

UNITED TECHNOLOGIES CORP /DE/

Form 10-Q

April 30, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

At March 31, 2012 there were 911,358,152 shares of Common Stock outstanding.

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**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

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United Technologies Corporation and its subsidiaries' names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of United Technologies Corporation and its subsidiaries. Names, abbreviations of names, logos, and products and service designators of other companies are either the registered or unregistered trademarks or tradenames of their respective owners. As used herein, the terms "we," "us," "our" or "UTC," unless the context otherwise requires, mean United Technologies Corporation and its subsidiaries.



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<b>Comprehensive income attributable to common shareowners</b>	<b>\$ 819</b>	<b>\$ 1,680</b>
Net income (loss) attributable to common shareowners:		
Net income from continuing operations	\$ 1,183	\$ 967
Net (loss) income from discontinued operations	\$ (853)	\$ 45
Earnings Per Share of Common Stock - Basic:		
Net income from continuing operations	\$ 1.33	\$ 1.08
Net income attributable to common shareowners	\$ .37	\$ 1.13
Earnings Per Share of Common Stock - Diluted:		
Net income from continuing operations	\$ 1.31	\$ 1.06
Net income attributable to common shareowners	\$ .36	\$ 1.11

See accompanying Notes to Condensed Consolidated Financial Statements



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Retained earnings	33,389	33,487
Unearned ESOP shares	(149)	(152)
Accumulated other comprehensive loss	(5,001)	(5,490)
Total Shareowners' Equity	22,492	21,880
Noncontrolling interest	1,057	940
Total Equity	23,549	22,820
Total Liabilities and Equity	\$ 61,724	\$ 61,452

See accompanying Notes to Condensed Consolidated Financial Statements

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**UNITED TECHNOLOGIES CORPORATION**
**AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

(Dollars in millions)	<b>Three Months Ended March 31,</b>	
	2012	2011
<b>Operating Activities of Continuing Operations:</b>		
Net income from continuing operations	\$ 1,258	\$ 1,054
Adjustments to reconcile net income from continuing operations to net cash flows provided by operating activities of continuing operations:		
Depreciation and amortization	320	316
Deferred income tax provision	159	122
Stock compensation cost	48	50
Change in:		
Accounts receivable	477	(41)
Inventories and contracts in progress	(719)	(817)
Other current assets	(13)	(70)
Accounts payable and accrued liabilities	64	656
Global pension contributions	(13)	(29)
Other operating activities, net	(269)	79
<b>Net cash flows provided by operating activities of continuing operations</b>	<b>1,312</b>	<b>1,320</b>
<b>Investing Activities of Continuing Operations:</b>		
Capital expenditures	(188)	(171)
Investments in businesses	(72)	(106)
Dispositions of businesses	52	49
Decrease in customer financing assets, net	16	18
Other investing activities, net	80	8
<b>Net cash flows used in investing activities of continuing operations</b>	<b>(112)</b>	<b>(202)</b>
<b>Financing Activities of Continuing Operations:</b>		
Repayment of long-term debt, net	(63)	(33)
(Decrease) increase in short-term borrowings, net	(404)	226
Common Stock issued under employee stock plans	120	89
Dividends paid on Common Stock	(412)	(368)
Repurchase of Common Stock		(727)
Other financing activities, net	(78)	(58)
<b>Net cash flows used in financing activities of continuing operations</b>	<b>(837)</b>	<b>(871)</b>
<b>Discontinued Operations:</b>		
Net cash (used in) provided by operating activities	(10)	41
Net cash provided by investing activities	1	1
Net cash used in financing activities	(2)	(8)

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Net cash (used in) provided by discontinued operations	(11)	34
Effect of foreign exchange rate changes on cash and cash equivalents	50	76
Net increase in cash and cash equivalents	402	357
Cash and cash equivalents, beginning of year	5,960	4,083
Cash and cash equivalents, end of period	6,362	4,440
Less: Cash and cash equivalents of discontinued operations	77	
Cash and cash equivalents of continuing operations, end of period	\$ 6,285	\$ 4,440

See accompanying Notes to Condensed Consolidated Financial Statements





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The planned divestitures are Hamilton Sundstrand's Industrial businesses, Pratt & Whitney Rocketdyne ( Rocketdyne ), and Clipper Windpower ( Clipper ). The operating results of Clipper had previously been reported within Eliminations & other in our segment disclosure. As a result of the decision to dispose of these businesses, the Company has recorded pre-tax goodwill impairment charges of approximately \$360 million and \$590 million related to Rocketdyne and Clipper, respectively, in discontinued operations during the first quarter of 2012. The goodwill impairment charges result from the decision to dispose of both Rocketdyne and Clipper within a relatively short period after acquiring the businesses. Consequently, there has not been sufficient opportunity for the long-term operations to recover the value implicit in goodwill at the initial date of acquisition. Fair value of these businesses has been estimated using information available in the marketplace as we market these businesses for sale.



**Table of Contents****Note 3: Earnings Per Share**

<b>(Dollars in millions, except per share amounts; shares in millions)</b>	<b>Quarter Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net income from continuing operations	\$ 1,183	\$ 967
Net (loss) income from discontinued operations	(853)	45
Net income attributable to common shareowners	\$ 330	\$ 1,012
Basic weighted average number of shares outstanding	890.9	898.7
Stock awards	13.0	16.2
Diluted weighted average number of shares outstanding	903.9	914.9
<b>Earnings (Loss) Per Share of Common Stock - Basic:</b>		
Net income from continuing operations	\$ 1.33	\$ 1.08
Net (loss) income from discontinued operations	(0.96)	0.05
Net income attributable to common shareowners	0.37	1.13
<b>Earnings (Loss) Per Share of Common Stock - Diluted:</b>		
Net income from continuing operations	\$ 1.31	\$ 1.06
Net (loss) income from discontinued operations	(0.94)	0.05
Net income attributable to common shareowners	0.36	1.11

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock appreciation rights and stock options, when the average market price of the common stock is lower than the exercise price of the related stock awards during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would be anti-dilutive. For the quarters ended March 31, 2012 and 2011, there were no anti-dilutive stock awards excluded from the computation.

**Note 4: Inventories and Contracts in Progress**

<b>(Dollars in millions)</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Raw materials	\$ 1,247	\$ 1,321
Work-in-process	3,596	3,175
Finished goods	3,238	3,078
Contracts in progress	7,173	6,899
	15,254	14,473
<b>Less:</b>		
Progress payments, secured by lien, on U.S. Government contracts	(387)	(422)
Billings on contracts in progress	(6,501)	(6,254)
	\$ 8,366	\$ 7,797

As of March 31, 2012 and December 31, 2011, the above inventory balances include capitalized contract development costs of \$808 million and \$776 million, respectively, related to certain aerospace programs. These capitalized costs are liquidated as production units are delivered to the customer. The capitalized contract development costs within inventory principally relate to costs capitalized on Sikorsky's CH-148 contract with the Canadian government. The CH-148 is a derivative of the H-92, a military variant of the S-92.





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- \* We may redeem some or all of these series of notes at any time at a redemption price in U.S. dollars equal to the greater of 100% of the principal amount outstanding of the applicable series of notes to be redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest on the applicable series of notes to be redeemed. The discounts applied on such redemptions are based on a semiannual calculation at an adjusted treasury rate plus 10-50 basis points, depending on the particular series. The redemption price will also include interest accrued to the date of redemption on the principal balance of the notes being redeemed.











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		<b>Asset Write- Downs</b>	<b>Facility Exit, Lease Termination and Other Costs</b>	
Restructuring accruals at December 31, 2011	\$ 144	\$	\$ 10	\$ 154
Net pre-tax restructuring costs	10		10	20
Utilization and foreign exchange	(71)		(6)	(77)
Balance at March 31, 2012	\$ 83	\$	\$ 14	\$ 97



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To the extent the hedge accounting criteria are not met, the foreign currency forward contracts are utilized as economic hedges and changes in the fair value of these contracts are recorded currently in earnings in the period in which they occur. These include hedges that are used to reduce exchange rate risks arising from the change in fair value of certain foreign currency denominated assets and liabilities (e.g. payables, receivables) and other economic hedges where the hedge accounting criteria were not met.

The four quarter rolling average of the notional amount of foreign exchange contracts hedging foreign currency transactions was \$11.0 billion and \$10.4 billion at March 31, 2012 and December 31, 2011, respectively.



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liabilities measured at fair value in the balance sheet, which has no impact on our financial statements or disclosures as there are presently no Level 3 fair value measurements in our Condensed Consolidated Balance Sheet. This ASU also requires additional disclosures for items that are not measured at fair value in the balance sheet but for which the fair value is required to be disclosed.





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The following table provides carrying amounts and fair values of financial instruments that are not carried at fair value in our Condensed Consolidated Balance Sheet at March 31, 2012 and December 31, 2011:

(Dollars in millions)	March 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term receivables	\$ 275	\$ 270	\$ 283	\$ 276
Customer financing notes receivable	298	272	309	297
Short-term borrowings	(221)	(221)	(630)	(630)
Long-term debt (excluding capitalized leases)	(9,514)	(11,745)	(9,575)	(11,639)

The following table provides the valuation hierarchy classification of assets and liabilities that are not carried at fair value in our Condensed Consolidated Balance Sheet as of March 31, 2012:

(Dollars in millions)	Total Fair Value at March 31, 2012	Quoted price in active markets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Recurring fair value measurements:				
Long-term receivables	\$ 270	\$	\$ 270	\$
Customer financing notes receivable	272		272	
Short-term borrowings	(221)		(20)	(201)
Long-term debt (excluding capitalized leases)	(11,745)		(11,690)	(55)

**Valuation Techniques.** Our long-term receivables and customer financing notes receivables include our commercial and aerospace long-term trade, government and other receivables, leases, and notes receivable. Our long-term receivables and customer financing notes receivables are measured at fair value using an income statement approach based on the present value of the contractual, promised or most likely cash flows discounted at observed or estimated market rate for comparable assets or liabilities that are traded in the market. Based on these inputs, long-term receivables and customer financing notes receivables are classified within Level 2 of the valuation hierarchy. Our short-term borrowings include commercial paper and other international credit facility agreements. Our long-term debt includes domestic and international notes. Commercial paper and domestic long-term notes are measured at fair values based on comparable transactions and current market interest rates quoted in active markets for similar assets, and are classified within Level 2 of the valuation hierarchy. Foreign short-term borrowings and foreign long-term notes are measured at fair value based on comparable transactions and rates calculated from the respective countries' yield curves. Based on these inputs, foreign borrowings and foreign long-term notes are classified within Level 3 of the valuation hierarchy. The fair values of Accounts receivable and Accounts payable approximate the carrying amounts due to the short-term maturities of these instruments.

We had outstanding commercial aerospace financing and other contractual commitments totaling approximately \$2.2 billion and \$2.3 billion at March 31, 2012 and December 31, 2011, respectively. Risks associated with changes in interest rates on these commitments are mitigated by the fact that interest rates are variable during the commitment term, and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financings is expected to equal the amounts funded. The fair value of the commitment itself is not readily determinable and is not considered significant.

**Note 10: Credit Quality of Long-Term Receivables**

A long-term or financing receivable represents a contractual right to receive money on demand or on fixed and determinable dates, including trade receivable balances with maturity dates greater than one year. Our long-term and financing receivables primarily represent balances related to the aerospace businesses such as long-term trade accounts receivable, leases, and notes receivable. We also have other long-term receivables in our commercial businesses; however, both the individual and aggregate amounts are not significant.

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

December 31, 2011:

(Dollars in millions)	March 31, 2012	December 31, 2011
Long-term trade accounts receivable	\$ 195	\$ 204
Notes and leases receivable	353	365
<b>Total long-term receivables</b>	<b>\$ 548</b>	<b>\$ 569</b>





Equity, end of period	\$ 22,492	\$ 1,057	\$ 23,549	\$ 22,126	\$ 1,000	\$ 23,126
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Change from net income attributable to common shareowners and transfers to noncontrolling interests

**Note 12: Guarantees**

We extend a variety of financial, market value and product performance guarantees to third parties. There have been no material changes to guarantees outstanding since December 31, 2011.

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The changes in the carrying amount of service and product warranties and product performance guarantees for the quarters ended March 31, 2012 and 2011 are as follows:

(Dollars in millions)	2012	2011
Balance as of January 1	\$ 1,468	\$ 1,136
Warranties and performance guarantees issued	77	134
Settlements made	(82)	(120)
Other	(328)	281
 Balance as of March 31	 \$ 1,135	 \$ 1,431

The decrease in the above table in Other during the quarter ended March 31, 2012 primarily reflects the impact of warranty reserves reclassified to Liabilities of Discontinued Operations, see Note 2 for further discussion. The increase reflected in Other during the quarter ended March 31, 2011 primarily reflected the impact of finalizing purchase accounting on the acquisition of Clipper.

**Note 13: Collaborative Arrangements**

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into certain collaboration arrangements in which sales, costs and risks are shared. Sales generated from engine programs, spare parts, and aftermarket business under collaboration arrangements are recorded as earned in our financial statements. Amounts attributable to our collaborative partners for their share of sales are recorded as an expense in our financial statements based upon the terms and nature of the arrangement. Costs associated with engine programs under collaborative arrangements are expensed as incurred. Under these arrangements, collaborators contribute their program share of engine parts, incur their own production costs and make certain payments to Pratt & Whitney for shared or joint program costs. The reimbursement of the collaborators' share of program costs is recorded as a reduction of the related expense item at that time. As of March 31, 2012, the collaborators' interests in all commercial engine programs ranged from 12% to 48%, inclusive of a portion of Pratt & Whitney's interests held by other participants. Pratt & Whitney is the principal participant in all existing collaborative arrangements. There are no individually significant collaborative arrangements and none of the partners exceed a 31% share in an individual program.

On October 12, 2011, Pratt & Whitney and Rolls-Royce announced an agreement to restructure their interests in IAE and to form a new joint venture to develop engines to power the next generation of mid-size aircraft that will replace the existing fleet of mid-size aircraft currently in service or in development. Consummation of each of these transactions is subject to regulatory approvals and other closing conditions. We expect the restructuring of the parties' interests in IAE to be completed in mid-2012. The closing of the new joint venture is also subject to the completion of the restructuring of the parties' interests in IAE and may take a substantially longer period of time to complete. See Note 1 for further discussion.

**Note 14: Contingent Liabilities**

Summarized below are the matters previously described in Note 17 of the Notes to the Consolidated Financial Statements in our 2011 Annual Report, incorporated by reference in our 2011 Form 10-K, updated as applicable.

**Environmental.** Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. We accrue for the costs of environmental investigatory, remediation, operating and maintenance costs 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, we accrue the minimum. For sites with multiple responsible parties, we consider our likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. We discount liabilities with fixed or reliably determinable future cash payments. We do not reduce accrued environmental liabilities by potential insurance reimbursements. We periodically reassess these accrued amounts. We believe that the likelihood of incurring losses materially in excess of amounts accrued is remote.

**Government.** We are now, and believe that in light of the current U.S. government contracting environment we will continue to be, the subject of one or more U.S. government investigations. If we or one of our business units were charged with wrongdoing as a result of any of these investigations or other government investigations (including violations of certain environmental or export laws) the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or

found liable, the U.S. government could fine and debar us from new U.S. government contracting for a period generally not to exceed three years. The U.S. government could void any contracts found to be tainted by fraud.

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

As previously disclosed, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the Fighter Engine Competition between Pratt & Whitney's F100 engine and General Electric's F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial of this matter, completed in December 2004, the government claimed Pratt & Whitney's liability to be \$624 million. On August 1, 2008, the trial court judge held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in the 1983 offer. In the absence of actual damages, the trial court judge awarded the DOJ the maximum civil penalty of \$7.09 million, or \$10,000 for each of the 709 invoices Pratt & Whitney submitted in 1989 and later under the contracts. In September 2008, both the DOJ and UTC appealed the decision to the Sixth Circuit Court of Appeals. In November 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act and remanded the case to the U.S. District Court for further proceedings on the question of damages. Should the government ultimately prevail, the outcome of this matter could result in a material effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid.

As previously disclosed, in December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges it has incurred since January 2003 in connection with cost accounting changes approved by the DOD and implemented by Sikorsky in 1999 and 2006. These changes relate to the calculation of material overhead rates in government contracts. The DOD claims that Sikorsky's liability is approximately \$92 million (including interest through March 2012). We believe this claim is without merit and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims, which is pending. We do not believe the resolution of this matter will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

A significant portion of our activities are subject to export control regulation by the U.S. Department of State (State Department) under the U.S. Arms Export Control Act and International Traffic in Arms Regulations (ITAR). From time to time, we identify, investigate, remediate and voluntarily disclose to the State Department's Office of Defense Trade Controls Compliance (DTCC) potential violations of the ITAR. DTCC administers the State Department's authority under the ITAR to impose civil penalties and other administrative sanctions for violations, including debarment from engaging in the export of defense articles or defense services. Most of our voluntary disclosures are resolved without the imposition of penalties or other sanctions. However, as previously disclosed, in November 2011, DTCC informed us that it considers certain of our voluntary disclosures filed since 2005 to reflect deficiencies warranting penalties and sanctions. We are currently in discussions with DTCC to reach a consent agreement, which we anticipate will provide for a payment by the Company to the State Department and commitments regarding additional remedial compliance efforts.

The voluntary disclosures that we anticipate will be addressed in the consent agreement currently under discussion include 2006 and 2007 disclosures regarding the export by Hamilton Sundstrand to Pratt & Whitney Canada (P&WC) of certain modifications to dual-use electronic engine control software, and the re-export by P&WC of those software modifications and subsequent P&WC-developed patches to China during the period 2002-2004 for use in the development of the Z-10 Chinese military helicopter. As previously disclosed, the DOJ has also separately conducted a criminal investigation of the matters addressed in these disclosures, as well as the accuracy and adequacy of the disclosures. We have been cooperating with the DOJ's investigation. Since November 2011, we have been in discussions with the DOJ to resolve this matter.

We continue to evaluate the range of possible outcomes of these separate but related export compliance matters and have recognized a potential liability at March 31, 2012 of \$55 million. We currently expect resolution of these matters to occur in the first half of 2012. We do not believe the ultimate resolution of these matters, individually or collectively, will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.



See Note 8 to the Condensed Consolidated Financial Statements for a discussion of restructuring costs included in segment operating results.

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**Note 16: Accounting Pronouncements**

In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities. This ASU is intended to enhance a financial statement user's ability to understand the effects of netting arrangements on an entity's financial statements, including financial instruments and derivative instruments that are either offset or subject to an enforceable master netting or similar arrangement. The scope of this ASU includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This ASU includes enhanced disclosure requirements, including both gross and net information about instruments and transactions eligible for offset or subject to an agreement similar to a master netting arrangement. The provisions of this ASU will be applied retrospectively for interim and annual periods beginning on or after January 1, 2013. We are currently evaluating the impact of this new ASU.

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With respect to the unaudited condensed consolidated financial information of UTC for the quarters ended March 31, 2012 and 2011, PricewaterhouseCoopers LLP (PricewaterhouseCoopers) reported that it has applied limited procedures in accordance with professional standards for a review of such information. However, its report dated April 30, 2012, appearing below, states that the firm did not audit and does not express an opinion on that unaudited condensed consolidated financial information. PricewaterhouseCoopers has not carried out any significant or additional audit tests beyond those that would have been necessary if their report had not been included. Accordingly, the degree of reliance on its 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 its 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 Board of Directors and Shareowners of United Technologies Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of United Technologies Corporation and its subsidiaries as of March 31, 2012, and the related condensed consolidated statement of comprehensive income for the three-month periods ended March 31, 2012 and 2011 and the condensed consolidated statement of cash flows for the three-month periods ended March 31, 2012 and 2011. 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 (United States), 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, 2011, and the related consolidated statements of operations, of cash flows and of changes in equity for the year then ended (not presented herein), and in our report dated February 9, 2012, 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, 2011, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut

April 30, 2012

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

We are a global provider of high technology products and services to the building systems and aerospace industries. Our operations are classified into five principal business segments: Otis, UTC Climate, Controls & Security, Pratt & Whitney, Hamilton Sundstrand and Sikorsky. Otis and UTC Climate, Controls & Security are referred to as the commercial businesses, while Pratt & Whitney, Hamilton Sundstrand and Sikorsky are collectively referred to as the aerospace businesses.

On September 28, 2011, we announced a new organizational structure that allows us to better serve customers through greater integration across product lines. Effective January 1, 2012, we formed the UTC Climate, Controls & Security segment which combines the former Carrier and UTC Fire & Security segments.

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. The current status of significant factors impacting our business environment in 2012 is discussed below. For additional discussion, refer to the Business Overview section in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2011 Annual Report, which is incorporated by reference in our 2011 Form 10-K.

**General**

Our worldwide operations can be affected by industrial, economic and political factors on both a regional and global level. To limit the impact of any one industry, or the economy of any single country on our consolidated operating results, our strategy has been, and continues to be, the maintenance of a balanced and diversified portfolio of businesses. Our businesses include both commercial and aerospace operations, original equipment manufacturing (OEM) and extensive related aftermarket parts and services businesses, as well as the combination of shorter cycles at UTC Climate, Controls & Security and at our commercial aerospace aftermarket businesses, and longer cycles at Otis and at our aerospace OEM businesses. Our customers include companies in the private sector and governments, and our businesses reflect an extensive geographic diversification that has evolved with the continued globalization of world economies.

Although we are encouraged by increases in U.S. residential construction activity and improving U.S. consumer confidence, the global economy remains uneven. In the U.S., a strengthening job market, improving consumer finances, and growth in the manufacturing and retail sectors have been tempered by high gasoline prices. Europe remains in a mild recession, with declines in manufacturing activity, and China is experiencing what appears to be a short-term slowdown in construction. With continued signs of a slowing economy in China, we expect the Chinese government will ease fiscal policies in support of economic growth. Growth rates in other emerging markets have moderated but are still well above those of the developed economies. With an uneven growth outlook, we continue to take preemptive steps to position our business for future earnings growth by further reducing operating costs even as we continue to invest in new product launches and growth markets. As a result, we are increasing our 2012 full year estimate of restructuring cost in continuing operations from \$350 million to \$450 million.

Consolidated net sales decreased 2% in the first quarter of 2012, as compared to the same period of 2011. Organic sales growth (1%) was more than offset by the adverse effect of foreign currency translation (1%) and the impact from net dispositions (2%), as further discussed below within Results of Operations. Consolidated operating profit increased 1% in the first quarter of 2012, as compared with the same period of 2011. This year-over-year improvement reflects the benefit from non-recurring items (8%), offset by higher year-over-year restructuring costs (5%) and the adverse effect of foreign exchange (2%).

**Discontinued Operations**

On March 14, 2012, the Board of Directors of the Company approved a plan for the divestiture of a number of non-core businesses. Cash generated from these divestitures is intended to be used to repay a portion of the short-term debt we expect to incur as part of the financing for the proposed acquisition of Goodrich. The divestitures are expected to generate approximately \$3 billion in cash, net of taxes. The results of operations including the net gain or loss and the related cash flows which result from these non-core businesses have been reclassified to Discontinued Operations on our Condensed Consolidated Statements of Comprehensive Income and Cash Flows for all periods presented. Cash flows from the operation of these discontinued businesses are expected to continue until their disposals, most of which are expected to occur in the second half of 2012. The planned divestitures are Hamilton Sundstrand's Industrial businesses, Rocketdyne, and Clipper. As a result of the decision to dispose of these businesses, the Company has recorded pre-tax goodwill impairment charges of approximately \$360 million and \$590 million related to Rocketdyne and Clipper, respectively, in discontinued operations during the first quarter of 2012. The goodwill impairment charges result from the decision to dispose of both Rocketdyne and Clipper within a relatively short period after acquiring the businesses. Consequently, there has not been sufficient opportunity for the long-term operations to recover the value implicit in goodwill at the initial date of acquisition.





practices can impact our aerospace and defense businesses.











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The impact of foreign currency generated an adverse impact of \$.02 per diluted share on our operational performance in the first quarter of 2012. This year-over-year impact also includes the net adverse foreign currency translation impact at Pratt & Whitney Canada (P&WC). At P&WC, strength in the U.S. Dollar in the first quarter of 2012 generated a benefit from foreign currency translation as the majority of P&WC's sales are denominated in U.S. Dollars, while a significant portion of its costs are incurred in local currencies. To help mitigate the volatility of foreign currency exchange rates on our operating results, we maintain foreign currency hedging programs, the majority of which are entered into by P&WC. As a result of hedging programs currently in place, P&WC's 2012 full year operating results are expected to include a net adverse impact of foreign currency translation and hedging of approximately \$50 million, of which approximately \$16 million has impacted our operating results in the first quarter of 2012. For additional discussion of hedging, refer to Note 9 to the Condensed Consolidated Financial Statements.



**2011 Actions.** During the first quarter of 2012, we recorded net pre-tax restructuring costs totaling \$20 million for restructuring actions initiated in 2011. The 2011 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of field operations. We recorded the charges for the first quarter of 2012 as follows: Otis \$6 million, UTC Climate,

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Controls & Security \$9 million, Pratt & Whitney \$2 million, and Sikorsky \$3 million. The charges included \$6 million in cost of sales and \$14 million in selling, general and administrative expenses. Those costs included \$10 million for severance and related employee termination costs and \$10 million for facility exit, lease termination costs and other related costs.

We expect the 2011 actions to result in net workforce reductions of approximately 5,000 hourly and salaried employees, the exiting of approximately 2 million net square feet of facilities and the disposal of assets associated with the exited facilities. As of March 31, 2012, we completed net workforce reductions of approximately 3,500 employees and exited approximately 100,000 net square feet of facilities. We are targeting the majority of the remaining workforce and facility related cost reduction actions for completion during 2012 and 2013. Approximately 70% of the total pre-tax charge will require cash payments, which we will fund with cash generated from operations. During the first quarter of 2012, we had cash outflows of approximately \$72 million related to the 2011 actions. We expect to incur additional restructuring costs of \$74 million to complete these actions. We expect recurring pre-tax savings to increase over the two-year period subsequent to initiating these actions to approximately \$300 million annually.

**Additional 2012 Actions.** We expect to initiate additional restructuring actions during the remainder of 2012. Including trailing costs related to previously initiated actions, we now expect full year 2012 restructuring costs from continuing operations of approximately \$450 million, including the \$111 million of charges incurred during the first quarter of 2012. The expected adverse impact on full year earnings in 2012 from anticipated restructuring costs is expected to be offset by the beneficial impact from net non-recurring items. Except for those actions described above, no specific plans for significant other actions have been finalized at this time.

**Segment Review**

Segments are generally based on the management structure of the businesses and the grouping of similar operating companies, where each management organization has general operating autonomy over diversified products and services. Effective January 1, 2012, we formed the UTC Climate, Controls & Security segment, which combines the former Carrier and UTC Fire & Security segments. Adjustments to reconcile segment reporting to the consolidated results for the quarters ended March 31, 2012 and 2011 are included in Eliminations and other below, which also includes certain smaller subsidiaries. We attempt to quantify material cited factors within our discussion of the results of each segment whenever those factors are determinable. However, in some instances, the factors we cite within our segment discussion are based upon input measures or qualitative information that does not lend itself to quantification when discussed in the context of the financial results measured on an output basis and are not, therefore, quantified in the below discussions.

Results for the quarters ended March 31, 2012 and 2011 are as follows:

(Dollars in millions)	Net Sales		Operating Profits		Operating Profit Margins	
	2012	2011	2012	2011	2012	2011
Otis	\$ 2,770	\$ 2,772	\$ 566	\$ 630	20.4%	22.7%
UTC Climate, Controls & Security	4,112	4,393	544	471	13.2%	10.7%
Pratt & Whitney	3,052	2,873	389	428	12.7%	14.9%
Hamilton Sundstrand	1,236	1,138	198	172	16.0%	15.1%
Sikorsky	1,346	1,582	136	141	10.1%	8.9%
Total segments	12,516	12,758	1,833	1,842	14.6%	14.4%
Eliminations and other	(92)	(78)	(35)	(65)		
General corporate expenses			(96)	(89)		
Consolidated	\$ 12,424	\$ 12,680	\$ 1,702	\$ 1,688	13.7%	13.3%

**Commercial Businesses**

Our commercial businesses generally serve customers in the worldwide commercial and residential property industries, although UTC Climate, Controls & Security also serves customers in the commercial and transport refrigeration industries. Sales in the commercial businesses are influenced by a number of external factors, including fluctuations in residential and commercial construction activity, regulatory changes, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs, credit markets and other global and political factors. UTC Climate, Controls & Security's financial performance can also be influenced by production and utilization of transport

equipment, and, in the case of its residential business, weather conditions. To ensure adequate supply of products in the distribution channel, UTC Climate, Controls & Security customarily offers its customers incentives to purchase products. The principal incentive program provides reimbursements to distributors for offering promotional pricing on UTC Climate, Controls & Security products. We account for incentive payments made as a reduction to sales.

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Within the Otis segment, new equipment orders were down 9% in the first quarter of 2012 due primarily to a decline in China (17%). The ongoing Chinese government effort to reduce housing prices has had an adverse impact on the high-end residential market, which represents nearly half of Otis China sales. Otis also continues to face challenges of higher commodity and labor costs and pricing competition in China.

U.S. residential HVAC orders increased late in the quarter as UTC Climate, Controls & Security benefited from warmer than normal temperatures across most of the U.S. As begun in 2008 for the legacy Carrier business, we will continue the process of evaluating and transforming the UTC Climate, Controls & Security portfolio.

Summary performance for each of the commercial businesses was as follows:

(Dollars in millions)	Otis		Change	UTC Climate, Controls & Security		
	2012	2011		2012	2011	Change
Net Sales	\$ 2,770	\$ 2,772		\$ 4,112	\$ 4,393	(6)%
Cost of Sales	(1,828)	(1,781)	3 %	(2,996)	(3,223)	(7)%
	942	991	(5)%	1,116	1,170	(5)%
Operating Expenses and Other	376	361	4 %	572	699	(18)%
Operating Profits	\$ 566	\$ 630	(10)%	\$ 544	\$ 471	15 %

A discussion of the significant variances in operating results during the first quarter of 2012 as compared with the same period in 2011 for each segment follows.

**Otis****Factors contributing to total % Change**

	Organic / Operational	FX Translation	Acquisitions / Divestitures, net	Restructuring Costs	Other
Net Sales	1 %	(1)%			
Cost of Sales	3 %	(1)%		1 %	
Operating Profits	(6)%	(1)%		(4)%	1 %

The organic sales increase in the quarter (1%) is due primarily to growth in service sales with increases in both contractual maintenance and modernization sales. Lower new equipment sales in China (1%) were offset by continued growth in new equipment sales in other emerging markets (1%).

The decrease in operational profit in the quarter (6%) is due primarily to the impact of lower new equipment volume in China (2%), commodity costs increases (3%) and higher overhead costs (3%), all of which were partially offset by savings from cost reduction initiatives (2%). Higher service volume (3%) was offset by lower average service pricing (3%).

**UTC Climate, Controls & Security****Factors contributing to total % Change**

	Organic / Operational	FX Translation	Acquisitions / Divestitures, net	Restructuring Costs	Other
Net Sales	1 %	(1)%	(6)%		
Cost of Sales	1 %	(1)%	(7)%		

Operating Profits	(4)%	(2)%	(3)%	24 %
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Organic sales increased 1% reflecting growth in Europe (1%) and in the Automation and Controls businesses (1%), partially offset by the shutdown of a Thailand factory due to extensive flooding in that region (1%). The decrease in Acquisitions and divestitures, net (6%) reflects the net year-over-year impact of net divestitures completed in the preceding twelve months associated with UTC Climate, Controls & Security's ongoing portfolio transformation efforts including integrating the legacy UTC Fire & Security businesses with the legacy Carrier businesses.

Operational operating profit declined year-over-year (4%) driven largely by the Americas region due to a combination of lower furnace volume (2%) and weaker performance in Brazil (1%). Europe commercial refrigeration benefited from volume and a previously implemented factory restructuring action (1%), while a decline in the fire protection and security services business in northern Europe (2%) was offset by fire protection and security services in southern Europe. The 24% increase in Other primarily reflects the net year-over-year impact of gains and losses associated with the on-going portfolio transformation at UTC Climate,

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Controls & Security as we continue to integrate the legacy UTC Fire & Security businesses with the legacy Carrier businesses. This includes an approximately \$215 million net gain from the sale of a controlling interest in a manufacturing and distribution joint venture in Asia, partially offset by \$103 million of impairment charges related to planned business dispositions.

### Aerospace Businesses

The aerospace businesses serve both commercial and government aerospace customers. In addition, elements of Pratt & Whitney also serve customers in the industrial markets. Revenue passenger miles (RPMs), U.S. government military and space spending, and the general economic health of airline carriers are all barometers for our aerospace businesses. Performance in the general aviation sector is closely tied to the overall health of the economy and is positively correlated to corporate profits.

The commercial airline industry rebounded in 2010 and has remained generally strong since. Airline traffic, as measured by RPMs is expected to grow between 4% and 6% in 2012. Although many airlines have returned to profitability, high fuel prices continue to challenge the airlines to consider the need for more fuel efficient aircraft. Commercial aerospace spares orders at Pratt & Whitney's large commercial engine business declined 3% in the first quarter of 2012, following a 33% increase in the first quarter of 2011. Hamilton Sundstrand commercial aerospace spares orders grew 1% on strength from Boeing 787 initial provisioning, following a 23% increase in the first quarter of 2011. Consolidated commercial aerospace aftermarket sales, including Sikorsky, increased 3% in the first quarter of 2012, as compared with the same period of 2011.

Deficit reduction measures being considered by the U.S. government are expected to pressure the U.S. Department of Defense budget in the coming years, resulting in a decline in U.S. Department of Defense spending. Total sales to the U.S. government were \$2.1 billion and \$2.0 billion, or 17% and 15% of total UTC sales in the first quarter of 2012 and 2011, respectively. Our participation in long-term production and development programs for the U.S. government has and is expected to contribute positively to our results in 2012.

Summary performance for each of the aerospace businesses was as follows:

(Dollars in millions)	Pratt & Whitney			Hamilton Sundstrand			Sikorsky		
	2012	2011	Change	2012	2011	Change	2012	2011	Change
Net Sales	\$ 3,052	\$ 2,873	6 %	\$ 1,236	\$ 1,138	9 %	\$ 1,346	\$ 1,582	(15)%
Cost of Sales	(2,232)	(2,089)	7 %	(886)	(809)	10 %	(1,083)	(1,335)	(19)%
	820	784	5 %	350	329	6 %	263	247	6 %
Operating Expenses and Other	431	356	21 %	152	157	(3)%	127	106	20 %
Operating Profits	\$ 389	\$ 428	(9)%	\$ 198	\$ 172	15 %	\$ 136	\$ 141	(4)%

A discussion of the significant variances in operating results during the first quarter of 2012 as compared with the same period in 2011 for each segment follows.

### **Pratt & Whitney**

	Factors contributing to total % Change				
	Organic / Operational	FX Translation*	Acquisitions / Divestitures, net	Restructuring Costs	Other
Net Sales	7 %	(1)%			
Cost of Sales	6 %			1 %	
Operating Profits	3 %	(4)%		(8)%	

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

Organic sales growth (7%) was driven by higher military engine deliveries and aftermarket sales (5%), higher shipments at P&WC (3%) and higher industrial volumes at Pratt & Whitney Power Systems (2%), offset by a decrease in commercial spares and commercial engine deliveries (4%).

The operational profit increase (3%) reflects higher engine and spares volumes within the military business (7%) and at P&WC (9%), and the benefit from a commercial contract termination (5%), offset by higher research and development (13%) and pension costs (4%). A gain on the sale of intellectual property in the first quarter of 2012 (4%) was offset by the absence of a gain on the sale of an equity interest in a venture in the first quarter of 2011 (4%).

**Table of Contents****Hamilton Sundstrand**

	Factors contributing to total % Change				
	Organic / Operational	FX Translation	Acquisitions / Divestitures, net	Restructuring Costs	Other
Net Sales	10 %		(1)%		
Cost of Sales	12 %		(2)%		
Operating Profits	16 %	(1)%	(1)%		1 %

The organic sales growth (10%) reflects higher volumes in both the aerospace OEM (5%) and aerospace aftermarket (5%) businesses. The increase within aerospace OEM sales is primarily attributable to volume growth within commercial production and development programs (6%). The increase within aerospace aftermarket is primarily attributable to commercial and military spares volume growth (4%).

The increase in operational profit (16%) reflects higher commercial spares aftermarket volume (12%) due largely to Boeing 787 initial provisioning, higher military spares volume (6%) and the benefit of lower research and development costs (3%), all of which were offset in part by higher pension costs (6%).

**Sikorsky**

	Factors contributing to total % Change				
	Organic / Operational	FX Translation	Acquisitions / Divestitures, net	Restructuring Costs	Other
Net Sales	(15)%				
Cost of Sales	(19)%				
Operating Profits	(2)%			(2)%	

The organic sales decline (15%) reflects reduced aircraft deliveries for international development programs (12%), fewer aircraft sales to the U.S. government (5%) and lower sales from customer funded development programs (2%). These declines were partially offset by increased net sales from commercial operations (2%) attributable primarily to strong S-92 demand, and increased aftermarket support (2%) driven by higher military spares volume.

The operational profit decline (2%) reflects the adverse impact of lower U.S. government volume (12%), higher year-over-year research and development spending (12%) and other operational cost increases (2%). This was partially offset by higher aftermarket support volume (14%), increased commercial profit (8%) and increased foreign military and international development profits (3%), due primarily to the absence of one Canadian maritime helicopter delivery in the first quarter of 2011.

**Eliminations and other**

Eliminations and other reflects the elimination of sales, other income and operating profit transacted between segments, as well as the operating results of certain smaller businesses such as UTC Power. The year-over-year change in sales for the first quarter of 2012, as compared with the same period of 2011, reflects an increase in the amount of inter-segment sales eliminations. The year-over-year change in operating profit for the first quarter of 2012, as compared with the same period of 2011, primarily reflects the impact of lower self-insurance and legal costs.

**Table of Contents****LIQUIDITY AND FINANCIAL CONDITION**

(Dollars in millions)	March 31, 2012	December 31, 2011	March 31, 2011
Cash and cash equivalents	\$ 6,285	\$ 5,960	\$ 4,440
Total debt	9,791	10,260	10,487
Net debt (total debt less cash and cash equivalents)	3,506	4,300	6,047
Total equity	23,549	22,820	23,126
Total capitalization (debt plus equity)	33,340	33,080	33,613
Net capitalization (debt plus equity less cash and cash equivalents)	27,055	27,120	29,173
Debt to total capitalization	29%	31%	31%
Net debt to net capitalization	13%	16%	21%

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

Improvement in the global economy remains uneven, and in light of these circumstances, we continue to assess our current business and closely monitor the impact on our customers and suppliers. We have determined that overall there has not been a significant impact on our financial position, results of operations or liquidity during the first quarter of 2012.

Our domestic pension funds experienced a positive return on assets of approximately 6% during the first quarter of 2012. Approximately 88% of our domestic pension plans are invested in readily-liquid investments, including equity, fixed income, asset-backed receivables and structured products. The balance of our domestic pension plans (12%) is invested in less-liquid but market-valued investments, including real estate and private equity. The continued recognition of prior pension losses and the impact of a lower discount rate, partially offset by additional funding and the positive returns experienced during 2011 and the first quarter of 2012, are expected to result in increased pension expense in 2012 of approximately \$250 million as compared to 2011.

Our strong debt ratings and financial position have historically enabled us to issue long-term debt at favorable market rates. Our ability to obtain debt financing at comparable risk-based interest rates is partly a function of our existing debt-to-total-capitalization level as well as our current credit standing.

The purchase price for our pending acquisition of Goodrich for \$127.50 per share in cash equates to a total estimated enterprise value of \$18.4 billion, including \$1.9 billion in net debt to be assumed. We expect to finance the total \$16.5 billion to be paid to Goodrich shareholders at the closing of the acquisition through a combination of short- and long-term debt, mandatory convertible securities and cash. On March 14, 2012, the Board of Directors of the Company approved a plan for the divestiture of a number of non-core businesses. Cash generated from these divestitures is intended to be used to repay a portion of the short-term debt we expect to incur as part of the financing for the proposed acquisition of Goodrich. The divestitures are expected to generate approximately \$3 billion in cash, net of taxes. To manage the cash flow and liquidity impacts of these actions, we have suspended share repurchases until at least September 30, 2012, and will significantly reduce repurchases for two years thereafter. In addition, we will reduce our budgeted acquisition spending for the next few years, which for 2012 we expect to approximate \$500 million excluding spending for our pending acquisitions of Goodrich and Rolls-Royce's interests in IAE.

On November 8, 2011, we entered into a bridge credit agreement with various financial institutions that provides for a \$15 billion unsecured bridge loan facility, available to pay a portion of the cash consideration for the Goodrich acquisition, and to finance certain related transactions and pay related fees and expenses. Any funding under the bridge credit agreement would occur substantially concurrently with the consummation of the Goodrich acquisition, subject to customary conditions for acquisition financings of this type. Any loans made pursuant to the bridge credit agreement would mature on the date that is 364 days after the funding date.

On April 24, 2012, we entered into a term loan credit agreement with various financial institutions that provides for a \$2 billion unsecured term loan facility, available to pay a portion of the cash consideration for the Goodrich acquisition, and to finance certain related transactions and expenses. Any loan under the agreement would mature on December 31, 2012, and funding would occur shortly before consummation of the

acquisition, subject to customary conditions for financings of this type. Funding would be conditioned on the substantially contemporaneous termination of the remaining commitments under our \$15 billion bridge credit agreement executed in November 2011.







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

There has been no significant change in our exposure to market risk during the first quarter of 2012. For discussion of our exposure to market risk, refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, contained in our 2011 Form 10-K.

**Item 4. Controls and Procedures**

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (Exchange Act), we carried out an evaluation under the supervision and with the participation of our management, including the Chairman & Chief Executive Officer (CEO), the Senior Vice President and Chief Financial Officer (CFO) and the Vice President, Controller (Controller), of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2012. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our CEO, our CFO and our Controller have concluded that, as of March 31, 2012, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our CEO, our CFO and our Controller, as appropriate, to allow timely decisions regarding required disclosure.

Effective January 1, 2012, we formed the UTC Climate, Controls & Security segment which combines the former Carrier and UTC Fire & Security segments. This change in segments gave rise to material changes in the Company's internal control over financial reporting in connection with the revised segment information disclosed in our financial statements. There have been no other changes in our internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Cautionary Note Concerning Factors That May Affect Future Results**

This 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 our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as believe, expect, expectations, plans, strategy, prospects, estimate, project, target, anticipate, will, sh confident and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Such risks, uncertainties and other factors include, without limitation:

the effect of economic conditions in the markets in which we operate in the United States and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction and in both the commercial and defense segments of the aerospace industry, levels of air travel, financial difficulties (including bankruptcy) of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers;

in respect of our previously announced agreement to acquire Goodrich and Pratt & Whitney's previously announced transactions with Rolls-Royce, the satisfaction of conditions precedent to, and consummation of, the proposed transactions, the timing of consummation of these proposed transactions, the timing and consummation of proposed financing in connection with the proposed Goodrich transaction, and the ability of the parties to secure regulatory approvals;

in respect of our recently announced agreement to acquire Goodrich, our ability to integrate the acquired operations and to realize synergies and opportunities for growth and innovation;

our ability to realize the intended benefits of recently announced organizational changes;

future levels of indebtedness and capital spending and research and development spending;

future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure;

delays and disruption in delivery of materials and services from suppliers;

new business opportunities;

cost reduction efforts and restructuring costs and savings and other consequences thereof;

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the scope, nature or impact of other acquisition and divestiture activity, including integration of acquired businesses into our existing businesses;

the development, production, delivery, support, performance and anticipated benefits of advanced technologies and new products and services;

the anticipated benefits of diversification and balance of operations across product lines, regions and industries;

the impact of the negotiation of collective bargaining agreements and labor disputes;

the outcome of legal proceedings and other contingencies;

future repurchases of our common stock;

pension plan assumptions and future contributions; and

the effect of changes in tax, environmental and other laws and regulations or political conditions in the United States and other countries in which we operate.

In addition, this Form 10-Q includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the Notes to Condensed Consolidated Financial Statements under the heading *Contingent Liabilities*, the section titled *Management's Discussion and Analysis of Financial Condition and Results of Operations* under the headings *Business Overview*, *Critical Accounting Estimates*, *Results of Operations*, and *Liquidity and Financial Condition* and the section titled *Risk Factors* in this Form 10-Q and in our 2011 Form 10-K. Our Form 10-K also includes important information as to these factors in the *Business* section under the headings *General*, *Description of Business by Segment* and *Other Matters Relating to Our Business as a Whole*, and in the *Legal Proceedings* section. Additional important information as to these factors is included in our 2011 Annual Report in the section titled *Management's Discussion and Analysis of Financial Condition and Results of Operations* under the headings *Environmental Matters* and *Restructuring Costs*. The forward-looking statements speak only as of the date of this Form 10-Q or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the SEC.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

A significant portion of our activities are subject to export control regulation by the U.S. Department of State (State Department) under the U.S. Arms Export Control Act and International Traffic in Arms Regulations (ITAR). From time to time, we identify, investigate, remediate and voluntarily disclose to the State Department's Office of Defense Trade Controls Compliance (DTCC) potential violations of the ITAR. DTCC administers the State Department's authority under the ITAR to impose civil penalties and other administrative sanctions for violations, including debarment from engaging in the export of defense articles or defense services. Most of our voluntary disclosures are resolved without the imposition of penalties or other sanctions. However, as previously disclosed, in November 2011, DTCC informed us that it considers certain of our voluntary disclosures filed since 2005 to reflect deficiencies warranting penalties and sanctions. We are currently in discussions with DTCC to reach a consent agreement, which we anticipate will provide for a payment by the Company to the State Department and commitments regarding additional remedial compliance efforts.

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The voluntary disclosures that we anticipate will be addressed in the consent agreement currently under discussion include 2006 and 2007 disclosures regarding the export by Hamilton Sundstrand to P&WC of certain modifications to dual-use electronic engine control software, and the re-export by P&WC of those software modifications and subsequent P&WC-developed patches to China during the period 2002-2004 for use in the development of the Z-10 Chinese military helicopter. As previously disclosed, the Department of Justice (DOJ) has also separately conducted a criminal investigation of the matters addressed in these disclosures, as well as the accuracy and adequacy of the disclosures. We have been cooperating with the DOJ's investigation. Since November 2011, we have been in discussions with the DOJ to resolve this matter.

We continue to evaluate the range of possible outcomes of these separate but related export compliance matters and have recognized a potential liability at March 31, 2012 of \$55 million. We currently expect resolution of these matters to occur in the first half of 2012. We do not believe the ultimate resolution of these matters, individually or collectively, will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Except as otherwise 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 our 2011 10-K.

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### **Item 1A. Risk Factors**

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

#### *Our Global Growth Is Subject to a Number of Economic Risks*

In 2011, the global economy improved as compared to 2010 and continued to show signs of a gradual recovery from the significant downturn of 2008 and 2009 when the global economy experienced widespread recessionary conditions, record levels of unemployment, significant distress of financial institutions, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. However, despite positive economic indicators seen in the beginning of 2012, uncertainty continues to exist as to the overall rate and stability of the recovery. Global gross domestic product growth continues to be led by emerging markets, particularly in Brazil, Russia, India and China, while in the developed economies, particularly in Europe, the recovery remains uncertain due to persistent high unemployment in the U.S. and Europe, a weak U.S. and European housing market, government budget reduction plans, the unwinding of fiscal stimuli and concerns over the deepening European sovereign debt crisis. In early 2012, China has shown signs of a short-term slowdown in construction. As a result, further disruptions in Europe or in other economies could affect our sales or liquidity.

Although consumer confidence in the U.S. has improved since the economic downturn, it still remains low, while, as mentioned above, unemployment remains high and the housing market remains weak. There can be no assurance that any of the recent economic improvements will be broad-based and sustainable, or that they will enhance conditions in markets relevant to us. Further, there can be no assurance that we will not experience further adverse effects that may be material to our cash flows, competitive position, financial condition, results of operations, or our ability to access capital. While these economic developments have not impaired our ability to access credit markets and finance our operations to date, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies. These economic developments affect businesses such as ours in a number of ways. The tightening of credit in financial markets adversely affects the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in or cancellation of orders for our products and services as well as impact the ability of our customers to make payments. Similarly, this tightening of credit may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. Our global business is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, air travel, construction activity, the financial strength of airlines and business jet operators, and government procurement. Strengthening of the rate of exchange for the U.S. Dollar against certain major currencies such as the Euro, the Canadian Dollar and other currencies also adversely affects our results, as the majority of our sales are non-U.S. based.

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

The results of our commercial and industrial businesses, which generated approximately 58 percent of our consolidated net sales in 2011, are influenced by a number of external factors including fluctuations in residential and commercial construction activity, regulatory changes, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs, the tightening of global credit markets and other global and political factors. For example, a slowdown in building and remodeling activity can adversely affect our UTC Climate, Controls & Security segment. In addition to these factors, the financial performance of UTC Climate, Controls & Security can also be influenced by production and utilization of transport equipment and, particularly in its residential business, weather conditions.

The results of our commercial and military aerospace businesses, which generated approximately 42 percent of our consolidated net sales in 2011, are directly tied to the economic conditions in the commercial aviation and defense industries, which are cyclical in nature. Although the operating environment currently faced by commercial airlines has shown signs of improvement in 2012 with many airlines returning to profitability, uncertainty continues to exist. As a result, financial difficulties, including bankruptcy, of one or more of the major commercial airlines could result in significant cancellations of orders, reductions in our aerospace sales and losses under existing contracts. In addition, capital spending and demand for aircraft engines, aerospace products and component aftermarket parts and service by commercial airlines, aircraft operators and aircraft manufacturers are influenced by a wide variety of factors, including current and predicted traffic levels, load factors, aircraft fuel pricing, labor issues, worldwide airline profits, airline consolidation, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, corporate profitability, and backlog levels, all of which could reduce the demand for air travel and the aftermarket sales and margins of our aerospace businesses. Future terrorist actions, pandemic health issues or major natural disasters could dramatically reduce both the demand for air travel and our aerospace businesses aftermarket sales and margins. Also, since a substantial portion of the backlog for commercial aerospace customers is scheduled for delivery beyond 2012, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. At times, our aerospace businesses also enter into firm fixed-price development contracts, which may require us to bear cost overruns related to unforeseen technical and design challenges that arise during the development stage of the program. In addition, our aerospace businesses face intense competition from domestic and foreign manufacturers of new equipment and spare parts. The defense industry is also affected by a changing global political environment, continued pressure on U.S. and global defense spending and U.S. foreign policy and the level of activity in



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military flight operations. Spare parts sales and aftermarket service trends are affected by similar factors, including usage, pricing, technological improvements, regulatory changes and the retirement of older aircraft. Furthermore, because of the lengthy research and development cycle involved in bringing products in these business segments to market, we cannot predict the economic conditions that will exist when any new product is complete. A reduction in capital spending in the commercial aviation or defense industries could have a significant effect on the demand for our products, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

### ***Our Business May Be Affected by Government Contracting Risks and Laws Relating to Export of Goods and Technology***

U.S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. We are now, and believe that in light of the current U.S. government contracting environment we will continue to be, the subject of one or more U.S. government investigations relating to certain of our U.S. government contracts. If we or one of our business units were charged with wrongdoing as a result of any U.S. government investigation (including violation of certain environmental or export laws), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could subject us to fines, penalties, repayments and treble and other damages, and/or bar us from bidding on or receiving new awards of U.S. government contracts. The U.S. government could void any contracts found to be tainted by fraud. The U.S. government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other seriously improper conduct. Debarment generally does not exceed three years. Independently, failure to comply with U.S. laws and regulations related to the export of goods and technology outside the United States could result in civil or criminal penalties and suspension or termination of our export privileges. As disclosed in Note 15 to the Consolidated Financial Statements in our 2011 Annual Report and Note 14 to the Condensed Consolidated Financial Statements in this Form 10-Q, we are currently in discussions with DTCC and the DOJ regarding separate but related export licensing compliance matters. In addition, we are also sensitive to U.S. military budgets, which may fluctuate based on the policies of a new administration or Congress.

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

We conduct our business on a global basis, with approximately 61 percent of our total 2011 segment sales derived from international operations, including U.S. export sales. Changes in local and regional economic conditions, including fluctuations in exchange rates, may affect product demand and reported profits in our non-U.S. operations (primarily the commercial businesses), where transactions are generally denominated in local currencies. In addition, currency fluctuations may affect the prices we pay suppliers for materials used in our products. As a result, our operating margins may also be negatively impacted by worldwide currency fluctuations that result in higher costs for certain cross border transactions. Our financial statements are denominated in U.S. Dollars. Accordingly, fluctuations in exchange rates may also give rise to translation gains or losses when financial statements of non-U.S. operating units are translated into U.S. Dollars. Given that the majority of our sales are non-U.S. based, a strengthening of the U.S. Dollar against other major foreign currencies could adversely affect our results of operations.

The majority of sales in the aerospace businesses are transacted in U.S. Dollars, consistent with established industry practice, while the majority of costs at locations outside the United States are incurred in the applicable local currency (principally the Euro, the Canadian Dollar, and the Polish Zloty). For operating units with U.S. Dollar sales and local currency costs, there is a foreign currency exposure that could impact our results of operations depending on market changes in the exchange rate of the U.S. Dollar against the applicable foreign currencies. To manage certain exposures, we employ long-term hedging strategies associated with U.S. Dollar sales. See Note 1 and Note 13 to the Consolidated Financial Statements in our 2011 Annual Report and Note 9 to the Condensed Consolidated Financial Statements in this Form 10-Q for further discussion of our hedging strategies.

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

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

emerging markets will continue to account for a significant portion of our sales as our business evolves and as these and other developing nations and regions around the world increase their demand for our products. Emerging market operations can present many risks, including civil disturbances, health concerns, cultural differences (such as employment and business





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In addition, if the acquisition is consummated, the success of the acquisition will depend, in part, on our ability to realize the anticipated synergies, cost savings and growth opportunities from the integration of Goodrich with our existing businesses. The integration process may be complex, costly and time-consuming. The potential difficulties of integrating the operations of Goodrich and realizing our expectations for the acquisition include, among others:

failure to implement our business plan for the combined business;

unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;

unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;

unanticipated changes in applicable laws and regulations;

retaining key customers, suppliers and employees;

retaining and obtaining required regulatory approvals, licenses and permits;

operating risks inherent in the Goodrich business and our business;

the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002; and

other unanticipated issues, expenses and liabilities.

***We Have Outstanding Debt and We Will Incur Significant Transaction- and Acquisition-Related Costs in Connection With Financing the Acquisition of Goodrich; Our Debt Will Increase As A Result of the Acquisition and Any Incurrence of Indebtedness In Connection With the Acquisition, and Will Increase If We Incur Additional Debt in the Future and Do Not Retire Existing Debt.***

We have outstanding debt and other financial obligations and significant unused borrowing capacity. As of March 31, 2012, we had approximately \$9.8 billion of total debt on a consolidated basis. We anticipate that Goodrich will have approximately \$1.9 billion of net debt as of the closing of the acquisition of Goodrich, and we further anticipate incurring significant additional debt in connection with the financing of the acquisition. Our debt level and related debt service obligations could have negative consequences, including:

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

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

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

We may incur significantly more debt in the future. If we add new debt and do not retire existing debt, the risks described above could increase.

Our current global and domestic revolving credit facilities impose restrictions on us, including certain restrictions on our ability to incur liens on our assets. Our current revolving credit facilities are available for general corporate purposes. There are currently no amounts outstanding under our credit facilities. Our long-term debt obligations include covenants that may adversely affect our ability to incur certain secured indebtedness or engage in certain types of sale and leaseback transactions. Our ability to comply with these restrictions and covenants may be affected by events beyond our control. If we breach any of these restrictions or covenants and do not obtain a waiver from the lenders, then, subject to applicable cure periods, our outstanding indebtedness could be declared immediately due and payable.

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

We seek to achieve growth through the design, development, production, sale and support of innovative products that incorporate advanced technologies. The product, program and service needs of our customers change and evolve regularly, and we invest substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products and services. Our ability to realize the anticipated benefits of these advancements depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules; execution of internal and external performance plans; availability of supplier- and internally-produced parts and materials; performance of suppliers and subcontractors; hiring and training of qualified personnel; achieving cost and production efficiencies; identification of emerging technological trends in our target end-markets; validation of innovative technologies; the level of customer interest in new technologies and products; and customer acceptance of our products and products that incorporate technologies we develop. These factors involve significant risks and uncertainties. Any development efforts divert resources from other potential investments in our businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings. In addition, the markets for our products or products that incorporate our technologies may not develop or grow as we anticipate. We or our suppliers and subcontractors may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. Due to the design complexity of our products, we may in the future experience delays in completing the development and introduction of new products. Any delays could result in

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increased development costs or deflect resources from other projects. For example, we cannot predict with certainty whether, when and in what quantities our aerospace businesses will produce and sell aircraft engines, helicopters, aircraft systems and components and other products currently in development or pending required certifications. Our contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the cost to provide the products and services. To generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services required by the contract and to be able to complete the contracts in a timely manner. If we fail to accurately estimate our costs or the time required to complete a contract, the profitability of our contracts may be materially and adversely affected. Some of our contracts provide for liquidated damages in the event that we are unable to perform and deliver in accordance with the contractual specifications and schedule. Furthermore, we cannot be sure that our competitors will not develop competing technologies which gain market acceptance in advance of or instead of our products. The possibility exists that our competitors might develop new technology or offerings that might cause our existing technology and offerings to become obsolete. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

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

We are subject to a variety of litigation, tax and legal compliance risks. These risks include, among other things, possible liability relating to product liability matters, personal injuries, intellectual property rights, contract-related claims, government contracts, taxes, environmental matters and compliance with U.S. and foreign export laws, competition laws and laws governing improper business practices. We or one of our business units could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments, other damages (in certain cases, treble damages), or suspension or debarment from government contracts. Independently, failure of us or one of our business units to comply with applicable export and trade practice laws could result in civil or criminal penalties, suspension, debarment or termination of export privileges. As disclosed in Note 15 to the Consolidated Financial Statements in our 2011 Annual Report and Note 14 to the Condensed Consolidated Financial Statements in this Form 10-Q, we are currently in discussions with DTCC and the DOJ regarding separate but related export licensing compliance matters. As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses and payments, and uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional investment in product designs and could increase environmental compliance expenditures. Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including increased energy and raw materials costs.

In the area of taxes, changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business we are subject to examinations by various authorities, including tax authorities. In addition to ongoing investigations, there could be investigations launched in the future by governmental authorities in various jurisdictions, and existing investigations could be expanded. The global and diverse nature of our operations means that these risks will continue to exist and additional legal proceedings and contingencies will arise from time to time. Our results may be affected by the outcome of legal proceedings and other contingencies that cannot be predicted with certainty.

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

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

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In order to operate more efficiently and control costs, we announce from time to time restructuring plans, which include workforce reductions as well as global facility consolidations and other cost reduction initiatives. These plans are intended to generate operating expense savings through direct and indirect overhead expense reductions as well as other savings. We may undertake further

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workforce reductions or restructuring actions in the future. These types of cost reduction and restructuring activities are complex. If we do not successfully manage our current restructuring activities, or any other restructuring activities that we may undertake in the future, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions and other workforce management issues include delays in implementation of anticipated workforce reductions, additional unexpected costs, changes in restructuring plans that increase or decrease the number of employees affected, adverse effects on employee morale and the failure to meet operational targets due to the loss of employees, any of which may impair our ability to achieve anticipated cost reductions or may otherwise harm our business, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

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

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

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

We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, information technology security systems and other measures to protect our proprietary intellectual property. We also rely on nondisclosure agreements, information technology security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. Our efforts to protect intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. In addition, our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us. We may also be subject to disruptions, losses and liability resulting from various cybersecurity attacks or information technology failures. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. We have experienced cybersecurity attacks in the past and may experience them in the future, potentially with more frequency.

Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, subject us to judgments, penalties and significant litigation costs or temporarily or permanently disrupt our sales and marketing of the affected products or services. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds  
Issuer Purchases of Equity Securities**

We did not make any repurchases of our common stock under the current share repurchase program during the three months ended March 31, 2012. Under the current program, which was announced on March 10, 2010 and which authorizes the repurchase of up to 60 million shares of our common stock, shares may be purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. In connection with our pending acquisition of Goodrich, we

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announced that we will suspend additional share repurchases until at least September 30, 2012, and will significantly reduce repurchases for two years thereafter. The number of shares remaining for purchase under the current program is approximately 6,937,000. We may, however, continue to reacquire shares outside of this program from time to time in connection with the surrender of shares to cover taxes on the vesting of restricted stock. Approximately 2,000 shares were reacquired in transactions outside the program during the quarter ended March 31, 2012.

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**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

On April 24, 2012, we entered into a Term Loan Credit Agreement (Term Loan Agreement) with JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Securities LLC, Citigroup Global Markets Inc., HSBC Securities (USA) Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arrangers and Joint Bookrunners, and Bank of America, N.A., Citibank, N.A. and HSBC USA, National Association, as syndication agents.

The Term Loan Agreement provides for a \$2.0 billion term loan facility, which will be available to pay a portion of the cash consideration for our previously announced acquisition of Goodrich, and to finance certain transactions and pay related fees and expenses. The obligations under the Term Loan Agreement are unsecured.

Any loan made pursuant to the Term Loan Agreement would occur shortly before the consummation of the Goodrich acquisition, subject to customary conditions for financings of this type, including the substantially contemporaneous termination of the remaining commitments under our Bridge Credit Agreement (Bridge Credit Agreement) executed on November 8, 2011 with various financial institutions. Any loan made pursuant to the Term Loan Agreement would mature on December 31, 2012.

Borrowings under the Term Loan Agreement will bear interest at a rate equal to, at UTC's option, either an adjusted base rate or the London interbank offered rate (LIBOR), in each case plus an applicable rate, which depends on UTC's senior, unsecured, non-credit-enhanced, long term debt ratings. Upon termination of the Bridge Credit Agreement and prior to funding under the Term Loan Agreement, UTC will pay a commitment fee on the commitments under the Term Loan Agreement.

The Term Loan Agreement includes specified events of default, including events of default relating to non-payment of principal, interest or fees, inaccuracy of material representations and warranties in any material respect, violation of covenants, cross payment defaults, cross acceleration, bankruptcy and insolvency events and a change of control.

After the funding date, if an event of default under the Term Loan Agreement occurs and is continuing, the principal amount outstanding, and all accrued unpaid interest and other amounts owed, may be declared immediately due and payable.

**Table of Contents****Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.34	Term Loan Credit Agreement, among United Technologies Corporation, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Citibank, N.A. and HSBC Bank USA, National Association, dated as of April 24, 2012.*
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.*
101.INS	XBRL Instance Document.*  (File name: utx-20120331.xml)
101.SCH	XBRL Taxonomy Extension Schema Document.*  (File name: utx-20120331.xsd)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*  (File name: utx-20120331_cal.xml)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*  (File name: utx-20120331_def.xml)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*  (File name: utx-20120331_lab.xml)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*  (File name: utx-20120331_pre.xml)

**Notes to Exhibits List:**

\* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2012 and 2011, (ii) Condensed Consolidated Balance Sheet at March 31, 2012 and December 31, 2011, (iii) Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2012 and 2011 and (iv) Notes to Condensed Consolidated Financial Statements. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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**SIGNATURES**

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**

**(Registrant)**

Dated: April 30, 2012

by: */s/* GREGORY J. HAYES  
**Gregory J. Hayes**  
**Senior Vice President and Chief Financial Officer**  
  
(on behalf of the Registrant and as the Registrant's Principal Financial Officer)

Dated: April 30, 2012

by: */s/* PETER F. LONGO  
**Peter F. Longo**  
**Vice President, Controller**  
  
(on behalf of the Registrant and as the Registrant's Principal Accounting Officer)

**Table of Contents****EXHIBIT INDEX**

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101.INS	XBRL Instance Document.*  (File name: utx-20120331.xml)
101.SCH	XBRL Taxonomy Extension Schema Document.*  (File name: utx-20120331.xsd)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*  (File name: utx-20120331_cal.xml)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*  (File name: utx-20120331_def.xml)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*  (File name: utx-20120331_lab.xml)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*  (File name: utx-20120331_pre.xml)

**Notes to Exhibits List:**

\* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2012 and 2011, (ii) Condensed Consolidated Balance Sheet at March 31, 2012 and December 31, 2011, (iii) Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2012 and 2011, and (iv) Notes to Condensed Consolidated Financial Statements. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.