities</b>	<b>11,401</b>	<b>10,921</b>
Long-term debt	4,247	4,257
Future pension and postretirement benefit obligations	4,687	4,752
Other long-term liabilities	3,065	2,928
Minority interest in subsidiary companies	812	709
Shareowners' Equity:		
Common Stock	6,800	6,587
Treasury Stock	(5,808)	(5,335)
Retained earnings	13,578	12,527
Unearned ESOP shares	(265)	(273)
Accumulated other non-shareowners' changes in equity	(1,825)	(1,799)
	12,480	11,707
<b>Total Liabilities and Shareowners' Equity</b>	<b>\$ 36,692</b>	<b>\$ 35,274</b>

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

	Six Months Ended June 30,	
	2004	2003
<b>In Millions</b>		
<b>Operating Activities:</b>		
Net income	\$ 1,416	\$ 1,134
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	514	367
Deferred income tax provision	112	146
Minority interests in subsidiaries' earnings	113	80
Change in:		
Accounts receivable	(777)	(177)
Inventories and contracts in progress	10	48
Accounts payable and accrued liabilities	662	9
Other current assets	32	(89)
Voluntary contributions to global pension plans	(358)	(600)
Other, net	167	137
	<u>1,891</u>	<u>1,055</u>
<b>Investing Activities:</b>		
Capital expenditures	(271)	(196)
Investments in businesses	(209)	(94)
Dispositions of businesses	6	—
Increase in customer financing assets, net	(45)	(56)
Other, net	78	18
	<u>(441)</u>	<u>(328)</u>
<b>Financing Activities:</b>		
Repayment of long-term debt	(4)	(14)
(Decrease) Increase in short-term borrowings, net	(297)	4
Common Stock issued under employee stock plans	163	127
Dividends paid on Common Stock	(331)	(242)
Repurchase of Common Stock	(480)	(251)
Other, net	(92)	(95)
	<u>(1,041)</u>	<u>(471)</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	(14)	79
	<u>395</u>	<u>335</u>
Cash and cash equivalents, beginning of year	1,623	2,080
Cash and cash equivalents, end of period	<u>\$ 2,018</u>	<u>\$ 2,415</u>

See accompanying Notes to Condensed Consolidated Financial Statements

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The Condensed Consolidated Financial Statements at June 30, 2004 and for the quarters and six months ended June 30, 2004 and 2003 are unaudited, but in the opinion of management include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results reported in these Condensed Consolidated Financial Statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the financial statements and notes in the Corporation's Annual Report incorporated by reference in Form 10-K for calendar year 2003. Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

**Employee Benefit Plans**

*Pension and Postretirement Plans*

During the first six months of 2004 and 2003, the Corporation's total cash contributions to its defined benefit plans were \$424 million and \$644 million, respectively, including \$75 million and \$123 million in the second quarter of 2004 and 2003, respectively. Voluntary contributions comprised \$50 million and \$358 million, respectively, of the total contribution made in the second quarter and first six months of 2004. During the first six months of 2004 and 2003, the Corporation also contributed \$67 million and \$54 million, respectively, to its defined contribution plans, including \$32 million and \$25 million in the second quarter of 2004 and 2003, respectively.

The following tables illustrate the components of net periodic benefit cost for the Corporation's pension and other postretirement benefits.

In Millions	Pension Benefits Quarter Ended June 30,		Pension Benefits Six Months Ended June 30,	
	2004	2003	2004	2003
	<b>Components of Net Periodic Benefit Cost:</b>			
Service cost	\$ 82	\$ 71	\$ 164	\$ 142
Interest cost	256	228	513	456
Expected return on plan assets	(309)	(276)	(619)	(552)
Amortization	39	7	77	15
Recognized actuarial net loss	5	12	11	24
Net settlement and curtailment loss	3	—	27	—
	<u>\$ 76</u>	<u>\$ 42</u>	<u>\$ 173</u>	<u>\$ 85</u>

In Millions	Other Postretirement Benefits Quarter Ended June 30,		Other Postretirement Benefits Six Months Ended June 30,	
	2004	2003	2004	2003
	<b>Components of Net Periodic Benefit Cost:</b>			
Service cost	\$ 1	\$ 2	\$ 3	\$ 4
Interest cost	16	16	32	32
Expected return on plan assets	(1)	(1)	(2)	(2)
Amortization	(5)	(5)	(11)	(10)
Net settlement and curtailment loss	—	—	1	—
	<u>\$ 11</u>	<u>\$ 12</u>	<u>\$ 23</u>	<u>\$ 24</u>

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

*Stock-Based Compensation*

The Corporation has long-term incentive plans authorizing various types of market and performance based incentive awards that may be granted to officers and employees. The Corporation applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its long-term incentive plans. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share on that date. Stock options have a term of ten years and generally vest after three years.

The following table illustrates the effect on net income and earnings per share as if the Black-Scholes fair value method described in Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended, had been applied to the Corporation's long-term incentive plans.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<b>In Millions</b> (except per share amounts)				
Net income as reported	\$ 837	\$ 632	\$ 1,416	\$ 1,134
Add: Stock-based employee compensation expense included in net income, net of related tax effects	2	4	2	4
Less: Total stock-based employee compensation expense determined under Black-Scholes option pricing model, net of related tax effects	(22)	(25)	(50)	(57)
<b>Pro forma net income</b>	<b>\$ 817</b>	<b>\$ 611</b>	<b>\$ 1,368</b>	<b>\$ 1,081</b>
<b>Earnings per share:</b>				
Basic – as reported	\$ 1.69	\$ 1.33	\$ 2.85	\$ 2.38
Basic – pro forma	\$ 1.64	\$ 1.27	\$ 2.75	\$ 2.27
Diluted – as reported	\$ 1.66	\$ 1.26	\$ 2.79	\$ 2.27
Diluted – pro forma	\$ 1.62	\$ 1.22	\$ 2.70	\$ 2.16

**Derivative Instruments and Hedging Activities**

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

At June 30, 2004 and December 31, 2003, the fair value of derivatives recorded as assets was \$105 million and \$162 million, respectively, and the fair value of derivatives recorded as liabilities was \$30 million and \$56 million, respectively. Of the amount recorded in shareowners' equity, a \$39 million pre-tax gain is expected to be reclassified into sales or cost of products sold to reflect the fixed prices obtained from hedging within the next 12 months. Gains and losses recognized in earnings related to the ineffectiveness of cash flow hedges during the quarter ended June 30, 2004 were immaterial. All open derivative contracts accounted for as cash flow hedges mature by April 2009.



**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Non-Shareowners' Changes in Equity**

Non-shareowners' changes in equity include all changes in equity during a period except changes resulting from investments by and distributions to shareowners. A summary of the non-shareowners' changes in equity is provided below.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<b>In Millions</b>				
Foreign currency translation, net	\$(111)	\$ 249	\$(64)	\$ 332
Unrealized holding gain on marketable equity securities, net	55	21	61	19
Cash flow hedging (loss) gain, net	(10)	31	(23)	54
	<u>\$ (66)</u>	<u>\$ 301</u>	<u>\$ (26)</u>	<u>\$ 405</u>

**Inventories and Contracts in Progress**

	June 30, 2004	December 31, 2003
<b>In Millions</b>		
Inventories consist of the following:		
Raw materials	\$ 807	\$ 743
Work-in-process	1,080	1,118
Finished goods	2,321	2,221
Contracts in progress	2,490	2,363
	<u>6,698</u>	<u>6,445</u>
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(137)	(110)
Billings on contracts in progress	(2,119)	(1,915)
	<u>\$ 4,442</u>	<u>\$ 4,420</u>

**Acquisitions, Goodwill and Other Intangible Assets**

During the first six months of 2004, the Corporation's investment in businesses was \$209 million, including \$165 million in the second quarter of 2004 primarily for acquisitions by Chubb and Carrier. The assets and liabilities of acquired businesses are recorded at fair value at the date of acquisition under the purchase method and have been included in the Consolidated Statement of Operations beginning on the effective date of the acquisition.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

As previously disclosed, the Corporation acquired Chubb plc (“Chubb”), a global provider of security and fire protection products and services on July 28, 2003. Under the terms of the purchase agreement, the Corporation acquired 100% of the outstanding shares of Chubb for approximately \$900 million cash and assumed approximately \$1.1 billion of debt. Because the Corporation provides equipment and services for many buildings worldwide, the acquisition of Chubb expands the Corporation’s building system offerings globally. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the July 28, 2003 acquisition date:

<b>In Millions</b>	
Current assets	\$ 887
Property, plant and equipment	260
Intangible assets	962
Goodwill	1,979
<b>Total assets acquired</b>	<b>\$ 4,088</b>
Accounts payable and accrued liabilities	\$ 1,042
Short-term borrowings	103
Long-term debt	1,039
Pension and postretirement obligations	573
Other liabilities	295
<b>Total liabilities assumed</b>	<b>\$ 3,052</b>
<b>Net assets acquired</b>	<b>\$ 1,036</b>

In connection with the acquisition of Chubb, the Corporation recorded \$962 million of identifiable intangible assets. The Chubb trademark, valued at \$535 million, was assigned an indefinite life. The amortized intangible assets and the related weighted average amortization periods are as follows: trademarks - \$32 million (30 years), customer relationships - \$389 million (10 years) and completed technology - \$6 million (7 years).

The excess of the purchase price over the amount of net assets acquired was recorded as an increase in goodwill.

The final purchase price allocation of all acquired businesses is subject to finalization of the valuation of certain assets and liabilities, plans for consolidation of facilities and relocation of employees and other integration activities.

The Corporation’s goodwill balances at June 30, 2004 were as follows:

<b>In Millions</b>	<u>Otis</u>	<u>Carrier</u>	<u>Chubb</u>	<u>Pratt &amp; Whitney</u>	<u>Flight Systems</u>	<u>Total Segments</u>	<u>Eliminations and other</u>	<u>Total</u>
Balance as of January 1, 2004	\$ 911	\$ 2,059	\$ 2,096	\$ 462	\$ 3,807	\$ 9,335	\$ (6)	\$ 9,329
Goodwill resulting from business combinations completed or finalized	4	29	199	8	7	247	—	247
Foreign currency translation and other	14	(3)	49	—	2	62	6	68
<b>Balance as of June 30, 2004</b>	<b>\$ 929</b>	<b>\$ 2,085</b>	<b>\$ 2,344</b>	<b>\$ 470</b>	<b>\$ 3,816</b>	<b>\$ 9,644</b>	<b>\$ —</b>	<b>\$ 9,644</b>

The increase in goodwill of \$315 million for the six months ended June 30, 2004 was due primarily to purchase accounting adjustments at Chubb, acquisitions by Carrier and Chubb and foreign currency translation. Costs relating to restructuring actions that directly impact Chubb’s operations and employees were \$64 million through June 30, 2004, including \$7 million recorded in the second quarter of 2004, and were accounted for as purchase accounting adjustments.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

Identifiable intangible assets are recorded in "Other assets" in the Condensed Consolidated Balance Sheet. Amortized intangible assets are comprised of:

	June 30, 2004		December 31, 2003	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
<b>In Millions</b>				
<b>Amortized intangible assets</b>				
Purchased service contracts	\$ 924	\$ (298)	\$ 894	\$ (275)
Patents and trademarks	200	(38)	197	(34)
Other, principally customer relationships	592	(86)	581	(51)
	<u>\$ 1,716</u>	<u>\$ (422)</u>	<u>\$ 1,672</u>	<u>\$ (360)</u>

The increase in purchased service contracts was due primarily to the acquisition of service portfolios at Otis. The increase in "other" was due primarily to \$26 million from acquisitions by Carrier in the second quarter and \$18 million from the acquisition of monitoring lines by Chubb, partially offset by the finalization of purchase accounting at Chubb and \$15 million from the impact of foreign currency translation.

Amortization of intangible assets for the quarter and six-month periods ending June 30, 2004 was \$29 million and \$63 million, respectively, compared with \$15 million and \$29 million for the same periods of 2003. Amortization of these intangible assets for 2004 through 2008 is expected to approximate \$118 million per year.

Intangible assets determined to have indefinite lives, primarily the Chubb trade name, amounted to \$577 million and \$583 million at June 30, 2004 and December 31, 2003, respectively, and are not amortized. The decrease during the period was primarily related to the impact of foreign currency translation.

**Accrued Liabilities**

	June 30, 2004	December 31, 2003
<b>In Millions</b>		
Accrued salaries, wages and employee benefits	\$ 1,294	\$ 1,291
Advances on sales contracts	1,565	1,543
Service and warranty	510	534
Service billings	488	265
Income taxes payable	524	521
Accrued restructuring costs	225	100
Other	2,808	2,817
	<u>\$ 7,414</u>	<u>\$ 7,071</u>

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

In the first six months of 2004, the Corporation has reclassified approximately \$626 million of prior year amounts from inventory to accrued liabilities, primarily related to billings on contracts in progress, to conform to the current year presentation.

**Guarantees**

The Corporation extends a variety of financial, market value and product performance guarantees to third parties. During the first quarter of 2004, the Corporation and Lockheed Martin both individually guaranteed to the U.S. Navy (the "Navy") the performance of a contract between the Navy and a Sikorsky and Lockheed Martin joint venture, which will provide full life-cycle logistics support for the Navy's H-60 helicopter fleet. The Corporation's maximum potential payment under this guarantee is approximately \$140 million. The liability recorded for the fair value of the guarantee is not material. While it is possible that the ultimate liability under these commitments may differ from management's assessment, the Corporation believes the liability under this guarantee will not have a material impact on its financial condition, results of operations or cash flows. There have been no other material changes to guarantees outstanding since December 31, 2003.

The changes in the carrying amount of service and product warranties and product performance guarantees for the six months ended June 30, 2004 are as follows:

**In Millions**

Balance as of January 1, 2004	\$ 1,161
Warranties and performance guarantees issued	227
Settlements made	(213)
Adjustments to provision	(9)
	<hr/>
Balance as of June 30, 2004	\$ 1,166

**Restructuring**

During the first six months of 2004, the Corporation recorded net pre-tax restructuring and related charges totaling \$415 million for new and ongoing restructuring actions. These charges include \$259 million recorded in the first quarter and \$156 million recorded in the second quarter. During the first six months of 2004, the Corporation recorded charges in the segments as follows: Otis \$106 million, Carrier \$184 million, Pratt & Whitney \$74 million, Flight Systems \$38 million and Eliminations and other \$13 million. The charges include \$357 million in cost of sales, \$50 million in selling, general and administrative expenses and \$8 million in other income. As described below, these charges relate to actions initiated during 2004 and 2003.

**2004 Actions** During the first six months of 2004, the Corporation initiated restructuring actions relating to ongoing cost reduction efforts, including global workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's McMinnville, Tennessee commercial air conditioning and ventilation product manufacturing facility, Otis' Stadthagen, Germany escalator manufacturing facility and various Pratt & Whitney facilities, including a Space Propulsion facility located in San Jose, California. During the first six months of 2004, net pre-tax restructuring and related charges, totaling \$348 million, included \$291 million recorded in cost of sales, \$49 million in selling, general and administrative expenses and \$8 million in other income.

The 2004 actions that have occurred during the first six months of the year resulted in net workforce reductions of approximately 1,900 employees and the exiting of 160,000 square feet of facilities. The majority of the remaining workforce and facility related cost reductions are targeted for completion during 2004 and 2005.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

The following tables summarize the 2004 restructuring actions accrued by type and related activity and by total costs expected to be incurred by type and by segment:

In Millions	<u>Severance</u>	<u>Asset Write- downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
<b>For the quarter ended June 30, 2004</b>				
Restructuring accruals at March 31, 2004	\$ 138	\$ —	\$ 19	\$ 157
Accrued costs	49	—	5	54
Non-accruable costs	2	42	34	78
	<u>51</u>	<u>42</u>	<u>39</u>	<u>132</u>
Net pre-tax restructuring charges	51	42	39	132
Utilization	(32)	(42)	(39)	(113)
	<u>157</u>	<u>—</u>	<u>19</u>	<u>176</u>
Restructuring accruals at June 30, 2004	\$ 157	\$ —	\$ 19	\$ 176

The total expected costs for the 2004 programs by type are as follows:

In Millions	<u>Severance</u>	<u>Asset Write- downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
Expected costs	\$ 223	\$ 62	\$ 218	\$ 503
Costs incurred – quarter ended March 31, 2004	(155)	(20)	(41)	(216)
Costs incurred – quarter ended June 30, 2004	(51)	(42)	(39)	(132)
	<u>17</u>	<u>—</u>	<u>138</u>	<u>155</u>
Remaining costs at June 30, 2004	\$ 17	\$ —	\$ 138	\$ 155

The total expected costs for the 2004 programs by segment are as follows:

In Millions	<u>Otis</u>	<u>Carrier</u>	<u>Pratt &amp; Whitney</u>	<u>Flight Systems</u>	<u>Eliminations and other</u>	<u>Total</u>
Expected costs	\$ 105	\$ 171	\$ 153	\$ 61	\$ 13	\$ 503
Costs incurred – quarter ended March 31, 2004	(56)	(82)	(51)	(21)	(6)	(216)
Costs incurred – quarter ended June 30, 2004	(32)	(53)	(23)	(17)	(7)	(132)
	<u>17</u>	<u>36</u>	<u>79</u>	<u>23</u>	<u>—</u>	<u>155</u>
Remaining costs at June 30, 2004	\$ 17	\$ 36	\$ 79	\$ 23	\$ —	\$ 155

**2003 Actions** During the first six months of 2004, the Corporation recorded net pre-tax restructuring and related charges of \$67 million for actions initiated during 2003. The charges relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's Syracuse, New York-based container refrigeration and compression manufacturing operations and Otis' Bloomington, Indiana-based manufacturing, distribution and field tool operations. The charges included \$66 million recorded in cost of sales and \$1 million in selling, general and administrative expenses.

As of June 30, 2004, net workforce reductions of approximately 3,800 employees have been completed and 160,000 square feet of facilities have been exited since the actions were initiated. The majority of the remaining workforce and facility related cost reduction actions are targeted for completion in 2004.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

The following tables summarize the 2003 restructuring actions accrued by type and related activity and by total costs expected to be incurred by type and by segment:

In Millions	<u>Severance</u>	<u>Asset Write-downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
<b>For the quarter ended June 30, 2004</b>				
Restructuring accruals at March 31, 2004	\$ 81	\$ —	\$ 6	\$ 87
Accrued costs	9	—	—	9
Non-accruable costs	—	—	15	15
Net pre-tax restructuring charges	9	—	15	24
Utilization	(46)	(—)	(16)	(62)
Restructuring accruals at June 30, 2004	<u>\$ 44</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 49</u>

The total expected costs for the 2003 programs by type are as follows:

In Millions	<u>Severance</u>	<u>Asset Write-downs</u>	<u>Facility Exit and Lease Termination Costs</u>	<u>Total</u>
Expected costs	\$ 178	\$ 8	\$ 106	\$ 292
Costs incurred – through December 31, 2003	(150)	(8)	(41)	(199)
Costs incurred – quarter ended March 31, 2004	(16)	(—)	(27)	(43)
Costs incurred – quarter ended June 30, 2004	(9)	(—)	(15)	(24)
Remaining costs at June 30, 2004	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ 26</u>

The total expected costs for the 2003 programs by segment are as follows:

In Millions	<u>Otis</u>	<u>Carrier</u>	<u>Pratt &amp; Whitney</u>	<u>Flight Systems</u>	<u>Eliminations and other</u>	<u>Total</u>
Expected costs	\$ 100	\$ 126	\$ 29	\$ 27	\$ 10	\$ 292
Costs incurred – through December 31, 2003	(71)	(65)	(27)	(26)	(10)	(199)
Costs incurred – quarter ended March 31, 2004	(12)	(31)	(—)	(—)	(—)	(43)
Costs incurred – quarter ended June 30, 2004	(6)	(18)	(—)	(—)	(—)	(24)
Remaining costs at June 30, 2004	<u>\$ 11</u>	<u>\$ 12</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 26</u>

### Contingent Liabilities

As previously reported, the Department of Justice filed a complaint under the civil False Claims Act and related common law theories in March 1999 against the Corporation in the U.S. District Court for the Southern District of Ohio. This lawsuit relates to the “Fighter Engine Competition” between Pratt & Whitney’s F100 engine and GE’s F110 engine, for contracts awarded by the U.S. Air Force between fiscal years 1985 and 1990, inclusive. The Government alleges that it overpaid for engines because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

have revealed the overstatements. As previously reported, the Government amended its complaint in September 2003 to allege damages in excess of \$141 million, and to add an additional allegation without quantifying damages. Treble damages and penalties of up to \$10,000 per false claim could be assessed if the court finds that Pratt & Whitney violated the civil False Claims Act, and common law damages would accrue pre-judgment interest. In February 2004, the Government's expert witnesses filed reports expressing their opinion that Pratt & Whitney's cumulative liability for damages, penalties and interest may be as much as \$805 million. As previously reported, an amended report reduced this estimate to approximately \$777 million. On May 28, 2004, a further amended report reduced this estimate to \$624 million. The Corporation believes that this amended estimate remains substantially overstated. The Corporation denies any liability and is vigorously defending the Government's claims. Trial of this matter is scheduled for the fourth quarter of 2004.

As previously disclosed, the European Commission's competition directorate (the "Commission") conducted inspections earlier this year at offices of the Corporation's Otis subsidiary in Berlin, Brussels, Luxembourg and Paris. The inspections relate to the Commission's ongoing investigation of possible unlawful collusive arrangements involving the elevator and escalator industry in Europe. The Corporation is cooperating fully with the Commission's investigation and is conducting its own internal investigation of these matters. Based on the results of its internal investigation, the Corporation believes that some Otis employees in limited European locations engaged in activities at a local level in violation of Otis and Corporation policies, and may have violated applicable competition law. It is still too early in the Commission's investigation for the Corporation to reasonably estimate the range of civil fines to which it would likely be subject. The aggregate amount of such fines, if ultimately imposed, could be material to the Corporation's operating results for the period in which the liability would be recognized or cash flows for the period in which the fines would be paid. The Corporation does not believe that any such fines would have a material adverse effect on the Corporation's financial condition, or that the resolution of this matter would have a material adverse effect on Otis' competitive position.

Since the Commission's investigation became public and the Corporation announced the preliminary results of its internal investigation, class action lawsuits have been filed in various federal district courts in the United States naming the Corporation, Otis and others as defendants and alleging a worldwide agreement among elevator and escalator manufacturers to fix prices in violation of the Sherman Act. The plaintiffs purport to represent injured parties worldwide that have allegedly purchased elevators, escalators, or elevator and escalator repair services from the Corporation, Otis, and other defendants. These lawsuits will likely be consolidated through the Multi-District Litigation procedures available in the United States. The lawsuits do not specify the amount of damages claimed. The Corporation believes that these lawsuits are the result of press reports about the Commission's investigation and that they are devoid of merit. The Corporation will defend them vigorously.

Summarized below are the matters previously described in Notes 1 and 16 of the Notes to the Consolidated Financial Statements in the Corporation's Annual Report, incorporated by reference in Form 10-K for calendar year 2003.

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.

Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, the Corporation considers its likely proportionate share of the

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Liabilities with fixed or reliably determinable future cash payments are discounted. Accrued environmental liabilities are not reduced by potential insurance reimbursements. The Corporation periodically reassesses these accrued amounts. Management believes that the likelihood of incurring losses materially in excess of amounts accrued is remote.

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 or other government investigations (including violations and certain environmental or export laws) it 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 and continues to litigate certain cases. In addition, the Corporation accrues for liabilities associated with those matters that are probable and can be reasonably estimated.

Should the Government ultimately prevail with respect to one or more of the significant government contracting matters the Corporation has disclosed, the outcome could result in a material effect on the Corporation's results of operations in the period the matter is resolved. However, the Corporation believes that the resolution of these matters will not have a material adverse effect on the Corporation's results of operations, competitive position, cash flows or financial condition.

Other

The Corporation extends performance and operating cost guarantees beyond its normal warranty and service policies for extended periods on some of its products, particularly commercial aircraft engines. Liability under such guarantees is contingent upon future product performance and durability. In addition, the Corporation incurs discretionary costs to service its products in connection with product performance issues. The Corporation has accrued its estimated liability that may result under these guarantees and for service costs which are probable and can be reasonably estimated.

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

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



**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Earnings Per Share**

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<b>In Millions (except per share amounts)</b>				
Net income	\$ 837	\$ 632	\$ 1,416	\$ 1,134
Less: ESOP Stock dividends	—	(8)	—	(16)
Basic earnings	837	624	1,416	1,118
ESOP Stock adjustment	—	8	—	15
Diluted earnings	\$ 837	\$ 632	\$ 1,416	\$ 1,133
<b>Average shares:</b>				
Basic	496	468	498	469
Stock awards	9	6	9	5
ESOP Stock	—	26	—	26
Diluted	505	500	507	500
<b>Earnings per share of Common Stock:</b>				
Basic	\$ 1.69	\$ 1.33	\$ 2.85	\$ 2.38
Diluted	\$ 1.66	\$ 1.26	\$ 2.79	\$ 2.27

**Income Taxes**

The Corporation has exposures relating to tax filings in the ordinary course of business. The Corporation periodically assesses its liabilities and contingencies for all tax years under audit based upon the latest information available. For those matters where it is probable that an adjustment will be asserted, the Corporation has recorded its best estimate of tax liability (including related interest charges) in its consolidated financial statements.

In the second quarter of 2004, the Corporation reached a settlement with the Internal Revenue Service (“IRS”) and obtained final review by the U.S. Congress Joint Committee on Taxation related to claims and other disputed items related to the 1986 to 1993 U.S. Federal tax audits. The settlement resulted in an approximate \$80 million reduction in tax expense and approximately \$125 million of pretax interest income.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Segment Financial Data**

The Corporation's operations are classified into five principal segments: Otis, Carrier, Chubb, Pratt & Whitney and Flight Systems. Those segments were generally determined based on the management structure of the businesses and the groupings of similar operating companies, where each management organization has general operating autonomy over diversified products and services. Segment financial data include the results of the Corporation's majority-owned businesses, consistent with the management reporting of these businesses. For certain of these subsidiaries, minority shareholders have rights which, under the provisions of Emerging Issues Task Force ("EITF") 96-16 "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights," overcome the presumption of control. In the Corporation's consolidated results through the year ended December 31, 2003, these entities were accounted for under the equity method of accounting.

Effective January 1, 2004, the Corporation adopted the provisions of the FASB Interpretation No. 46(R), "*Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51*" ("FIN 46"). The interpretation requires variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack certain specified characteristics. While the adoption of FIN 46 did not have a material impact on the Corporation's results of operations, financial condition or cash flows in the second quarter and first six months of 2004, it did result in the consolidation of certain entities that were previously accounted for under the equity method of accounting under the provisions of EITF 96-16. Adjustments to reconcile segment reporting to consolidated results for the quarters and six months ended June 30, 2004 and 2003, respectively, are included in "Eliminations and other," which also includes certain small subsidiaries.

Results for the quarters and six months ended June 30, 2004 and 2003 are as follows:

In Millions	Revenues		Operating Profits		Operating Profit Margin	
	2004	2003	2004	2003	2004	2003
<b>Quarter Ended June 30,</b>						
Otis	\$ 2,208	\$ 1,956	\$ 363	\$ 336	16.4%	17.2%
Carrier	3,022	2,640	364	363	12.0%	13.8%
Chubb	708	—	35	—	4.9%	—
Pratt & Whitney	2,084	1,948	307	269	14.7%	13.8%
Flight Systems	1,547	1,392	199	173	12.9%	12.4%
Total segment	9,569	7,936	1,268	1,141	13.3%	14.4%
Eliminations and other	53	(146)	48	(48)		
General corporate expenses	—	—	(66)	(60)		
Consolidated	\$ 9,622	\$ 7,790	\$ 1,250	\$ 1,033		

Second quarter 2004 restructuring and related charges included in consolidated operating profit are as follows: Otis - \$38 million, Carrier - \$71 million, Pratt & Whitney - \$23 million, Flight Systems - \$17 million and Eliminations and other - \$7 million.

The Corporation recorded restructuring charges of \$22 million in the second quarter of 2003, similar in nature to those noted above.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

In Millions	Revenues		Operating Profits		Operating Profit Margin	
	2004	2003	2004	2003	2004	2003
<b>Six Months Ended June 30,</b>						
Otis	\$ 4,323	\$ 3,776	\$ 685	\$ 650	15.8%	17.2%
Carrier	5,256	4,597	439	514	8.4%	11.2%
Chubb	1,411	—	67	—	4.7%	—
Pratt & Whitney	4,028	3,679	528	545	13.1%	14.8%
Flight Systems	3,015	2,709	385	360	12.8%	13.3%
Total segment	18,033	14,761	2,104	2,069	11.7%	14.0%
Eliminations and other	235	(269)	243	(85)		
General corporate expenses	—	—	(134)	(114)		
Consolidated	\$ 18,268	\$ 14,492	\$ 2,213	\$ 1,870		

Restructuring and related charges for the six months ended June 30, 2004 included in consolidated operating profit are as follows: Otis - \$106 million, Carrier - \$184 million, Pratt & Whitney - \$74 million, Flight Systems - \$38 million and Eliminations and other - \$13 million.

In the first and second quarters of 2003, the Corporation recorded restructuring and related charges, similar in nature to those above, of \$11 million and \$22 million, respectively, in connection with its continuing cost reduction efforts in both the commercial and aerospace segments.

In view of the risk and cost associated with developing new engines, Pratt & Whitney has entered into certain collaboration arrangements in which costs, revenues and risks are shared. Revenues from Pratt & Whitney's engine programs under collaboration agreements are recorded as earned and collaborator share of revenue is recorded as a reduction of revenue at that time. The collaborator share of revenue for the quarters ended June 30, 2004 and 2003 was approximately \$175 million and \$131 million, respectively. For the six months ended June 30, 2004 and 2003, the approximate collaborator share of revenue was \$304 million and \$259 million, respectively.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

With respect to the unaudited condensed consolidated financial information of United Technologies Corporation for the quarters and six months ended June 30, 2004 and 2003, PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report dated July 21, 2004, appearing below, states that they did not audit and they do not express an opinion on that unaudited condensed consolidated financial information. PricewaterhouseCoopers has not carried out any significant or additional audit tests beyond those which would have been necessary if their report had not been included. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (“the Act”) for their report on the unaudited condensed consolidated financial information because that report is not a “report” or a “part” of a registration statement prepared or certified by PricewaterhouseCoopers within the meaning of Sections 7 and 11 of the Act.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareowners of  
United Technologies Corporation

We have reviewed the accompanying condensed consolidated balance sheet of United Technologies Corporation and its consolidated subsidiaries as of June 30, 2004, and the related condensed consolidated statement of operations for each of the three-month and six-month periods ended June 30, 2004 and 2003, and the condensed consolidated statement of cash flows for the six-month periods ended June 30, 2004 and 2003. This interim financial information is the responsibility of the Corporation’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of operations, of changes in shareowners’ equity and of cash flows for the year then ended (not presented herein), and in our report dated January 20, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
Hartford, Connecticut  
July 21, 2004

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**BUSINESS ENVIRONMENT**

The Corporation's operations are classified into five principal segments: Otis, Carrier, Chubb, Pratt & Whitney and Flight Systems. Otis, Carrier and Chubb serve customers in the commercial and residential property industries. Carrier also serves commercial and transport refrigeration customers. Pratt & Whitney and the Flight Systems segment, which includes Hamilton Sundstrand and Sikorsky Aircraft ("Sikorsky"), primarily serve commercial and government customers in the aerospace industry and also serve customers in industrial markets.

For discussion of the Corporation's business environment, refer to the discussion of "Business Environment" in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Corporation's Annual Report incorporated by reference in the Corporation's Form 10-K for calendar year 2003. The current status of significant factors impacting the Corporation's business environment in 2004 is discussed below.

The Corporation's growth strategy contemplates acquisitions. The rate and extent to which appropriate acquisition opportunities are available and to which acquired businesses are effectively integrated and anticipated synergies or cost savings are achieved can affect the Corporation's operations and results.

As worldwide businesses, the Corporation's operations are affected by global and regional industry, economic and political factors. However, the Corporation's geographic and industry diversity, as well as the diversity of its product sales and services, has helped limit the impact of any one industry or the economy of any single country on its consolidated results. Improving economic conditions in the commercial construction markets and improvements in commercial heating, ventilating and air conditioning ("HVAC") markets and the commercial aerospace aftermarket have contributed positively to the Corporation's results in the first six months of 2004. In addition, the defense portion of the Corporation's aerospace businesses is affected by changes in market demand and the global political environment. The Corporation's participation in long-term production and development programs for the U.S. Government has contributed positively to the Corporation's results in the first six months of 2004 and is expected to continue to contribute to results for the remainder of 2004, but at flat to lower levels than in 2003. During the first six months of 2004, foreign currency translation contributed positively to the Corporation's consolidated results, primarily driven by the strengthening of the euro in relation to the U.S. dollar. In addition, the Corporation's businesses in China contributed positively to the consolidated results in the first six months of 2004 and the Corporation continues to pursue investment opportunities in this area.

Sikorsky, in a joint venture arrangement with Boeing, received notice in February 2004 of the U.S. Army's intent to terminate the RAH-66 Comanche helicopter program and reallocate funds to restructure and revitalize Army aviation programs to meet current and future needs. A partial Termination for Convenience notice was issued effective March 19, 2004. A limited number of selected technologies are being continued in order to facilitate the transfer of Comanche technology to other programs. In the second quarter of 2004, the Corporation announced the planned closure of its Comanche facility and initiated other cost reduction actions as a result of the program termination. The Corporation does not expect the Comanche program termination and the related cost reduction actions to have a material adverse impact on the Corporation's results of operations, financial condition or cash flows.

The Corporation's products and services are regulated by strict safety and performance standards, particularly in the commercial engine business. Compliance with these standards along with the competitive dynamics of the commercial airline business can create uncertainty regarding the profitability of commercial engine programs.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

Continued commercial airline financial distress, uncertainty in the global economic recovery and commodity price increases create uncertainties that could impact the Corporation's earnings outlook for the remainder of 2004.

**CRITICAL ACCOUNTING ESTIMATES**

Preparation of the Corporation's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements in the Corporation's Annual Report, incorporated by reference in Form 10-K for the calendar year 2003, describe the significant accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates.

The Corporation has exposures related to tax filings in the ordinary course of business. The Corporation periodically assesses its liabilities and contingencies for all tax years under audit based upon the latest information available. For those matters where it is probable that an adjustment will be asserted, the Corporation has recorded its best estimate of tax liability (including related interest charges) in its consolidated financial statements. In the second quarter of 2004, the Corporation settled open claims and other disputed items related to its 1986 to 1993 U.S. Federal tax audits as further described in "Results of Continuing Operations" below.

There have been no significant changes in the Corporation's critical accounting estimates during the first six months of 2004.

**RESULTS OF CONTINUING OPERATIONS**

Consolidated revenues were \$9,622 million in the second quarter of 2004, an increase of \$1,832 million (24%) when compared to the same period of 2003 and \$18,268 million for the six-month period of 2004, a \$3,776 million (26%) increase when compared to the same period of 2003. The second quarter and six-month period increases reflect revenue contributed from acquisitions (11%), primarily Chubb, and the favorable impact of foreign currency translation (2% and 3%, respectively), primarily resulting from the continued strength of the euro in relation to the U.S. dollar. The increases also reflect growth at Otis, at Carrier within the North American HVAC, Europe and transport refrigeration businesses, and increased commercial aerospace volume at Pratt & Whitney and in the Flight Systems segment.

Financing revenues and other income, net, increased \$85 million in the second quarter of 2004 and \$325 million for the first six months of 2004, when compared to the same periods of 2003. The second quarter and six-month increases primarily reflect approximately \$125 million of pretax interest income associated with the favorable settlement of claims and other disputed items related to the 1986 to 1993 U.S. Federal tax audits. The six-month increase also reflects a \$250 million payment from DaimlerChrysler in January 2004. In consideration for this payment, the Corporation released DaimlerChrysler from certain commitments previously made in support of MTU Aero Engines GmbH.

Gross margin as a percentage of sales decreased 0.8% and 1.3% in the second quarter and six-month period of 2004, respectively, when compared to the same periods of 2003. The decreases were due primarily to \$136 million and \$357 million of restructuring charges in the second quarter and first six months of 2004, respectively.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

The Corporation's research and development spending includes both company and customer funded programs. Total research and development spending for the Corporation increased \$18 million (3%) to \$683 million in the second quarter of 2004 compared to the same period of 2003 and increased \$189 million (15%) to \$1,438 million in the first six months of 2004 compared to the same period of 2003.

Company funded research and development spending increased \$32 million (11%) and \$105 million (20%) in the second quarter and first six months of 2004, respectively, when compared to the same periods of 2003. The second quarter and six-month increases are due primarily to increases of \$14 million and \$74 million, respectively, at Pratt & Whitney, reflecting in part, a technology funding agreement at Pratt & Whitney Canada in the first quarter of 2003 and increased spending on commercial engine research and development programs in 2004. As a percentage of sales, research and development was 3.3% in the second quarter and 3.5% in the first six months of 2004, compared to 3.6% in the same periods of 2003. Company funded research and development spending is subject to the variable nature of program development schedules.

In addition to company-funded programs, costs related to customer funded research and development programs were \$370 million and \$817 million in the second quarter and first six months of 2004, respectively, as compared to \$384 million and \$733 million for the same periods of 2003. The second quarter decrease is due primarily to the Comanche program termination. The six-month increase is primarily attributable to Pratt & Whitney's Joint Strike Fighter program. Customer funded research and development costs are expensed as incurred and are recorded as a component of cost of products sold.

Company funded research and development spending for the full year of 2004 is expected to increase by approximately \$200 million from 2003. Combined company and customer funded research and development spending is expected to be flat with 2003 levels.

Selling, general and administrative expenses increased \$231 million (27%) and \$572 million (35%) in the second quarter and first six months of 2004, respectively, when compared to the same periods of 2003. Approximately two-thirds of the second quarter and six-month increases were due to the acquisition of Chubb and \$16 and \$50 million, respectively, was due to 2004 restructuring charges. As a percentage of sales, these expenses were 11.5% and 12.3% for the quarter and six months ended June 30, 2004 compared to 11.1% and 11.3% for the same periods of 2003.

Interest expense decreased \$2 million (2%) and \$6 million (3%) in the second quarter and first six months of 2004, respectively, when compared to the same periods of 2003, reflecting lower average interest rates on short-term borrowings.

The effective income tax rate for the second quarter and first six months of 2004 was 22.5% and 24.9%, respectively, compared to 28% for the comparable periods in 2003. In the second quarter, the Corporation reached settlement with the IRS and obtained final review by the U.S. Congress Joint Committee on Taxation related to claims and other disputed items related to the 1986 to 1993 U.S. Federal tax audits. The settlement resulted in an approximate \$80 million reduction in tax expense and approximately \$125 million in pretax interest income, referred to above, both of which were recorded in the quarter ended June 30, 2004. The Corporation expects its effective tax rate to approximate 28% in the second half of the year. However, the Corporation's effective tax rate is dependent upon many factors and may vary in future periods.

The effective tax rate in the second half of 2003 was 26.3% and was favorably impacted by a \$448 million tax loss associated with the sale of a non-core business of Carrier. The tax loss was attributable to a worthless stock deduction relating primarily to a diminution in value of certain assets of International Comforts Products, USA ("ICP USA") and other events that fixed the loss in 2003, including transfer of substantially all of the heating and cooling assets, trade names and trademarks of ICP, USA to Carrier and the subsequent sale of ICP, USA and its remaining non-core business to a third party. The decrease in value, beginning in 2002 and continuing into 2003, was the result of many factors, the more significant of which were the overall decline in industry conditions, deteriorating pricing, and the loss of a key customer.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

The third party sale of the ICP assets did not result in a significant loss for financial accounting purposes because the book value and fair value of the assets were about equal. There was no impairment charge under FAS 142 "Goodwill and Intangible Assets" because the ICP, USA business was included in one of the reporting units within the Carrier segment and the evaluation of that reporting unit did not result in an impairment charge.

Net income and diluted earnings per share increased \$205 million (32%) and \$.40 (32%), respectively, in the second quarter of 2004 when compared with the same period of 2003 and \$282 million (25%) and \$.52 (23%), respectively, in the first six months of 2004 when compared with the same period of 2003.

**Restructuring**

During the first six months of 2004, the Corporation recorded net pre-tax restructuring and related charges totaling \$415 million for new and ongoing restructuring actions. These charges include \$259 million recorded in the first quarter and \$156 million recorded in the second quarter. During the first six months of 2004, the Corporation recorded charges in the segments as follows: Otis \$106 million, Carrier \$184 million, Pratt & Whitney \$74 million, Flight Systems \$38 million and Eliminations and other \$13 million. The charges include \$357 million in cost of sales, \$50 million in selling, general and administrative expenses and \$8 million in other income. As described below, these charges relate to actions initiated during 2004 and 2003.

**2004 Actions** During the first six months of 2004, the Corporation initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's McMinnville, Tennessee commercial air conditioning and ventilation product manufacturing facility, Otis' Stadthagen, Germany escalator manufacturing facility and various Pratt & Whitney facilities, including a Space Propulsion facility located in San Jose, California. During the first six months of 2004, net pre-tax restructuring and related charges, totaling \$348 million, included \$291 million recorded in cost of sales, \$49 million in selling, general and administrative expenses and \$8 million in other income. These charges were recorded in the Corporation's segments as follows: Otis \$88 million, Carrier \$135 million, Pratt & Whitney \$74 million, Flight Systems \$38 million and Eliminations and other \$13 million. These charges included \$206 million for severance and related employee termination costs, \$62 million for asset write-downs, including impairments, largely related to manufacturing assets and exiting facilities that will no longer be utilized, and \$80 million for facility exit and lease termination costs.

The 2004 actions are expected to result in net workforce reductions of approximately 4,300 hourly and salaried employees, the exiting of approximately 4.7 million square feet of facilities and the disposal of assets associated with the exited facilities. Approximately 60% of the total pre-tax charge will require cash payments, which will be primarily funded by cash generated from operations. The Corporation had pre-tax cash outflows related to the 2004 programs of approximately \$17 million and \$38 million during the first and second quarters of 2004, respectively. Savings are expected to increase over a two-year period resulting in recurring pre-tax savings of approximately \$200 million annually. As of June 30, 2004, net workforce reductions of approximately 1,900 employees have been completed and 160,000 square feet of facilities have been exited. The majority of the remaining workforce and facility related cost reduction actions are targeted for completion in 2004 and 2005. A significant portion of the remaining square footage to be eliminated under the 2004 actions relates to facilities at Carrier, Otis and Pratt & Whitney. Additional restructuring and related charges of \$155 million are expected to be incurred to complete these actions, primarily in 2004 and 2005. As of June 30, 2004, approximately \$157 million of severance and related costs and \$19 million of facility exit and lease termination accruals remain.



**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**2003 Actions** During the first six months of 2004, the Corporation recorded net pre-tax restructuring and related charges of \$67 million for actions initiated in 2003. These charges relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing, sales and service facilities including Carrier's Syracuse, New York-based container refrigeration and compressor manufacturing operations and Otis' Bloomington, Indiana-based manufacturing, distribution and field tool operations. The charges included \$66 million recorded in cost of sales and \$1 million in selling, general and administrative expenses. These charges were recorded in the Corporation's segments as follows: Otis \$18 million and Carrier \$49 million. The charges included \$25 million for severance and related employee termination costs and \$42 million for facility exit and lease termination costs.

The 2003 actions are expected to result in net workforce reductions of approximately 4,200 hourly and salaried employees, the exiting of approximately 1.9 million square feet of facilities and the disposal of assets associated with the exited facilities. Approximately 60% of the total pre-tax charge will require cash payments, which will be primarily funded by cash generated from operations. The Corporation had pre-tax cash outflows of approximately \$30 million, and \$31 million related to the 2003 programs during the first quarter and second quarter, respectively. Savings are expected to increase over a two-year period resulting in recurring pre-tax savings of approximately \$165 million annually. As of June 30, 2004, net workforce reductions of approximately 3,800 employees have been completed and 160,000 square feet of facilities have been exited. The majority of the remaining workforce and facility related cost reduction actions are targeted for completion in 2004. A significant portion of the remaining square footage to be eliminated under the 2003 actions relates to Carrier and Otis facilities. Additional restructuring and related charges of \$26 million are expected to be incurred to complete these actions, primarily in 2004. As of June 30, 2004, approximately \$44 million of severance and related costs and \$5 million of facility exit and lease termination accruals remain.

**Additional 2004 Actions**

The Corporation expects to incur approximately \$50-\$60 million of additional restructuring costs in each of the third and fourth quarters of 2004 related to previously announced restructuring actions. The Corporation expects that total restructuring costs in 2004 will exceed the first quarter contract related gain and second quarter tax settlement by approximately \$25 million.

The Corporation may initiate additional restructuring actions during the second half of 2004 through its continuing cost reduction efforts. No specific plans for new actions have been finalized at this time.

**Segment Review**

Revenues, operating profits and operating profit margins of the Corporation's principal segments include the results of all majority-owned subsidiaries, consistent with the management reporting of these businesses. As discussed in the Notes to the Condensed Consolidated Financial Statements, for certain of these subsidiaries, minority shareholders have rights, which overcome the presumption of control. In the Corporation's consolidated results, these subsidiaries are accounted for using the equity method of accounting. As a result of the adoption of FIN 46, certain of these subsidiaries are now consolidated. Adjustments to reconcile segment reporting for the quarters and six-month periods ended June 30, 2004 and 2003 are included in "Eliminations and other," which also includes certain small subsidiaries.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

Results for the quarters and six months ended June 30, 2004 and 2003 are as follows:

In Millions	Revenues		Operating Profits		Operating Profit Margin	
	Quarter Ended June 30,					
	2004	2003	2004	2003	2004	2003
Otis	\$ 2,208	\$ 1,956	\$ 363	\$ 336	16.4%	17.2%
Carrier	3,022	2,640	364	363	12.0%	13.8%
Chubb	708	—	35	—	4.9%	—
Pratt & Whitney	2,084	1,948	307	269	14.7%	13.8%
Flight Systems	1,547	1,392	199	173	12.9%	12.4%
Total segment	9,569	7,936	1,268	1,141	13.3%	14.4%
Eliminations and other	53	(146)	48	(48)		
General corporate expenses	—	—	(66)	(60)		
Consolidated	\$ 9,622	\$ 7,790	\$ 1,250	\$ 1,033		

Second quarter 2004 restructuring and related charges included in consolidated operating profit are as follows: Otis - \$38 million, Carrier - \$71 million, Pratt & Whitney - \$23 million, Flight Systems - \$17 million and Eliminations and other - \$7 million.

The Corporation recorded restructuring charges of \$22 million in the second quarter of 2003, similar in nature to those noted above.

In Millions	Revenues		Operating Profits		Operating Profit Margin	
	Six Months Ended June 30,					
	2004	2003	2004	2003	2004	2003
Otis	\$ 4,323	\$ 3,776	\$ 685	\$ 650	15.8%	17.2%
Carrier	5,256	4,597	439	514	8.4%	11.2%
Chubb	1,411	—	67	—	4.7%	—
Pratt & Whitney	4,028	3,679	528	545	13.1%	14.8%
Flight Systems	3,015	2,709	385	360	12.8%	13.3%
Total segment	18,033	14,761	2,104	2,069	11.7%	14.0%
Eliminations and other	235	(269)	243	(85)		
General corporate expenses	—	—	(134)	(114)		
Consolidated	\$ 18,268	\$ 14,492	\$ 2,213	\$ 1,870		

Restructuring and related charges for the six months ended June 30, 2004 included in consolidated operating profit are as follows: Otis - \$106 million, Carrier - \$184 million, Pratt & Whitney - \$74 million, Flight Systems - \$38 million and Eliminations and other - \$13 million.

In the first and second quarters of 2003, the Corporation recorded restructuring and related charges, similar in nature to those above, of \$11 million and \$22 million, respectively, in connection with its continuing cost reduction efforts in both the commercial and aerospace segments.

Otis revenues increased \$252 million (13%) and \$547 million (14%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003, reflecting growth in all geographic regions. The second quarter and six month increases also reflect the estimated favorable impact of foreign currency translation (5% and 7%, respectively) and the impact of acquisitions (3% and 2%, respectively).

Otis operating profits increased \$27 million (8%) and \$35 million (5%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003. These increases reflect profit improvement at constant currency, primarily in Europe and Asia and the estimated favorable

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

impact of foreign currency translation (6% and 8%, respectively), partially offset by restructuring charges of \$38 million (11%) and \$106 million (16%), respectively.

**Carrier** revenues increased \$382 million (14%) and \$659 million (14%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003. All businesses reported year over year revenue growth with North American HVAC, transport refrigeration and Europe contributing approximately two-thirds of the overall growth in the second quarter and first six months of 2004. The favorable impact of foreign currency translation increased revenues by approximately 2% and 3%, respectively, in the second quarter and first six months of 2004 compared to the same periods of 2003.

Carrier operating profits increased \$1 million (.3%) and decreased \$75 million (15%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003. The second quarter and six-month results reflect profit improvements (21% and 24%, respectively) attributable to improvements in North American HVAC, transport refrigeration and Europe businesses offset by restructuring charges of \$71 million (20%) and \$184 million (36%), respectively. The second quarter and six-month results of 2004 include the benefit of productivity and factory consolidation actions as well as the unfavorable impact of increased commodity costs. The favorable impact of foreign currency translation increased operating profits by approximately 3% and 4% in the second quarter and six-month periods, respectively, compared to the same periods in 2003.

**Chubb** revenues and operating profits were \$708 million and \$35 million, respectively, for the quarter ended June 30, 2004 and \$1,411 million and \$67 million, respectively, for the six months ended June 30, 2004. Approximately 75% of the reported revenues and operating profit in the second quarter and six months ended June 30, 2004 were contributed by fire and security services in Australia, the United Kingdom and Continental Europe.

**Pratt & Whitney** revenues increased \$136 million (7%) and \$349 million (9%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003. The second quarter and six-month increases reflect higher commercial aerospace revenues (11% and 9%, respectively) due to higher commercial spares volume and higher engine shipments at Pratt & Whitney Canada, partially offset by lower military revenues (5% and 1%, respectively) due to lower engine shipments and lower Joint Strike Fighter development revenues.

Pratt & Whitney operating profits increased \$38 million (14%) and decreased \$17 million (3%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003. The second quarter increase is due primarily to higher commercial aerospace profits (31%), due primarily to increased spares volume, partially offset by restructuring charges (9%), costs associated with environmental obligations (7%) and higher company funded research and development (5%). The six-month decrease was due primarily to higher company funded research and development spending (14%), 2004 restructuring charges (14%) and costs associated with the collaboration accounting litigation matter (8%) recorded in the first quarter of 2004. These decreases were mostly offset by an increase in commercial aerospace profits (31%), primarily due to increased commercial spares volume and increased volume at Pratt & Whitney Canada.

**Flight Systems** revenues increased \$155 million (11%) and \$306 million (11%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003. The second quarter and six-month increases reflect higher original equipment sales at Sikorsky and higher revenues at Hamilton Sundstrand's industrial businesses (7% and 6%, respectively) and higher aftermarket revenues at both Hamilton Sundstrand and Sikorsky (4% and 5%, respectively). The favorable impact of foreign currency translation increased revenues by approximately 2% in the first six months of 2004.

Flight Systems operating profits increased \$26 million (15%) and \$25 million (7%) in the second quarter and first six months of 2004, respectively, compared to the same periods of 2003. The second quarter and six-month increases primarily reflect an increase in aftermarket profits at both Sikorsky and Hamilton Sundstrand, partially offset by restructuring charges of \$17 million (10%) and \$38 million (11%), respectively, primarily at Hamilton Sundstrand.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Eliminations and other** revenues and operating profits in the second quarter of 2004 of \$53 million and \$48 million, respectively, and in the first six months of 2004 of \$235 million and \$243 million, respectively, reflect the one-time gain of \$250 million from the settlement with DaimlerChrysler in the first quarter of 2004 and approximately \$125 million of pretax interest income associated with the settlement of claims and other disputed items related to the 1986 to 1993 open tax years described above.

**LIQUIDITY AND FINANCIAL CONDITION**

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

In Millions	June 30, 2004	December 31, 2003	June 30, 2003
Cash and cash equivalents	\$ 2,018	\$ 1,623	\$ 2,415
Total debt	4,965	5,301	4,892
Net debt (total debt less cash)	2,947	3,678	2,477
Shareowners' equity	12,480	11,707	9,526
Total capitalization (debt plus equity)	17,445	17,008	14,418
Net capitalization (debt plus equity less cash)	15,427	15,385	12,003
Debt to total capitalization	28%	31%	34%
Net debt to net capitalization	19%	24%	21%

Net cash flows provided by operating activities increased \$836 million in the first six months of 2004 compared to the corresponding period in 2003, due primarily to a \$250 million payment from the settlement with DaimlerChrysler in the first quarter of 2004, \$220 million lower total global pension contributions in the first six months of 2004 compared to the same period of 2003 and improved working capital levels.

Cash used in investing activities increased \$113 million in the first six months of 2004 compared with the same period of 2003, primarily reflecting higher capital expenditures and investments in businesses partially offset by approximately \$70 million of cash recorded from the consolidation of entities upon the adoption of FIN 46. Cash spending for investments in businesses for the first six months of 2004 was \$209 million, including \$165 million in the second quarter, primarily for acquisitions at Carrier and Otis. Capital expenditures for the full year 2004 are expected to increase and approximate 90% of current year depreciation levels.

On March 15, 2004, the Corporation announced that Carrier had reached a definitive agreement to acquire Linde AG's Refrigeration division ("Linde") for approximately 255 million euros, including estimated debt upon closing. In addition, Carrier agreed to assume approximately 70 million euros of pension and related expenses. Linde, a commercial refrigeration business, is headquartered in Germany and has annual sales of approximately \$1 billion. Its operations include manufacturing facilities in Europe, Asia and South America. The agreement, which was approved by the European Commission in July, is subject to certain other regulatory approvals. The transaction is expected to close in 2004. The Corporation expects total investments in businesses for the full year 2004 to approximate \$2 billion, including debt assumed. However, actual acquisition spending may vary depending upon the availability of appropriate acquisition opportunities.

Customer financing activity was a net use of cash of \$45 million in the first six months of 2004 compared with a \$56 million net use of cash in the first six months of 2003, reflecting lower customer generated financing requirements. While the Corporation expects that 2004 customer financing activity

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

will be a net use of funds, actual funding is subject to usage under existing customer financing commitments during the remainder of the year. The Corporation had financing and rental commitments of approximately \$1.3 billion and \$1.2 billion related to commercial aircraft at June 30, 2004 and December 31, 2003, respectively. The Corporation may also arrange for third-party investors to assume a portion of its commitments.

Net cash flows used in financing activities increased \$570 million in the first six months of 2004 compared with the same period of 2003. The increase reflects higher short-term debt repayments, and increased dividend and share repurchases, partially offset by higher option exercises. Under a shelf registration statement previously filed with the Securities and Exchange Commission, the Corporation can issue approximately \$1.1 billion of additional debt and equity securities.

The Corporation repurchased \$480 million of Common Stock, representing approximately 5.5 million shares, in the first six months of 2004 under previously announced share repurchase programs. In October 2002, the Corporation announced that the Board of Directors authorized the repurchase of up to 30 million shares. The authorization replaced the previous share repurchase authority. The Corporation expects total share repurchases in 2004 of approximately \$800 million; however, total repurchases may vary depending upon the level of other investing activities. The share repurchase program continues to be a use of the Corporation's cash flows and is expected to offset the dilutive effect of the issuance of stock and options under stock-based employee benefit programs.

The funded status of the Corporation's pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. The Corporation can contribute cash to its plans at its discretion and made \$358 million of voluntary cash contributions to its global pension plans during the first six months of 2004. The Corporation expects total voluntary contributions to its global pension plans in 2004 to be a minimum of \$500 million.

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.

Management believes that its existing cash position and other available sources of liquidity are sufficient to meet current and anticipated requirements for the foreseeable future. Although variations in acquisition spending could cause changes in debt-to-capital levels, management anticipates that the year-end 2004 debt-to-capital level will approximate the year-end 2003 level.

**Off-Balance Sheet Arrangements and Contractual Obligations**

In its 2003 Form 10-K, the Corporation disclosed its off-balance sheet arrangements and contractual obligations in compliance with the Securities and Exchange Commission's final ruling on the "Disclosure in Management's Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations." As discussed in the Notes to the Condensed Consolidated Financial Statements, in the first quarter of 2004, the Corporation entered into a new guarantee related to a Sikorsky-Lockheed joint venture. There have been no other material changes to off-balance sheet arrangements or contractual obligations outside the ordinary course of business since December 31, 2003.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There has been no significant change in the Corporation's exposure to market risk during the first six months of 2004. For discussion of the Corporation's exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contained in the Corporation's Annual Report incorporated by reference in Form 10-K for the calendar year 2003.

**Item 4. Controls and Procedures**

As of the end of the quarter ended June 30, 2004, management, including the Corporation's Chief Executive Officer and principal financial officers, has evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based upon that evaluation, and as of the end of the quarter for which this report is made, the Chief Executive Officer and principal financial officers concluded that the disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Corporation files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

There has been no change in the Corporation's internal control over financial reporting during the Corporation's quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

During the first six months of 2004, the Corporation invested \$209 million in the acquisition of businesses. As part of its ongoing integration activities, the Corporation is continuing to incorporate its controls and procedures into these recently acquired businesses.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS**

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

- Future earnings and other measures of financial performance
- Future cash flow and uses of cash
- The effect of economic downturns or growth in particular regions
- The effect of changes in the level of activity in particular industries or markets
- The scope, nature or impact of acquisition activity and integration into the Corporation’s businesses
- Product developments and new business opportunities
- Restructuring costs and savings
- The outcome of contingencies
- Future repurchases of Common Stock
- Future levels of indebtedness and capital spending
- Pension plan assumptions and future contributions.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. This Quarterly Report on Form 10-Q includes important information as to risk factors in the “Notes to Condensed Consolidated Financial Statements” under the heading “Contingent Liabilities” and in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Environment,” “Critical Accounting Estimates,” “Results of Continuing Operations,” and “Liquidity and Financial Condition.” The Corporation’s Annual Report on Form 10-K for the calendar year 2003 also includes important information as to risk factors in the “Business” section under the headings “General,” “Description of Business by Segment” and “Other Matters Relating to the Corporation’s Business as a Whole” and in the “Legal Proceedings” section. Additional important information as to risk factors is included in the Corporation’s 2003 Annual Report to Shareowners in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Environment,” “Critical Accounting Estimates,” “Environmental Matters” and “Restructuring and Other Costs.” For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see the Corporation’s reports on Forms 10-Q and 8-K filed with the Securities and Exchange Commission from time to time.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Part II – Other Information**

**Item 1. Legal Proceedings**

As previously reported, the Department of Justice filed a complaint under the civil False Claims Act and related common law theories in March 1999 against the Corporation in the U.S. District Court for the Southern District of Ohio. This lawsuit relates to the “Fighter Engine Competition” between Pratt & Whitney’s F100 engine and GE’s F110 engine, for contracts awarded by the U.S. Air Force between fiscal years 1985 and 1990, inclusive. The Government alleges that it overpaid for engines because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. As previously reported, the Government amended its complaint in September 2003 to allege damages in excess of \$141 million, and to add an additional allegation without quantifying damages. Treble damages and penalties of up to \$10,000 per false claim could be assessed if the court finds that Pratt & Whitney violated the civil False Claims Act, and common law damages would accrue pre-judgment interest. In February 2004, the Government’s expert witnesses filed reports expressing their opinion that Pratt & Whitney’s cumulative liability for damages, penalties and interest may be as much as \$805 million. As previously reported, an amended report reduced this estimate to approximately \$777 million. On May 28, 2004, a further amended report reduced this estimate to \$624 million. The Corporation believes that this amended estimate remains substantially overstated. The Corporation denies any liability and is vigorously defending the Government’s claims. Trial of this matter is scheduled for the fourth quarter of 2004.

As previously disclosed, the European Commission’s competition directorate (the “Commission”) conducted inspections earlier this year at offices of the Corporation’s Otis subsidiary in Berlin, Brussels, Luxembourg and Paris. The inspections relate to the Commission’s ongoing investigation of possible unlawful collusive arrangements involving the elevator and escalator industry in Europe. The Corporation is cooperating fully with the Commission’s investigation and is conducting its own internal investigation of these matters. Based on the results of its internal investigation, the Corporation believes that some Otis employees in limited European locations engaged in activities at a local level in violation of Otis and Corporation policies, and may have violated applicable competition law. It is still too early in the Commission’s investigation for the Corporation to reasonably estimate the range of civil fines to which it would likely be subject. The aggregate amount of such fines, if ultimately imposed, could be material to the Corporation’s operating results for the period in which the liability would be recognized or cash flows for the period in which the fines would be paid. The Corporation does not believe that any such fines would have a material adverse effect on the Corporation’s financial condition, or that the resolution of this matter would have a material adverse effect on Otis’ competitive position.

Since the Commission’s investigation became public and the Corporation announced the preliminary results of its internal investigation, class action lawsuits have been filed in various federal district courts in the United States naming the Corporation, Otis and others as defendants and alleging a worldwide agreement among elevator and escalator manufacturers to fix prices in violation of the Sherman Act. The plaintiffs purport to represent injured parties worldwide that have allegedly purchased elevators, escalators, or elevator and escalator repair services from the Corporation, Otis, and other defendants. These lawsuits will likely be consolidated through the Multi-District Litigation procedures available in the United States. The lawsuits do not specify the amount of damages claimed. The Corporation believes that these lawsuits are the result of press reports about the Commission’s investigation and that they are devoid of merit. The Corporation will defend them vigorously.



**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

Except as noted above, there have been no material developments in legal proceedings. For a description of previously reported legal proceedings, refer to Part I, Item 3, "Legal Proceedings", of the Corporation's Annual Report on Form 10-K for 2003.

**Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

**Issuer Purchases of Equity Securities**

2004	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (000's)	Maximum Number of Shares that may yet be Purchased Under the Program (000's)
April 1 – April 30	468	\$ 87.64	468	16,530
May 1 – May 31	1,650	84.37	1,650	14,880
June 1 – June 30	970	86.91	970	13,910
<b>Total</b>	<b>3,088</b>	<b>\$ 85.65</b>	<b>3,088</b>	<b>13,910</b>

In October 2002, the Corporation announced that the Board of Directors authorized the repurchase of up to 30 million shares of the Corporation's Common Stock. Shares may be purchased on the open market, in privately negotiated transactions, or both. The Corporation does not have any other share repurchase programs.

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

The Corporation held its Annual Meeting of Shareowners on April 14, 2004.

The following individuals were nominated and elected to serve as directors:

Betsy J. Bernard, George David, Jean-Pierre Garnier, Jamie S. Gorelick, Charles R. Lee, Richard D. McCormick, Harold McGraw III, Frank P. Popoff, H. Patrick Swygert, André Villeneuve, Harold A. Wagner and Christine Todd Whitman.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

The Shareowners voted as follows on the following matters:

- 1) Election of directors. The voting results for each of the nominees are as follows:

<u>Election of Directors</u>	<u>Votes For</u>	<u>Votes Withheld</u>
Betsy J. Bernard	392,874,091	10,724,015
George David	390,623,646	12,974,460
Jean-Pierre Garnier	393,301,115	10,296,991
Jamie S. Gorelick	390,807,198	12,790,908
Charles R. Lee	389,419,523	14,178,583
Richard D. McCormick	391,257,742	12,340,364
Harold McGraw III	387,394,657	16,203,449
Frank P. Popoff	388,114,195	15,483,911
H. Patrick Swygert	393,247,565	10,350,541
André Villeneuve	391,117,904	12,480,202
H. A. Wagner	392,565,967	11,032,139
Christine Todd Whitman	392,778,433	10,819,673

- 2) A proposal of the Audit Committee and the Board of Directors to re-appoint PricewaterhouseCoopers LLP to serve as Independent Auditor. A total of 387,764,723 shares were voted for and 8,473,178 shares were voted against this proposal. The holders of 7,360,205 votes abstained from voting.
- 3) A shareowner proposal recommending disclosure of executive officers contractually entitled to receive greater than \$500,000 in cash compensation. A total of 64,046,888 shares were voted for and 280,672,895 shares were voted against this proposal. The holders of 8,884,777 votes abstained from voting and there were 49,993,546 broker non-votes.
- 4) A shareowner proposal recommending that the Corporation amend and amplify the code of conduct and statements of ethical criteria for military contracts and provide a report to shareowners. A total of 11,978,949 shares were voted for and 306,670,990 shares were voted against this proposal. The holders of 34,954,621 votes abstained from voting and there were 49,993,546 broker non-votes.
- 5) A shareowner proposal recommending that the Board of Directors adopt a policy that a significant portion of future stock option grants to senior executives shall be performance-based. A total of 193,468,875 shares were voted for and 151,774,470 shares were voted against this proposal. The holders of 8,361,215 votes abstained from voting and there were 49,993,546 broker non-votes.
- 6) A shareowner proposal recommending that the board of Directors amend the bylaws to require an independent Chairman who has not served as chief executive officer of the Corporation. A total of 133,291,756 shares were voted for and 209,906,517 shares were voted against this proposal. The holders of 10,406,287 votes abstained from voting and there were 49,993,546 broker non-votes.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

- (3)(ii) Amended and Restated Bylaws of the Corporation. \*
- (12) Statement re: computation of ratio of earnings to fixed charges. \*
- (15) Letter re: unaudited interim financial information. \*
- (31) Rule 13a-14(a)/15d-14(a) Certifications. \*
- (32) Section 1350 Certifications. \*

(b) Reports on Form 8-K

On April 21, 2004, the Corporation submitted a report on Form 8-K, furnishing under Item 12, a press release dated April 21, 2004 announcing its first quarter results. (Such press release is not incorporated by reference herein or deemed "filed" within the meaning of Section 18 of the Securities Act.)

---

\* Submitted electronically herewith.

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**SIGNATURE S**

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

UNITED TECHNOLOGIES CORPORATION

Dated: July 29, 2004

By: /s/ James E. Geisler

James E. Geisler  
Vice President, Finance

Dated: July 29, 2004

By: /s/ Gregory J. Hayes

Gregory J. Hayes  
Vice President, Accounting and Control;  
Controller

Dated: July 29, 2004

By: /s/ William H. Trachsel

William H. Trachsel  
Senior Vice President and General Counsel

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**EXHIBIT INDEX**

- (3)(ii) Amended and Restated Bylaws of the Corporation. \*
- (12) Statement re: computation of ratio of earnings to fixed charges. \*
- (15) Letter re: unaudited interim financial information. \*
- (31) Rule 13a-14(a)/15d-14(a) Certifications. \*
- (32) Section 1350 Certifications. \*

---

\* Submitted electronically herewith.

BYLAWS  
OF  
UNITED TECHNOLOGIES CORPORATION  
AS RESTATED AND AMENDED EFFECTIVE MARCH 10, 2004

SECTION 1 - Meetings of Shareholders

SECTION 1.1 *Annual Meetings.*

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

SECTION 1.2 *Special Meetings.*

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

SECTION 1.3 *Time and Place of Meetings.*

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

SECTION 1.4 *Notice of Meetings.*

A notice of each meeting of shareholders, stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given personally, by mail or by electronic transmission as set forth below to each shareholder entitled to vote at the meeting. Unless otherwise provided by statute, the notice shall be given not less than 10 nor more than 60 days before the date of the meeting and, if mailed, shall be deposited in the United States mail, postage prepaid, directed to the shareholder at his address as it appears on the records of the Corporation. No notice need be given to any person with whom communication is unlawful, nor shall there be any duty to apply for any permit or license to give notice to any such person. If the time and place of an adjourned meeting of shareholders are announced at the meeting at which the adjournment is taken, no notice need be given of the adjourned meeting unless that adjournment is for more than 30 days or unless, after the adjournment, a new record date is fixed for the adjourned meeting. Without limiting the manner by which notice otherwise may be given effectively to shareholders, any notice to shareholders under the certificate of incorporation and these Bylaws may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law.

**SECTION 1.5 *Waiver of Notice.***

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

**SECTION 1.6 *Quorum and Manner of Acting.***

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

**SECTION 1.7 *Voting.***

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

#### SECTION 1.8 *Judges.*

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

#### SECTION 1.9 *List of Shareholders.*

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

#### SECTION 1.10 *Notice of Shareholder Business and Nominations.*

##### *(A) Annual Meetings of Shareholders.*

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

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



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

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

*(B) Special Meetings of Shareholders.*

Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 1.10, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (A)(2) of this Section 1.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120<sup>th</sup> day prior to such special meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the

nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a shareholder's notice as described above.

*(C) General.*

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

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

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

SECTION 1.11

*(A) Consents to Corporate Action.*

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

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

*(B) Determination of Record Date of Action by Written Consent.*

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

*(C) Procedures for Written Consent.*

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

SECTION 2 - Board of Directors

*SECTION 2.1 Number and Term of Office.*

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

*SECTION 2.2 Election.*

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

---

### SECTION 2.3 *Organization Meetings.*

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

### SECTION 2.4 *Stated Meetings.*

The Board of Directors may provide for stated meetings of the Board.

### SECTION 2.5 *Special Meetings.*

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

### SECTION 2.6 *Business of Meetings.*

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

### SECTION 2.7 *Time and Place of Meetings.*

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

### SECTION 2.8 *Notice of Meetings.*

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

SECTION 2.9 *Waiver of Notice.*

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

SECTION 2.10 *Attendance by Telephone or Other Means of Communication.*

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

SECTION 2.11 *Quorum and Manner of Acting.*

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

SECTION 2.12 *Action Without a Meeting.*

Any action which could be taken at a meeting of the Board of Directors may be taken without a meeting if all of the directors consent to the action in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of the Board. Such filings shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

SECTION 2.13 *Compensation of Directors.*

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

**SECTION 2.14 *Resignation of Directors.***

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

**SECTION 2.15 *Removal of Directors.***

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

**SECTION 2.16 *Filling of Vacancies Not Caused by Removal.***

Vacancies and newly created directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; *provided*, that if the vacancy to be filled would, at an election of the whole Board of Directors, be filled by a class vote of less than all of the outstanding shares of the Corporation, and if any of the directors remaining in office were elected by the same class, such majority vote of the directors shall be effective only if it is concurred in by a majority of the remaining directors elected by such class or by a sole remaining director elected by such class. If for any reason there shall be no directors in office, any officer, any shareholder or any executor, administrator, trustee or guardian of a shareholder, or other fiduciary with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders in accordance with the provisions of these Bylaws for the purpose of electing directors.

## SECTION 3 - Committees of the Board of Directors

### SECTION 3.1 *Executive Committee.*

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

### SECTION 3.2 *Other Committees.*

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

### SECTION 3.3 *Powers Reserved to the Board.*

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

### SECTION 3.4 *Election of Committee Members; Vacancies.*

So far as practicable, members of the Committees of the Board and their alternates (if any) shall be appointed at each organization meeting of the Board of Directors and, unless sooner discharged by an affirmative vote of the majority of the whole Board, shall hold office until the next organization meeting of the Board and until their respective successors are appointed. In the absence or disqualification of any member of a

Committee of the Board, the member or members (including alternates) present at any meeting of the Committee and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in place of any absent or disqualified member. Vacancies in Committees of the Board created by death, resignation or removal may be filled by an affirmative vote of a majority of the whole Board of Directors.

#### SECTION 3.5 *Meetings.*

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

#### SECTION 3.6 *Quorum and Manner of Acting.*

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

#### SECTION 4 - *Officers*

##### SECTION 4.1 *Election and Appointment.*

The elected officers of the Corporation shall consist of a Chairman, a President, one or more Vice Presidents, a Controller, a Treasurer, a Secretary and such other elected officers as shall from time to time be designated by the Board of Directors. The Board shall designate from among such elected officers a chief executive officer, a chief operating officer and a chief accounting officer of the Corporation, and may from time to time make, or provide for, other designations it deems appropriate. The Board may also appoint, or provide for the appointment of, such other officers and agents as may from time to time appear necessary or advisable in the conduct of the affairs of the Corporation. The same person may hold more than one office.



**SECTION 4.2 *Duties of the Chairman.***

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

**SECTION 4.3 *Duties of the Chief Executive Officer.***

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

**SECTION 4.4 *Duties of Other Officers.***

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

**SECTION 4.5 *Term of Office and Vacancy.***

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

**SECTION 4.6 *Removal of Elected Officers.***

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

**SECTION 4.7 *Compensation of Elected Officers.***

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

**SECTION 5 - Shares and Transfer of Shares**

**SECTION 5.1 *Certificates.***

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

**SECTION 5.2 *Transfer Agents and Registrars.***

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

**SECTION 5.3 *Transfers of Shares.***

Shares of the Corporation may be transferred upon authorization by the record holder thereof, or by an attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a Transfer Agent and Registrar, and by the delivery of the certificates therefor, provided such shares are represented by certificates, accompanied either by an assignment in writing on the back of the certificates or by written power of

attorney to sell, assign or transfer the same, signed by the record holder thereof, but no transfer shall affect the right of the Corporation to pay any dividend upon the shares to the holder of record thereof, or to treat the holder of record as the holder in fact thereof for all purposes; and no transfer shall be valid, except between the parties thereto, until such transfer shall have been made upon the books of the Corporation.

#### SECTION 5.4 *Lost Certificates.*

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

#### SECTION 5.5 *Record Dates.*

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

#### SECTION 6 - Miscellaneous

##### SECTION 6.1 *Fiscal Year.*

The fiscal year of the Corporation shall be the calendar year.

**SECTION 6.2 *Surety Bonds.***

The Chief Financial Officer, the Controller, the Treasurer, each Assistant Treasurer, and such other officers and agents of the Corporation as the Board of Directors may from time to time direct shall be bonded at the expense of the Corporation for the faithful performance of their duties in such amounts and by such surety companies as the Board may from time to time determine.

**SECTION 6.3 *Signature of Negotiable Instruments.***

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

**SECTION 6.4 *Independent Accountants.***

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

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

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

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

SECTION 7 - Bylaws Amendments

SECTION 7.1 *By the Shareholders.*

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

SECTION 7.2 *By the Directors.*

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

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Six Months Ending June 30,	
	2004	2003
<b>In Millions</b>		
<b>Fixed Charges:</b>		
Interest expense	\$ 178	\$ 184
Interest capitalized	6	5
One-third of rents*	51	40
<b>Total Fixed Charges</b>	<b>\$ 235</b>	<b>\$ 229</b>
<b>Earnings:</b>		
Income before income taxes and minority interests	\$ 2,035	\$ 1,686
Fixed charges per above	235	229
Less: interest capitalized	(6)	(5)
	229	224
Amortization of interest capitalized	4	2
<b>Total Earnings</b>	<b>\$ 2,268</b>	<b>\$ 1,912</b>
<b>Ratio of Earnings to Fixed Charges</b>	<b>9.65</b>	<b>8.35</b>

\* Reasonable approximation of the interest factor.

July 28, 2004

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

Commissioners:

We are aware that our report dated July 21, 2004 on our review of interim financial information of United Technologies Corporation (the "Corporation") for the three and six month periods ended June 30, 2004, and for the three month period ended March 31, 2004 and included in the Corporation's quarterly report on Form 10-Q for the quarter June 30, 2004 is incorporated by reference in its Registration Statements on Form S-3 (Nos. 333-51830 and 333-60276), in the Registration Statement on Form S-4 (No. 333-77991) as amended by Post-Effective Amendment No. 1 on Form S-8 (No. 333-77991-01) and in the Registration Statements on Form S-8 (Nos. 333-110020, 333-103307, 333-103306, 333-103305, 333-100724, 333-100723, 333-100718, 333-82911, 333-77817, 333-21853, 333-21851, 333-18743, 033-58937, 033-57769, 033-51385, 033-45440, 033-26627, 033-28974, 033-26580).

Very truly yours,

PricewaterhouseCoopers LLP

## CERTIFICATION

I, George David, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2004

/s/ George David

---

George David  
Chairman and Chief Executive Officer



CERTIFICATION

I, James E. Geisler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2004

/s/ James E. Geisler

---

James E. Geisler  
Vice President, Finance

CERTIFICATION

I, Gregory J. Hayes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2004

/s/ Gregory J. Hayes

---

Gregory J. Hayes  
Vice President, Accounting and Control;  
Controller

**Section 1350 Certifications**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of United Technologies Corporation, a Delaware corporation (the "Corporation"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (the "Form 10-Q") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: July 29, 2004

/s/ George David

---

George David  
Chairman and Chief Executive Officer

Date: July 29, 2004

/s/ James E. Geisler

---

James E. Geisler  
Vice President, Finance

Date: July 29, 2004

/s/ Gregory J. Hayes

---

Gregory J. Hayes  
Vice President, Accounting and Control;  
Controller