

United Technologies Corporation

Global

Thinking Results

Exceptional

2007 Year in Review

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This publication includes “forward-looking statements” concerning expected revenue, earnings, cash flow, share repurchases, restructuring, anticipated business opportunities and other matters that are subject to risks and uncertainties. These statements often contain words such as “expect,” “anticipate,” “plan,” “estimate,” “believe,” “will,” “see,” “guidance” and similar terms. Important factors that could cause actual results to differ materially from those anticipated or implied in forward-looking statements include changes in the health of the global economy; strength of end market demand in construction and in both the commercial and defense segments of the aerospace industry; fluctuation in commodity prices, interest rates and foreign currency exchange rates; and the impact of weather conditions; as well as company-specific items, including the availability and impact of acquisitions; the rate and ability to integrate these acquired businesses effectively; the ability to achieve cost reductions at planned levels; challenges in the design, development, production and support of advanced technologies, and new products and services; delays and disruption in delivery of materials and services from suppliers; labor disputes; and the outcome of legal proceedings. The level of share repurchases may vary depending on the level of other investing activities. For information identifying other important economic, political, regulatory, legal, technological, competitive and other uncertainties, see UTC’s SEC filings as submitted from time to time, including but not limited to, the information included in UTC’s 10-K and 10-Q Reports under the headings “Business,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Cautionary Note Concerning Factors that May Affect Future Results,” as well as the information included in UTC’s Current Reports on Form 8-K.

United Technologies Corporation and its subsidiaries’ names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or trade names of United Technologies Corporation and its subsidiaries.



United Technologies delivers strong performance through balance and leadership. We achieve these results through a commitment to operational excellence and responsible business practices worldwide. Over the last decade, our total shareholder return is five times that of the S&P 500 and first among Dow Jones Industrial companies.

At UTC, global thinking delivers exceptional results.

Dear Shareowner



George David, UTC Chairman and Chief Executive Officer (right), and Louis Chênevert, President and Chief Operating Officer
Background: The Otis Elevator Company TEDA Center in China's Tianjin Economic-Technological Development Area (TEDA). Completed in July 2007, the 1.5 million-square-foot manufacturing facility for Otis Gen2 elevators and other permanent magnet gearless systems was designed and constructed to meet the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Gold standards. Advanced conservation technologies are expected to reduce site energy usage by at least 25 percent over more conventional manufacturing facilities.

UTC had a remarkable year in 2007, demonstrating yet again the benefits of market leadership and balance across our range of businesses and geographies. Management systems and operating philosophies are mature and tested by time and experience. Notwithstanding a currently uncertain economic outlook, especially in the United States, we feel we are well positioned to outperform yet again in 2008.

Revenues reached \$54.8 billion, 14 percent higher than 2006 and doubled since 2000. Organic growth accounted for 9 percentage points of the growth, continuing the pattern of comparably high levels over the three prior years. We believe competitive cost positions globally and successful recent product launches are responsible.

Earnings per share grew 15 percent in 2007, to \$4.27 per share. Total shareholder return for the year was 24 percent and has compounded at 17 percent annually over the last decade. The latter ranks UTC first among the Dow Jones Industrials and within the top quartile of the S&P 500. Solid cash flow enabled us to raise the dividend 21 percent in 2007 and fund share repurchase of \$2.0 billion, comparable to 2006. Longer term, the dividend has been tripled since 2001.

We saw external recognition for performance. *Fortune* magazine again ranked UTC first among aerospace and defense companies in its annual Most Admired survey, and we were comparably included in “best companies” lists in *Forbes*, *BusinessWeek* and *Barron’s* magazines. We were named among the 100 Most Sustainable Companies in the World at the Davos World Economic Forum and to the Dow Jones Sustainability Indexes. UTC has been in both populations since inception. The company routinely ranks within the top quartile on measures such as GovernanceMetrics and the ISS Corporate Governance Quotient.

Pratt & Whitney saw sole source placements of its new Geared Turbofan engine on two new jets, the Mitsubishi MRJ and Bombardier CSeries. Sikorsky’s large helicopter deliveries reached 174 aircraft, double the rate only three years ago. Otis’ Gen2 elevators are now a confirmed product and market success and have been a principal factor in Otis’ growth in new elevator orders worldwide averaging 16 percent annually over the last three years. Carrier won a remarkable 69 percent of air conditioning contracts for the Beijing Olympics, in substantial part in recognition of the company’s green products.

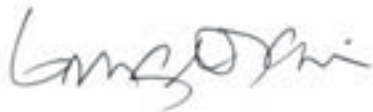
UTC made acquisitions totaling \$2.3 billion in 2007. Principal among these were Rentokil Initial’s Electronic Security Group and Marioff Oy, both for the Fire & Security segment where 2007 revenues and operating income grew 21 percent and 47 percent, respectively.

We believe four factors account for UTC’s consistently outperforming peers. First are established disciplines and priorities on cost reduction and productivity which we group under the heading Achieving Competitive Excellence. Productivity gains of twice and higher are routinely achieved, and we anticipate more of the same. Second is a robust engineering and development function which has accounted for remarkable new product launches over the last decade. Third are acquisitions building on and extending our existing market leading franchises. These have totaled \$21.4 billion over the same 10 years. Fourth is a consistent operating model of decentralization and profit centers and a mature and experienced team of executives leading these.

Investors and managements are often drawn to allocations and re-allocations among sectors and to recomposed business portfolios. UTC instead concentrates on strategic and operational effectiveness within a constant set of global and market leading businesses. We like our model which has consistently and well outperformed peers and market averages in the past, and we see lots more runway ahead. UTC is a great company already, and we can and are committed to making it better.

While reinforcing the stability of the businesses and operating models, we want also to signal an evolutionary change to ever greater energy and resource efficiencies in a changing world ahead. UTC embraces sustainability and has already achieved excellent results, not only within our operations but through the efficiencies of our products as they perform in service. Notably for the former and notwithstanding that UTC's revenues are 157 percent higher, we use today 20 percent less absolute energy than we did in 1997 and comparably 47 percent less water. For examples of the latter, we build elevators that regenerate power with descending loads, reducing overall power consumption by 75 percent, and on-site power generation units that recapture and utilize otherwise waste heat, doubling energy conversion efficiencies as compared with central station generating plants. Ninety percent of energy is wasted in the world today, and much of it in the form of waste heat. It doesn't have to be this way, at all, and we think we may look back years ahead and see these transitions to ever more sustainable operations and products as a decisive turning point for this great company.

It's been a very good year, and this is always the right time and place to applaud and thank employees throughout UTC for their extraordinary efforts and skills. We do, enthusiastically.



George David

Chairman and Chief Executive Officer



Louis Chênevert

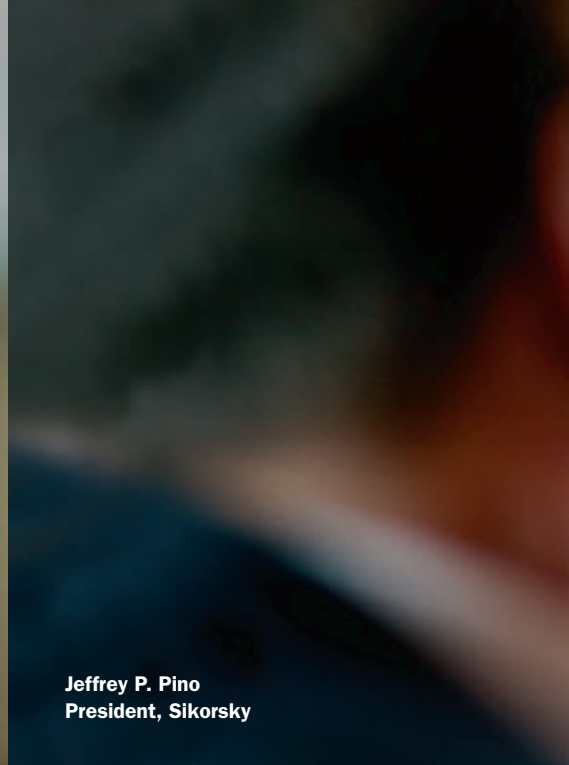
President and Chief Operating Officer

SEAHAWK helicopter assembly at
Sikorsky's Stratford, Connecticut, facility



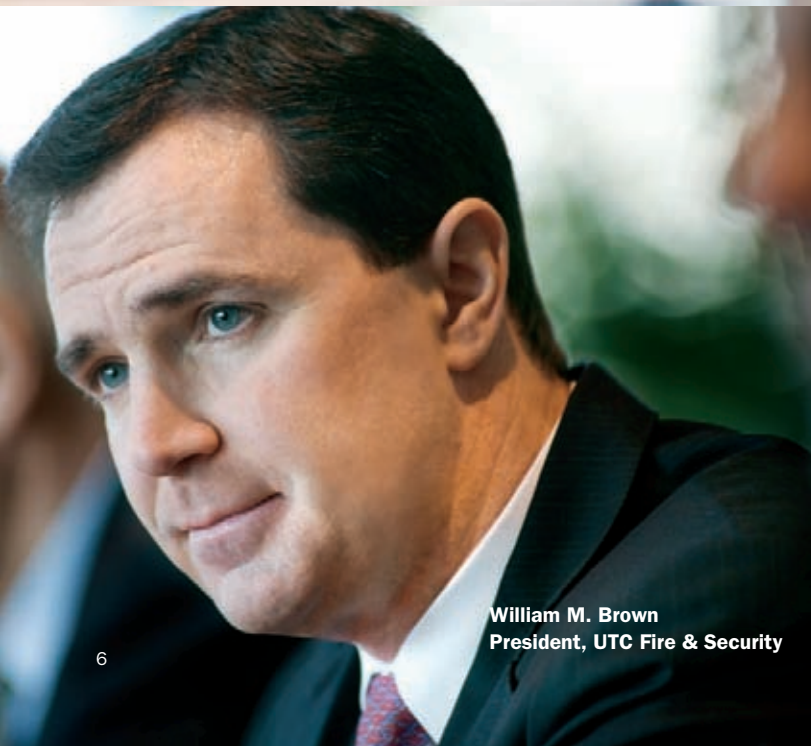


Geraud Darnis
President, Carrier



Jeffrey P. Pino
President, Sikorsky

Leadership



William M. Brown
President, UTC Fire & Security



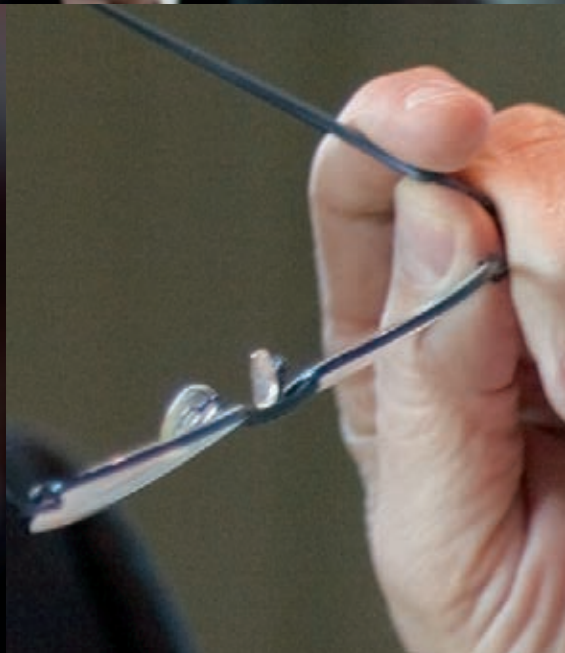
Jan van Dokkum
President, UTC Power



Ari Bousbib
President, Otis

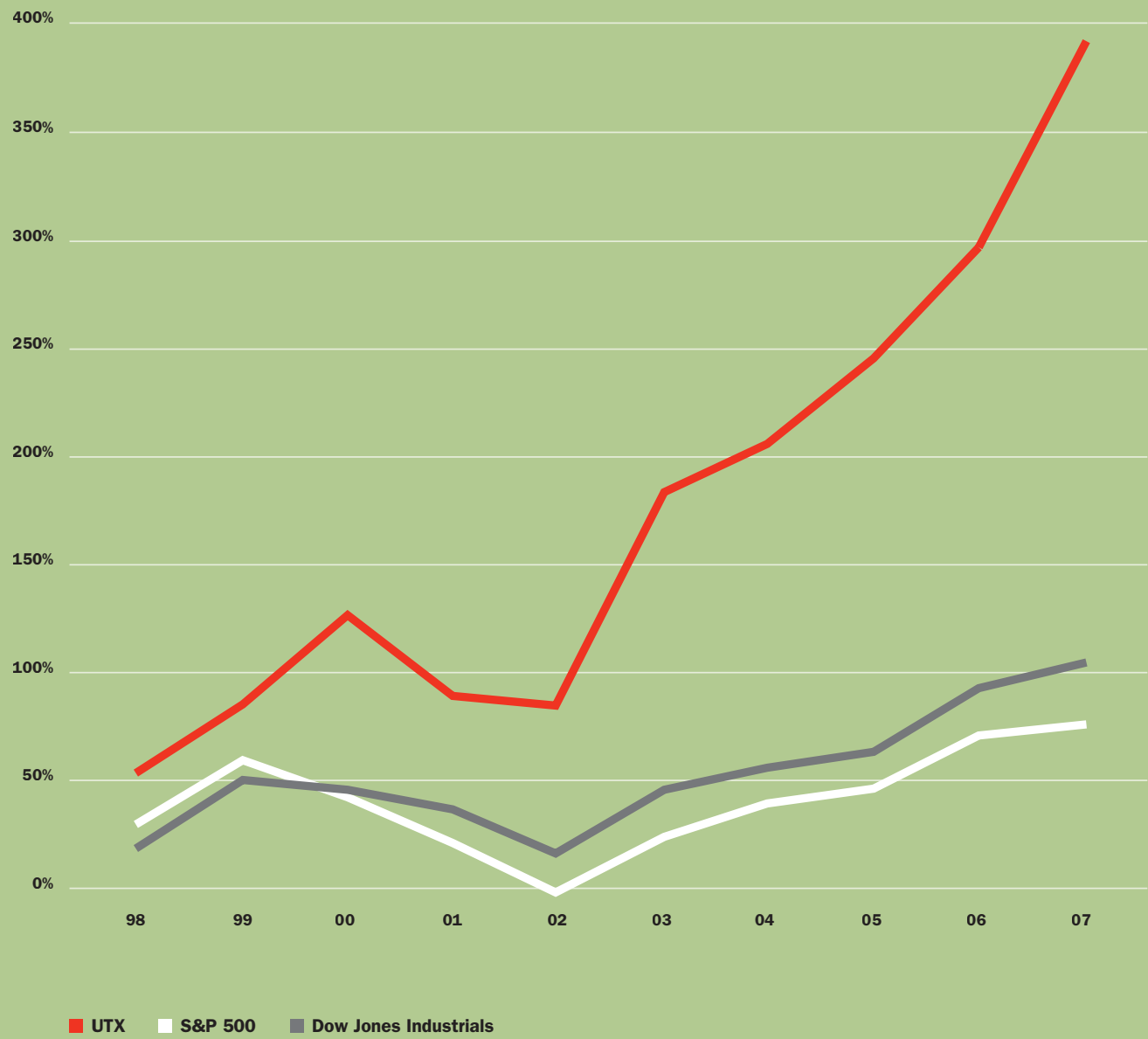


Stephen N. Finger
President, Pratt & Whitney

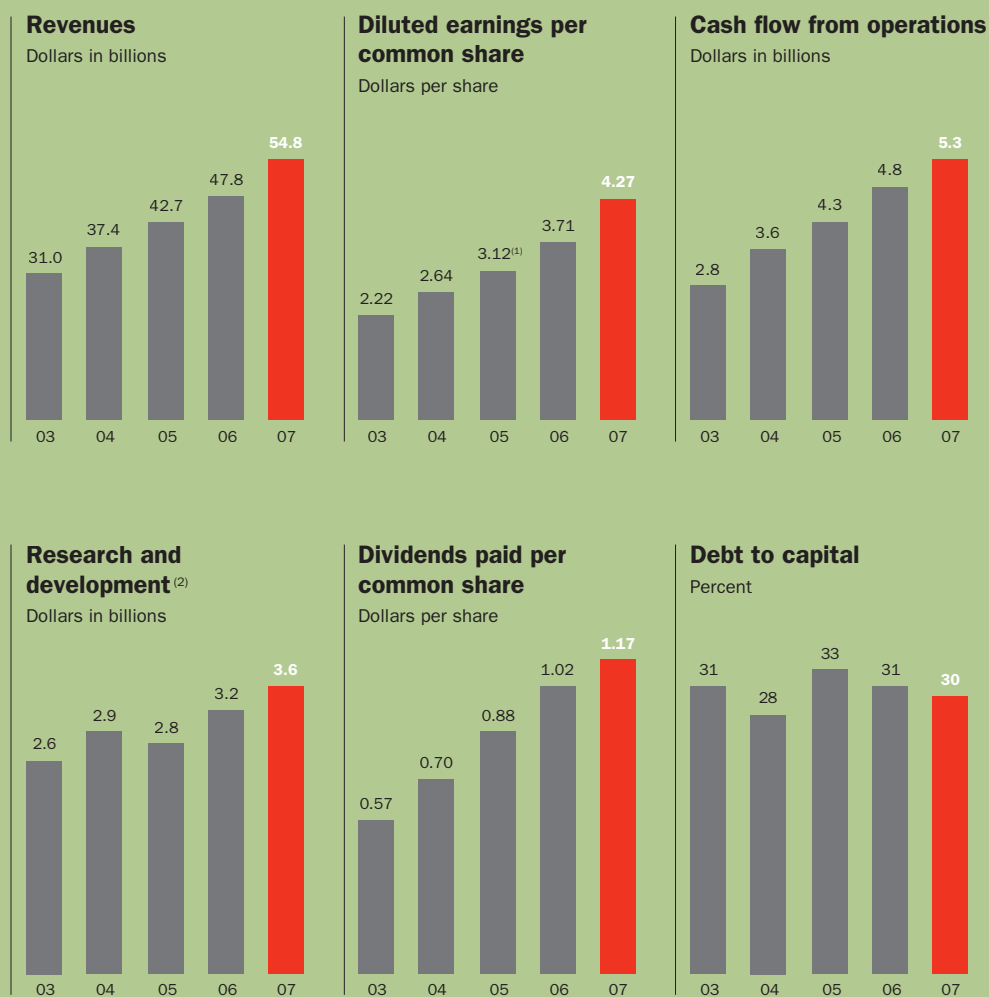


David P. Hess
President,
Hamilton Sundstrand

Total Shareholder Return 1998-2007



UTC provides high technology products and services to the building systems and aerospace industries worldwide through our industry-leading businesses: Carrier, Hamilton Sundstrand, Otis, Pratt & Whitney, Sikorsky, UTC Fire & Security and UTC Power. In 2007, UTC revenues increased 14 percent to \$54.8 billion, reflecting 9 percentage points of organic growth, 3 points from foreign exchange and 2 points from acquisitions. Earnings per share and net income grew 15 percent and 13 percent to \$4.27 and \$4.2 billion, respectively. Cash flow from operations of \$5.3 billion less capital expenditures of \$1.15 billion was effectively equal to net income and was used, in part, to provide a return to shareowners through share repurchases of \$2.0 billion for the year and increased dividends to \$1.17 per share.



1 2005 amount is diluted income per share before the \$0.09 cumulative effect of a change in an accounting principle related to the adoption of Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," which resulted in a non-cash after tax cumulative impact on the fourth quarter 2005 results of \$95 million or \$0.09 per share.

2 Amounts include company- and customer-funded research and development.

Carrier

Heating, ventilation, air conditioning and refrigeration (HVACR) systems, components, controls and services for residential, commercial, industrial and transportation applications; food service equipment.

Hamilton Sundstrand

Electrical power generation and distribution systems, engine accessories and control systems, flight control systems and pilot controls, propulsion systems, environmental control systems, auxiliary power units, LED lighting, and fire protection products for aircraft and military ground vehicles; prime contractor of NASA's space suit/life support system, electric power system and various other systems for international space programs; industrial products, including portable and stationary air compressors, high pressure pumps and metering devices.

Otis

Design, manufacture, installation, service and upgrade of elevators, escalators and moving walkways for all buildings, including commercial, residential, multipurpose malls, educational institutions and urban transportation systems.

Pratt & Whitney

Turbofan engines for large commercial and military aircraft; turbofan and turboprop engines for regional, business, light jet, utility and military aircraft; turboshaft engines for military and commercial helicopters; gas turbine engines for industrial applications and auxiliary power units; maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services; liquid space propulsion systems for military and commercial applications, including NASA's space shuttle and Vision for Space Exploration.

Sikorsky

Military and commercial helicopters; fixed-wing aircraft; spare parts and maintenance, repair and overhaul services for helicopters and fixed-wing aircraft; civil helicopter operations.

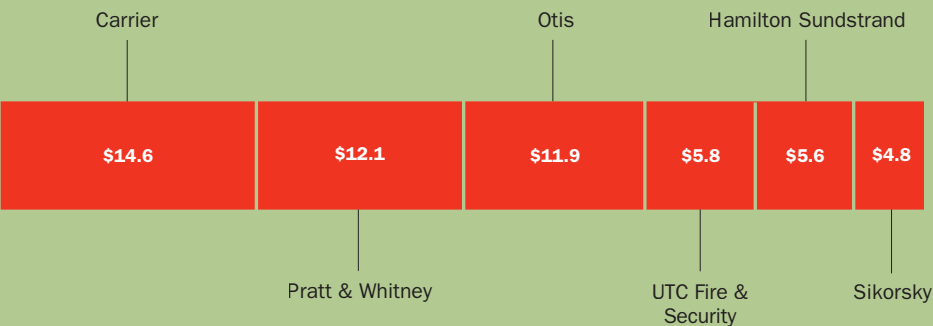
UTC Fire & Security

Electronic security and fire safety systems, software and services; design, integration, installation and servicing of access control, intruder alarm, video surveillance, and fire detection and suppression systems; monitoring, response and security personnel services.

UTC Power

Fuel cell systems for on-site, transportation, space and defense applications, including the U.S. space shuttle program; combined cooling, heating and power systems for commercial and industrial applications; geothermal power systems; and energy consulting services.

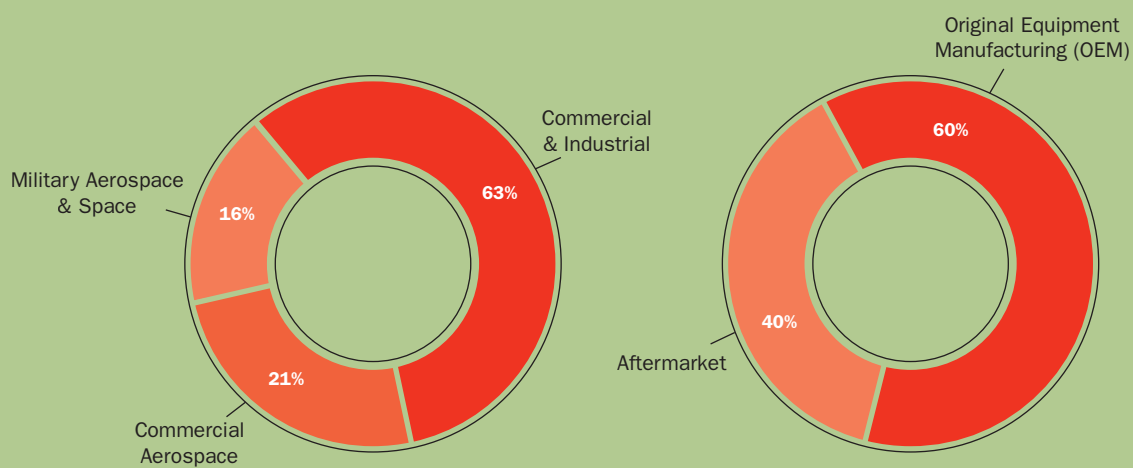
Business unit revenues (Dollars in billions)



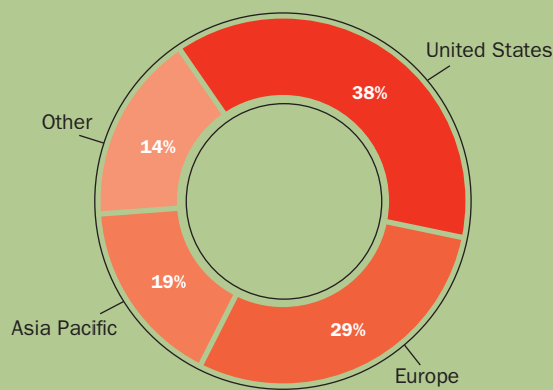
Businesses in Balance

UTC’s balanced portfolio of businesses spans a range of geographies, markets and customer relationships. By maintaining this diversity, we are able to take advantage of both long and short business cycles, reducing the impact of downturns in individual markets or economies.

Revenues by business type as percent of total revenues



Revenues by geography as percent of total revenues



At UTC Thin

Thinking = Results.

Success happens through smart thinking. Using customer feedback, we continuously refine processes and engineer better technologies to achieve exceptional results. Our global presence and diverse portfolio create a proven formula for success measured by both profitability and responsibility. We operate to the highest ethical, environmental and safety standards everywhere, are committed to the communities where we live and work, and invest in lifelong learning. The following six principles direct our thinking and deliver results.



Ground testing of the revolutionary Pratt & Whitney Geared Turbofan (GTF) engine began in 2007. An important advancement in jet propulsion, the GTF engine is expected to reduce noise by 50 percent, fuel consumption and the resulting emissions by 12 percent and operating costs by 10 percent, all as compared with today's best production engines. Research at the United Technologies Research Center is improving heat-exchanger technology that will make this engine more efficient.



Sustainability

Thinking

Sustainability for UTC means conserving resources through efficiency, minimizing environmental impact, investing in human capital and making a strong commitment to governance. We don't choose between responsibility and profitability; we pursue both with discipline and focus.

Results

We're highly alert to energy use and conservation, in both our operations and products in service. In 2007, we announced our latest environmental goals, which include targets to reduce greenhouse gas (GHG) emissions and water consumption by 12 percent and 10 percent, respectively, by 2010. With 2007 reductions of 5 percent in GHG emissions and 6 percent in water use, we are well on our way to achieving these goals.

Otis' Gen2 elevators with ReGen drives use up to 75 percent less energy than comparable models a decade ago.

EcoPower engine wash, developed by **Pratt & Whitney** Global Service Partners, uses atomized, purified water to keep engines running smoothly without any detergents or solvents. If all airlines used this engine washing system, it would save 3.2 million metric tons of CO₂ from being emitted into the atmosphere and save airlines more than \$850 million in fuel costs each year.

Nine **Hamilton Sundstrand** systems will allow the Boeing 787 to save up to 200,000 gallons of fuel a year, a significant fuel efficiency gain over current generation equipment.

Carrier's Vector 1800MT trailer refrigeration unit is 20 percent more fuel efficient than prior models and has less emissions.

Sikorsky's PZL Mielec plant in Poland now uses the same zero-to-low Volatile Organic Compound paint used at U.S. operations, which has 41 percent less paint air emissions.

Aftermarket

Thinking

UTC companies strengthen organic growth by developing successful aftermarket service businesses that complement our core capabilities and provide customers with productive, cost-effective services worldwide. Forty percent of UTC's revenues are now from aftermarket services.

Results

Hamilton Sundstrand, which has long-term support agreements with 23 of the world's top 25 airlines, in 2007 signed service agreements with British Airways, JetBlue Airways, and Air Canada Technical Services, Air Canada and Jazz. Hamilton Sundstrand also added Air New Zealand and Singapore Airlines to the proven C.A.R.E. (Comprehensive Accessory Repair and Exchange) program.

Sikorsky Aerospace Services provides full-spectrum aerospace services and training for most leading helicopter and many fixed-wing brands. Increasingly, these functions are being outsourced by Sikorsky customers, including the U.S. Army, U.S. Navy as well as government and private-sector fleet owners. In 2007, Sikorsky and Gulf Helicopters of Qatar agreed to explore the establishment of a joint full-service Aviation Center of Excellence in the Middle East region.

Pratt & Whitney Global Service Partners won contracts worth more than \$5 billion, including agreements with Northwest Airlines, Delta Air Lines, EgyptAir, Jet2.com, Martinair, SunExpress and United Airlines. Pratt & Whitney also purchased the majority of Volvo Aero Engine Services' assets. Pratt & Whitney Canada won multiple maintenance contracts, among them a fleet management contract with DayJet for Eclipse 500 very light jets.

UTC Fire & Security's Lenel unit expanded its OnGuard enterprise-wide security management platform to include video analytic capabilities and support for 18 world languages. In 2007, Lenel increased its network of value-added resellers outside the United States by 25 percent.





At South Korea's Incheon International Airport, Otis maintains the 125 elevators, 130 escalators, 46 moving walkways and 79 passenger-boarding bridges it installed during Phase 1 of construction to keep people moving through one of the world's busiest airports. As Otis Elevator Korea's major service customer, Incheon International Airport is evidence of Otis' focus on nurturing long-term partnerships with its aftermarket service capabilities and commitment to quality and safety. This helped earn the airport recognition as the world's best, with two consecutive Airport Service Quality Awards from Airport Council International. Phase 2 will be completed in 2008, with Otis extending its current service capabilities to its new 55 elevators, 83 escalators, 39 moving walkways and 51 passenger-boarding bridges.

Globalization

Thinking

UTC's geographical and industrial balance helps protect us from the cyclical nature of business. We build facilities, invest in local workforces and cultivate customer relationships in the world's fastest growing markets. This local expertise brings global strength and knowledge that help our company thrive in changing market conditions. Today, 62 percent of our revenues and 65 percent of our employees are outside the United States.

Results

In 2007, acquisitions and partnerships strengthened UTC's international market positions and employee base. **Sikorsky's** purchase of Polish aircraft maker PZL Mielec opens new opportunities in the European helicopter market and provides the company with strategically located facilities for producing a new BLACK HAWK helicopter for the international market. **UTC Fire & Security** grew through the addition of U.K.-based Rentokil Initial's Electronic Security Group and Hall & Kay Fire Engineering, and Finland-based Marioff Corporation Oy. **Hamilton Sundstrand** acquired Dosatron International, a France-based designer and manufacturer of specialized dosing/metering pumps, and completed a majority share purchase of its Japanese joint venture, Sundyne Nikkiso.

Carrier announced a \$50 million investment during the next three years in India to build a new global research and development center, develop industry-leading products and technology for local markets, and significantly enhance its manufacturing operations. **UTC Fire & Security** opened a new facility in Ropczyce, Poland, with an initial annual production capacity of 2.4 million fire extinguishers. **Otis** opened its TEDA manufacturing facility in China, the world's first green elevator factory. **Pratt & Whitney** Global Service Partners and China Eastern Airlines broke ground on a new jet engine Maintenance, Repair and Overhaul center in Shanghai.

Technological and economic growth has transformed the skylines of major cities worldwide such as Shanghai, where numerous buildings depend on Otis elevators and escalators; Carrier heating, cooling and air handling systems; and UTC Fire & Security systems.





Sikorsky's X2 Technology Demonstrator builds on UTC's heritage of innovation by employing two main rotors and auxiliary propulsion, effectively breaking the aircraft paradigm that great hover efficiency means slow speeds. The X2 Technology Demonstrator nearly doubles a traditional helicopter's speed while retaining the precision and maneuverability of a helicopter flying at much lower speeds. The advanced rotor technology includes a built-in flexibility that enables the helicopter to be scaled to serve a variety of customer missions, including commercial, unmanned flight, heavy lift, military and escort.

Innovation

Thinking

At UTC, innovation means more than reacting to changing markets. It means creating new ones. Our company was founded by engineers who created new industries. We continue their legacy today by designing for the markets of tomorrow. UTC creates products that consume fewer resources and produce less emissions during manufacture and in operation. **United Technologies Research Center (UTRC)** scientists specialize in fields such as fluid dynamics, advanced materials, controls, and modeling and simulation. This year we invested \$3.6 billion in company- and customer-funded research and development across UTC.

Results

Pratt & Whitney Rocketdyne (PWR) — along with its X-51A team members, the U.S. Air Force, Defense Advanced Research Projects Agency (DARPA), NASA and The Boeing Company — successfully demonstrated operation and performance of the revolutionary X-1 scramjet engine at Mach 4.6, 5.0 and 6.5 in a test bed. The X-1 engine is a breakthrough in hypersonic technology that ultimately will provide unprecedented range and speed for PWR customers. The first flight of the X-51A is scheduled for 2009.

Carrier introduced the PrimeLINE container refrigeration unit designed to substantially reduce its carbon footprint and lifecycle costs by up to 30 percent as compared to competing units. The unit also maximizes cooling capacity. With UTRC, Carrier is pioneering hybrid controls and two-phase (liquid, vapor) modeling to enhance performance of refrigerant-based systems.

UTRC engineers are working with **Sikorsky** to develop a new rotor that will reduce helicopter lifecycle costs and greatly increase reliability and capacity. For **UTC Fire & Security**, UTRC is working to integrate computers and video cameras in security systems to interpret shapes and movement more accurately.

Hamilton Sundstrand was selected to supply both the advanced fly-by-wire flight control system, including flight control computers and primary main and tail rotor actuators, along with the integrated secondary power system that features the environmental control system, engine start system and Auxiliary Power Unit for the Sikorsky CH-53K heavy lift helicopter fleet.

Productivity

Thinking

UTC's **ACE (Achieving Competitive Excellence) Operating System**, launched in the 1990s, formalizes efficiency standards at our manufacturing sites and business operations worldwide to improve customer satisfaction, employee engagement and profitability. As our sites progress through ACE milestones in the multi-year process, they are certified in four ACE categories — **Qualified, Bronze, Silver and Gold** — then regularly reassessed to ensure performance is sustained or improved.

Results

Carrier Transicold Singapore, an ACE Silver-certified site, increased sales by 169 percent, inventory turns by 110 percent and per-square-foot productivity by 76 percent, all with 100 percent on-time deliveries. **Pratt & Whitney's** ACE Gold-certified Combustor, Augmentor & Nozzle engineering site improved customer satisfaction by 29 percent and employee satisfaction by 25 percent through 100 percent on-time deliveries and strong quality performance in 2007. At **Hamilton Sundstrand's** Space, Land & Sea, Windsor Locks unit, ACE Gold performance doubled profit per employee, increased sales by 39 percent and reduced the cost of poor quality by 84 percent. **Otis'** Moscow Service Region, an ACE Silver site, improved maintenance productivity by 19 percent and quality by 17 percent, which increased profitability on a service portfolio of more than 38,000 units. **Sikorsky's** Information Technology Group, an ACE Silver site, has reduced cost as a percentage of revenue by 38 percent while improving employee satisfaction by 25 percent and customer satisfaction by 70 percent. At our newest division, **UTC Fire & Security**, adoption of ACE was accelerated with more than three times the number of ACE coordinators and pilots and a 151 percent increase in the number of employees trained. UTC Fire & Security in Hong Kong now has five sites certified at the Silver level and has seen a 49 percent improvement in customer response times, along with significant improvements in operating profits.

At year-end, there were 908 UTC ACE sites across the world. Of those, approximately 30 percent were Gold or Silver certified. UTC is committed to achieving 70 percent Gold and Silver certification companywide by 2009.



Significant productivity improvements have been achieved through UTC's ACE Operating System at Carrier Transicold's Singapore operation, where the EliteLINE shipping container refrigeration unit is manufactured. Specially designed to meet extreme conditions at sea, EliteLINE's performance, efficiency and environmentally sustainable operation are an ideal match for shipping line Evergreen Marine's environmental focus.

People

Thinking

At UTC, we encourage lifelong learning for every one of our 225,600 employees around the world. They can enhance their future by developing skills through company-sponsored opportunities such as the Employee Scholar Program, training and personal development initiatives. The Employee Scholar Program was established in 1996 as a long-term investment in providing UTC with the best educated workforce of any company anywhere.

Results

Participants in UTC's Employee Scholar Program receive full tuition, expenses and paid study time for accredited degree programs. Upon completion, graduates are awarded UTC stock or comparable compensation. Since 1996, UTC has invested more than \$688 million in the Employee Scholar Program. During that time, employees have earned 23,819 degrees and \$178 million in UTC stock awards or stock options. In 2007, 14,583 employees pursued degrees in 50 countries.

To help high-potential employees develop leadership skills, UTC operates a cooperative program with the Darden Graduate School of Business at the University of Virginia, one of the foremost business schools in the United States. Participants work with fellow employees from around the world on issues that directly affect the company.

UTC believes the best way to strengthen math and science proficiency is to have passionate teachers who can inspire students. Our future technological success depends on today's students choosing professions in the engineering, science and math disciplines. In 2007, UTC launched a pilot program in Connecticut to put employees on the fast track to become certified teachers. A group of five employees with more than 135 years of experience among them enrolled in ARC (Alternate Route to Certification), which allows participants to obtain teaching certification in math or science.



A commitment to lifelong learning for employees is fundamental to UTC's leadership in a business environment that thrives on innovation. The Employee Scholar Program covers 100 percent of academic expenses and offers paid study time and stock or comparable compensation upon graduation. The company's commitment to having the best educated workforce has enabled UTC companies to consistently deliver innovative and reliable products and services and to develop enduring customer relationships across the globe.

In 2007, the United Technologies Research Center partnered with Tsinghua University in Beijing to advance studies into a new generation of high-performance buildings.

Our Commitments define who we are and how we work. They focus our businesses and move us forward.

Performance

Our customers have a choice, and how we perform determines whether they choose us. We aim high, set ambitious goals and deliver results, and we use customer feedback to recalibrate when necessary. We move quickly and make timely, well-reasoned decisions because our future depends on them. We invest authority where it needs to be, in the hands of the people closest to the customer and the work.

Innovation

We are a company of ideas that are nurtured by a commitment to research and development. The achievements of our founders inspire us to reach always for the next innovative and powerful and marketable idea. We seek and share ideas openly and encourage diversity of experience and opinion.

Opportunity

Our employees' ideas and inspiration create opportunities constantly, and without limits. We improve continuously everything we do, as a company and as individuals. We support and pursue lifelong learning to expand our knowledge and capabilities and to engage with the world outside UTC. Confidence spurs us to take risks, to experiment, to cooperate with each other and, always, to learn from the consequences of our actions.

Responsibility

Successful businesses improve the human condition. We maintain the highest ethical, environmental and safety standards everywhere, and we encourage and celebrate our employees' active roles in their communities.

Results

We are a preferred investment because we meet aggressive targets whatever the economic environment. We communicate honestly and forthrightly to investors, and deliver consistently what we promise. We are a company of realists and optimists, and we project these values in everything we do.

2007

Operations Review

Carrier

Employees	42,873
Revenues	\$14.6 billion
Operating Profits	\$1.4 billion

Globalization, urbanization, market expansion, energy conservation and environmental concern continue to propel growth in Carrier markets worldwide. In 2007, Carrier continued to benefit from unprecedented growth in emerging markets around the world. In India, revenues grew 36 percent, including a fourfold increase in sales of stationary refrigeration units to support the expansion of modern retailing. In China, the company opened a joint-venture manufacturing operation in Chengdu, bringing the number of manufacturing facilities in that country to seven.

The world's most efficient non-ozone-depleting chiller, Carrier's Evergreen 23XRV, continued to be a preferred choice for environmentally responsible cooling of commercial buildings. Working with scientists at the United Technologies Research Center, Carrier developed the first Micro-channel Heat Exchanger used in air-cooled commercial chillers to improve efficiency, reliability and performance. During 2007, the company launched its PrimeLINE container refrigeration unit, which reduces lifecycle costs and produces significantly less carbon than competing units.

Carrier is piloting a refrigeration system for retail stores that uses natural refrigerant CO₂. In Hamburg, Germany, a Metro Cash & Carry self-service wholesale center with a \$3 million Carrier system will be the largest retail CO₂ installation in the world when completed in early 2008.

For its outstanding environmental achievements, Carrier was presented with the 2007 Best-of-the-Best Stratospheric Ozone Protection Award by the U.S. Environmental Protection Agency.

Carrier won 69 percent of 2008 Beijing Olympics-related air conditioning contracts. In addition, Carrier secured many prestigious new contracts in 2007, including the Mayo Clinic, 360° Kuwait, the University of Pennsylvania, ASDA/Wal-Mart in the U.K., Princeton University, Tesco's U.S. operation, Fresh & Easy Neighborhood Markets, and Tesco Lotus Thailand, and Pakistan's first Metro Cash & Carry wholesale center.

For more information, visit www.carrier.com

Hamilton Sundstrand

Employees	18,348
Revenues	\$5.6 billion
Operating Profits	\$967 million

Hamilton Sundstrand's sales grew significantly, reflecting major new opportunities in systems integration, aftermarket service, and the oil and gas industry, served by Hamilton Sundstrand's Industrial businesses. The company also is benefiting from a trend among airlines to award larger contracts to fewer trusted suppliers.

Hamilton Sundstrand continued testing systems for the Boeing 787 Dreamliner at its APSIF (Airplane Power System Integration Facility) laboratory in Rockford, Illinois. Hamilton Sundstrand is supplying nine systems on the new passenger aircraft, which is scheduled to fly for the first time in 2008.

The first Airbus A380 entered service in October 2007. Hamilton Sundstrand supplies 13 systems and major components, including the air generation system, emergency and auxiliary power systems, and the engine control system. In August, the launch customer, Singapore Airlines, signed a 10-year C.A.R.E. (Comprehensive Accessory Repair and Exchange) service agreement with Hamilton Sundstrand's aftermarket unit.

The company was awarded several major systems for the Mitsubishi Regional Jet, intended for service in 2013. The agreements include the electric system (including emergency power), fire detection and suppression system, air management system, Auxiliary Power Unit and flap/slat actuation system.

Hamilton Sundstrand is the prime contractor for NASA's space suit/life support system and produces environmental control, electric power, life support, mechanical systems and thermal control systems for international space programs and NASA's next-generation Constellation space program.

Hamilton Sundstrand's Industrial division recorded double-digit growth for the fifth consecutive year. Among recent key successes was Sundyne's \$20 million compressor and pump order for Shell Oil's \$1 billion refinery and petrochemical facility in Singapore. In China and India, the division is building additional plants to meet local customer demand. Globally, annual revenues now exceed \$1 billion.

For more information, visit www.hamiltonsundstrand.com

Otis

Employees	62,928
Revenues	\$11.9 billion
Operating Profits	\$2.3 billion

Otis continued to earn double-digit growth from strong global sales of its Gen2 elevator, the fastest-selling product in the company's 154-year history. Sales of the Gen2 elevator surpassed 110,000 systems during 2007. Otis grew its service portfolio to 1.6 million elevators and escalators worldwide.

With more than 135,000 elevators and escalators sold annually, Otis is the world leader in this new equipment market. There are approximately 2 million Otis elevators and 140,000 escalators in operation in more than 200 countries and territories.

Otis is supplying more than 1,300 units totaling more than \$100 million for projects related to the 2008 Beijing Olympics. The company won a contract in 2007 to supply and install 74 elevators with energy-efficient ReGen drives for the Shanghai World Expo Village, a major infrastructure project for the 2010 World Expo. Otis also earned landmark tower wins in Abu Dhabi, Brisbane, Calgary, Chicago, Paris and the Philippines.

In the largest Gen2 elevator order yet, Otis will supply and install 580 Gen2 Comfort elevator systems at Tres Molinos, a luxury resort in the Murcia region of southeast Spain. Other major orders for the year included 67 elevators for the largest private development project in the world, New Songdo City, near Seoul; 113 elevators, escalators and moving walkways for Bahrain City Centre, Bahrain's largest mall; and 142 elevators, escalators and moving walkways for three large commercial projects in Russia.

For more information, visit www.otis.com.

Pratt & Whitney

Employees	38,577
Revenues	\$12.1 billion
Operating Profits	\$2.0 billion

Pratt & Whitney is a leader in its industry and now has more than 9,000 customers in nearly 180 countries.

Pratt & Whitney's Geared Turbofan engine has been selected as the exclusive power for the proposed new Mitsubishi Regional Jet and Bombardier CSeries. Both aircraft are scheduled to enter service in 2013.

Pratt & Whitney Canada extended its lead in the very light jet market by winning another contract for the PW600 engine family, this time to power the Epic Aircraft Victory jet. Also in 2007, Pratt & Whitney Canada's PW308 engine was chosen by The Spaceship Company to power the White Knight Two launch aircraft for the world's first commercial passenger suborbital spaceship, SpaceShipTwo. Virgin Galactic is the launch customer for the SpaceShipTwo system.

As the lead propulsion supplier for Lockheed Martin's F135 Lightning II fighter jet program, Pratt & Whitney successfully powered 23 flights of the F-35 in 2007. This powerful fighter jet is scheduled for operational service in 2012.

Pratt & Whitney Global Service Partners (GSP) is the industry's largest Maintenance, Repair and Overhaul (MRO) network with 40 overhaul and repair facilities worldwide. GSP continued strong double-digit revenues and earnings growth in 2007.

Global Material Solutions, a Pratt & Whitney business that manufactures and supplies spare engine parts, secured customers in three countries, including England's Jet2.com., which operates across Europe.

Pratt & Whitney Rocketdyne won contracts from NASA worth more than \$1 billion to design, develop and test the new J-2X engine that will power the upper stages of the Ares I and Ares V launch vehicles.

Power Systems experienced 60 percent growth driven by FT8 and non-Pratt & Whitney Industrial Gas Turbines (IGT) part sales.

For more information, visit www.pw.utc.com.

Sikorsky

Employees	14,606
Revenues	\$4.8 billion
Operating Profits	\$373 million

For the past five years, Sikorsky's average growth has been 23 percent per year. In 2007, the company had record sales and delivered 174 large aircraft. Backlog at year-end exceeded \$11 billion.

The U.S. government signed a contract to purchase 537 H-60 Hawk helicopters for approximately \$7.4 billion during the next five years and already has committed funding for the first two years. Ultimately the contract could reach \$11.6 billion if the government exercises options to purchase another 263 aircraft, spares and kits, and continues to approve the annual funding allocations. The U.S. Navy fleet is expected to be all-Sikorsky by 2010.

With the acquisition of Polish aircraft maker PZL Mielec in 2007, Sikorsky gained 1,500 employees, more than 1 million square feet of manufacturing space, an essential toehold in the European market and an expanded sheet metal supply chain. The plant will manufacture a new BLACK HAWK helicopter for the international market.

Sikorsky continues to advance vertical flight technology with development of the X2 Technology Demonstrator. With its distinctive double-rotor configuration and pusher propeller, the X2 Technology Demonstrator will travel at speeds exceeding 275 miles per hour while retaining helicopter flight and lift attributes.

The U.S. armed forces are increasingly partnering with OEMs (Original Equipment Manufacturers) to conduct helicopter fleet servicing and training. Sikorsky Aerospace Services (SAS) is well positioned for major contracts. SAS offers tip-to-tail aftermarket services designed to minimize operator downtime, improve ease of use and reduce cost of ownership.

For more information, visit www.sikorsky.com.

UTC Fire & Security

Employees	47,214
Revenues	\$5.8 billion
Operating Profits	\$443 million

UTC Fire & Security reached more than 1 million global customers in 2007 with its innovative fire and security solutions. Margin expansion remained the company's top priority. Savings from previous restructuring actions as well as field and supply chain efficiencies delivered a significant improvement to earnings.

UTC Fire & Security is upgrading its IT systems over the next three years. In 2007, upgrades at its largest monitoring centers, which handle more than 400,000 lines, allowed the company to standardize on a single platform. Customer service and productivity were enhanced by new single-instance, Web-enabled handheld technology introduced to 1,100 technicians, and an automated sales system was fully deployed in four countries.

In 2007, the company continued to grow through a number of strategic acquisitions. UTC Fire & Security acquired Rentokil Initial's Electronic Security Group (IESG), which provides integrated electronic security solutions. The addition of IESG's operations in France, the Netherlands, the United Kingdom and the United States, strengthened UTC Fire & Security's presence in Europe and expanded its global product and service offerings.

In a second significant acquisition, UTC Fire & Security purchased Finland-based Marioff Corporation Oy, a global provider of water mist fire suppression systems for land and marine applications, including the well-known HI-FOG technology. Water mist suppression applications are a fast-growing segment in the global fire safety industry.

For more information, visit www.utcfireandsecurity.com.

Employees

586

UTC Power does not report financial information as a separate segment.

Global climate change, rising energy costs and the need for energy security affirm the value of UTC Power's stationary and mass transit applications.

UTC Power continued development of the PureCell Model 400 fuel cell, a 400-kilowatt system that doubles the output and life of the PureCell Model 200, already the market leader for durability. The Model 400 fuel cell will dramatically improve customer value through a lower lifecycle cost.

There is growing demand worldwide for cleaner transit solutions. In 2007, leading worldwide bus manufacturer Van Hool unveiled Belgium's first zero-emission, hybrid electric transit bus equipped with a UTC Power PureMotion Model 120 fuel cell system. The Clinton Climate Initiative chose UTC Power as an official supplier partner for fuel cell buses.

Building on its experience with fuel cells used in the U.S. space program, UTC Power signed a contract with Spanish shipbuilder Navantia, S.A. for the development phase of a program to supply a 300-kilowatt proton exchange membrane fuel cell power module for use in the Spanish Navy's S-80 submarine. Because the propulsion system will not need air, the S-80 submarine will be capable of staying submerged for longer periods than a diesel electric submarine.

UTC Power's PureCycle power systems are an efficient way to tap geothermal power, which has vast worldwide potential as a source of renewable energy. In 2007, *R&D* magazine recognized UTC Power's PureCycle geothermal power system as one of the 100 most technologically significant products introduced during the past year.

For more information, visit www.utcpower.com.

Five-Year Summary

(In millions, except per share amounts)	2007	2006	2005	2004	2003
For the year					
Revenues	\$ 54,759	\$ 47,829	\$ 42,725	\$ 37,445	\$ 31,034
Company-funded research and development	1,678	1,529	1,367	1,267	1,040
Income before cumulative effect of a change in accounting principle ¹	4,224	3,732	3,164	2,673	2,236
Net income	4,224	3,732	3,069	2,673	2,236
Earnings per share:					
Basic:					
Income before cumulative effect of a change in accounting principle ¹	4.38	3.81	3.19	2.69	2.33
Cumulative effect of a change in accounting principle ¹	—	—	(.09)	—	—
Net income	4.38	3.81	3.10	2.69	2.33
Diluted:					
Income before cumulative effect of a change in accounting principle ¹	4.27	3.71	3.12	2.64	2.22
Cumulative effect of a change in accounting principle ¹	—	—	(.09)	—	—
Net income	4.27	3.71	3.03	2.64	2.22
Cash dividends per common share	1.17	1.02	.88	.70	.57
Average number of shares of Common Stock outstanding:					
Basic	964	980	991	993	948
Diluted	989	1,006	1,014	1,011	1,006
Cash flow from operations	5,330	4,803	4,334	3,596	2,827
Capital expenditures	1,153	954	929	795	530
Acquisitions, including debt assumed	2,336	1,049	4,583	1,295	2,305
Share repurchase	2,001	2,068	1,181	992	401
Dividends on Common Stock ²	1,080	951	832	660	533
At year end					
Working capital	\$ 4,602	\$ 3,636	\$ 1,861	\$ 2,575	\$ 2,069
Total assets ³	54,575	47,141	45,925	40,441	35,674
Long-term debt, including current portion	8,063	7,074	6,628	4,271	4,632
Total debt	9,148	7,931	8,240	5,591	5,301
Debt to total capitalization ³	30%	31%	33%	28%	31%
Shareowners' equity ³	21,355	17,297	16,991	14,266	11,953
Number of employees	225,600	214,500	218,200	209,700	203,300

Note 1: During 2005, we acquired Kidde, which in conjunction with Chubb (acquired during 2003) forms the UTC Fire & Security segment.

Note 2: During 2005, a 2-for-1 split of our common stock was effected in the form of a share dividend. All common share and per share amounts for periods prior to the split have been adjusted to reflect the split.

1. During 2005, we adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB Statement No. 143)" (FIN 47) and Statement of Financial Accounting Standards (SFAS) 123R, "Share-Based Payment."

2. Excludes dividends paid on Employee Stock Ownership Plan common stock.

3. During 2006, we adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of SFAS Nos. 87, 88, 106 and 132(R)," (SFAS 158) which resulted in an approximately \$1.8 billion non-cash charge to equity and a \$2.4 billion non-cash reduction to total assets. In addition, we early-adopted the measurement date provisions of SFAS 158 effective January 1, 2007, which increased shareowners' equity by approximately \$425 million and decreased long-term liabilities by approximately \$620 million.



Otis Elevator Company
TEDA Center employees
Tianjin, China

Board of Directors

Louis R. Chênevert

President and
Chief Operating Officer
United Technologies
Corporation
(Diversified Manufacturer)

George David

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

John V. Faraci

Chairman and
Chief Executive Officer
International Paper
(Paper, Packaging and
Wood Products)

Jean-Pierre Garnier

Chief Executive Officer
GlaxoSmithKline plc
(Pharmaceuticals)

Jamie S. Gorelick

Partner
WilmerHale (Law Firm)
Former Deputy Attorney
General of the
United States
Former General Counsel
of the Department
of Defense

Charles R. Lee

Retired Chairman and
Co-Chief Executive Officer
Verizon Communications
(Telecommunications)

Richard D. McCormick

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

Harold McGraw III

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

Richard B. Myers

General, U.S. Air Force (Ret.)
and former Chairman of the
Joint Chiefs of Staff

Frank P. Popoff

Retired Chairman and
Chief Executive Officer
The Dow Chemical Company
(Chemicals and Chemical
Products)

H. Patrick Swygert

President
Howard University
(Educational Institution)

André Villeneuve

Non-Executive Chairman of
LIFFE (Part of NYSE
Euronext Group)

H.A. Wagner

Retired Chairman
Air Products and
Chemicals, Inc.
(Industrial Gases and
Chemicals)

Christine Todd Whitman

President
The Whitman Strategy
Group (Management
Consulting Firm)
Former EPA Administrator
Former Governor of
New Jersey

Permanent Committees

Audit Committee

Frank P. Popoff, *Chairman*
John V. Faraci
Richard D. McCormick
Richard B. Myers
H. Patrick Swygert
André Villeneuve
H.A. Wagner

Committee on Compensation and Executive Development

H.A. Wagner, *Chairman*
Jean-Pierre Garnier
Charles R. Lee
Richard D. McCormick
Harold McGraw III
Frank P. Popoff

Executive Committee

George David, *Chairman*
Charles R. Lee
Frank P. Popoff
H.A. Wagner

Finance Committee

Charles R. Lee, *Chairman*
Louis R. Chênevert
George David
Jamie S. Gorelick
Harold McGraw III
Richard B. Myers
Frank P. Popoff
André Villeneuve

Committee on Nominations and Governance

Richard D. McCormick, *Chairman*
John V. Faraci
Jean-Pierre Garnier
Charles R. Lee
H. Patrick Swygert
H.A. Wagner
Christine Todd Whitman

Public Issues Review Committee

Jean-Pierre Garnier, *Chairman*
Jamie S. Gorelick
Harold McGraw III
H. Patrick Swygert
André Villeneuve
Christine Todd Whitman

Leadership

Mario Abajo

President, South Europe and Middle East, Otis

Paul R. Adams

Senior Vice President, Engineering, Pratt & Whitney

David Adler

Senior Vice President, Worldwide Customer Service, Sikorsky

Ted F. Amyuni

President, Refrigeration, Carrier

Alain M. Bellemare

President, Pratt & Whitney Canada and EVP, Group Strategy & Development, Pratt & Whitney

Richard H. Bennett, Jr.

Vice President, Environment, Health & Safety

Ari Bousbib

President, Otis

J. Thomas Bowler, Jr.

Senior Vice President, Human Resources and Organization

William M. Brown

President, UTC Fire & Security

Louis R. Chênevert

President and Chief Operating Officer

Geraud Darnis

President, Carrier

George David

Chairman and Chief Executive Officer

Pierre Dejoux

President, South Asia Pacific, Otis

John J. Doucette

Vice President and Chief Information Officer

Michael R. Dumais

Vice President and General Manager, Customer Service, Hamilton Sundstrand

Thomas E. Farmer

President, Military Engines, Pratt & Whitney

Stephen N. Finger

President, Pratt & Whitney

Kenneth P. Fox

Vice President, On-site Power Solutions, UTC Power

James E. Geisler

Vice President, Finance

Charles D. Gill, Jr.

Senior Vice President and General Counsel

Bruno Grob

President, North and East Europe, Otis

Gregory J. Hayes

Vice President, Accounting and Finance

David P. Hess

President, Hamilton Sundstrand

Kathleen M. Hopko

Vice President, Secretary and Associate General Counsel

Todd J. Kallman

President, Commercial Engines, Pratt & Whitney

Alison Kaufman

Senior Vice President, Government & International Affairs

James E. Keenan

Senior Vice President and General Manager, Global Service Partners, Pratt & Whitney

Robert F. Leduc

President, Flight Systems, Hamilton Sundstrand

Nancy T. Lintner

Vice President, Communications

Robert J. McDonough

President, Residential and Light Commercial North America, Carrier

J. Michael McQuade

Senior Vice President, Science & Technology

Didier Michaud-Daniel

President, U.K. and Central Europe Area, Otis

Raymond J. Moncini

Senior Vice President, Operations, Otis

Michael A. Monts

Vice President, Business Practices

Larry O. Moore

Senior Vice President, Module Centers and Operations, Pratt & Whitney

Timothy M. Morris

President, Aerospace Power Systems, Hamilton Sundstrand

Peter Nolan

President, Residential and Light Commercial International, Carrier

Stephen G. Oswald

President, Industrial, Hamilton Sundstrand

David E. Parekh

Vice President, Research and Director, United Technologies Research Center

Eric Patry

President, Fire Safety Europe, Middle East and Africa, UTC Fire & Security

Jeffrey P. Pino

President, Sikorsky

Jothi Purushotaman

Vice President, Operations

Thomas I. Rogan

Vice President, Treasurer

Kelly Romano

President, Building Systems and Services, Carrier

John Saabas

Executive Vice President, Pratt & Whitney Canada

Margaret M. Smyth

Vice President, Controller

Tobin J. Treichel

Vice President, Tax

Joseph E. Triampo

President, Engine and Control Systems, Hamilton Sundstrand

Jan van Dokkum

President, UTC Power

Charles Vo

President, North Asia Pacific, Otis

Randal E. Wilcox

President, North and South America, Otis

Shareowner Information

Corporate Office

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

This report is made available to shareowners in advance of the annual meeting of shareowners to be held at 2:00 p.m., April 9, 2008, in Longueuil, Quebec, Canada. The proxy statement will be made available to shareowners on or about February 22, 2008, at which time proxies for the meeting will be requested.

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

Stock Listing

New York Stock Exchange

Ticker Symbol

UTX

Transfer Agent and Registrar

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

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

TDD: 1.800.952.9245
Telecommunications device for the hearing impaired.

Certifications

UTC has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2007 filed with the Securities and Exchange Commission certificates of its principal executive officers and principal financial officers certifying, among other things, the information contained in the Form 10-K. Annually UTC submits to the New York Stock Exchange (NYSE) a certificate of UTC's Chief Executive Officer certifying that he was not aware of any violation by UTC of NYSE corporate governance listing standards as of the date of the certification.

Dividends

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

Electronic Access

Registered shareowners may sign up at the following Web site for electronic access to future annual reports and proxy materials, rather than receiving mailed copies: www.computershare.com/us/ecomms.

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

Additional Information

Shareowners may obtain a copy of the UTC Annual Report on Form 10-K for 2007 filed with the Securities and Exchange Commission by writing to:

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

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

Shareowner Information Services

Our Internet and telephone services give shareowners fast access to UTC financial results. The 24-hour-a-day, toll-free telephone service includes recorded summaries of UTC's quarterly earnings information and other company news. Callers also may request copies of our quarterly earnings and news releases, by either fax or mail, and obtain copies of the UTC Annual Report and Form 10-K.

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

Direct Registration System

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

Environmentally Friendly Report

This annual report is printed on recycled and recyclable paper.

www.utc.com

www.carrier.com
www.hamiltonsundstrand.com
www.otis.com
www.pw.utc.com
www.sikorsky.com
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www.utcpower.com



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