Factors That May Affect Future Results

This publication contains statements concerning earnings, revenues, operating margins, savings, growth and other financial measurements; new business and business opportunities; acquisitions; and other aspects of future operating or financial performance. These statements are based on assumptions currently believed to be valid and may be “forward-looking statements” under securities laws. Various factors could materially affect actual results. These include: changes in economic or market conditions, government procurement policies and technology, or competition. For additional information about these factors, see the Corporation’s Annual Report for 2002, Form 10-K Report for 2002 and reports on Forms 10-Q and 8-K.
Dear Shareowner: UTC turned in rock solid performance in challenging economic conditions in 2002. Earnings per share grew 15 percent to $4.42. Free cash flow, at $2.3 billion, slightly exceeded net income, our traditional and unusually high standard. We made acquisitions in the year totaling $424 million and repurchased UTC common shares for $700 million. We strengthened our pension plans with contributions totaling $753 million. With these outflows, we still ended the year with a debt-to-capital ratio unchanged from last year. We increased the dividend 9 percent, as usual at a five-quarter interval.

Cash flow is a strong UTC attribute. Over the last five years it has exceeded $10 billion and funded $8 billion in acquisitions, more than $3 billion in share repurchase, and $2 billion in dividends. We like the ability to evolve UTC’s portfolio through acquisitions and have seen Hamilton Sundstrand’s percentage of total UTC sales double over the past decade and Carrier’s increase by half.

The fuel for our engine has been productivity and cost reduction, moving operating income margins from 6 percent in 1993 to 14 percent in 2002. This record is unmatched within our population of peer companies and by few other companies of comparable size worldwide. Established UTC disciplines and methodologies have done this and we see potential for lots more.

UTC’s total shareholder return was minus 3 percent in 2002 on equity markets worldwide in decline. While marginally negative, we were 12 percentage points favorable to the Dow Jones Industrials (down 15 percent) and 19 points favorable to the S&P 500 (down 22 percent). Longer term, we have decisively outperformed these averages with UTC’s cumulative return over the decade at 471 percent as compared with the Dow Industrials at 196 percent and the S&P 500 at 137 percent.
We like our business balance and diversity across the world and across products. Fifty-six percent of our revenues arise outside the United States. Fifty-seven percent are to commercial and industrial markets and only 22 percent to commercial aviation markets. Twenty-one percent are to the U.S. and other governments worldwide (mostly for military aerospace), and these revenues have grown more than 30 percent since 2000. Forty-two percent are to aftermarkets, unusually high among all industrial companies. The result is record performance even with the most challenging commercial aviation market ever.

Performance and balance are why our results are consistently favorable to peers and to market averages. We anticipate continuing both and see lots of runway ahead. This company knows how to reduce costs and improve productivity.

Pratt & Whitney was honored in 2002 with the Collier Trophy, aerospace’s most prestigious award worldwide, for leading the Joint Strike Fighter Vertical Lift-Fan Propulsion System team. This was the ninth such recognition for a UTC company over the Collier’s 90-year span. Hamilton Sundstrand and two of its European subsidiaries won added content for the Airbus A380 aircraft, including cabin pressure control, throttle control and the emergency electrical generating system. Engine wins for the same aircraft continue for Pratt & Whitney, with its joint venture with General Electric accounting for about half of all propulsion systems to date. In December, Sikorsky certified with the Federal Aviation Administration its new 19-passenger S-92™ helicopter, the first helicopter ever designed to the FAA’s new and exceptionally rigorous Part 29 safety standards.

Carrier launched its new WeatherMaker® 8000 furnace, 17 percent smaller in cubic volume and more than half reduced in noise from the prior model. The furnace also can be configured for 60 percent more applications, enabling distributors to stock 40 percent fewer models. Carrier already leads this important North American market. In December, Nissan unveiled its X-TRAIL FCV, a sports utility vehicle powered by UTC Fuel Cells’ cell stack and associated equipment. UTC’s fuel cell design, alone among competitors, operates at ambient pressure. We believe this approach offers material performance advantages and may become the system of choice for fuel cell vehicle propulsion globally.
We continue our exceptional record of compliance and corporate citizenship. Our world-class Employee Scholar Program celebrated its 10,000th degree attainment in 2002. We know of no other company with such an extensive and well-received program. Our lost work incidence rate was reduced by 27 percent in 2002, bringing the total reduction over the decade to 88 percent. Water and energy use (normalized for volume) in 2002 were reduced 10 percent and 5 percent, respectively. Never content with present performance, we have recently increased these water and energy targets to 40 percent reductions from the 1997 base year.

Jan van Dokkum joined UTC in September as President of UTC Power, which is UTC’s distributed generation business and includes fuel cells, microturbines and co-generation applications for both.

Steve Page returned to UTC’s Corporate Office in April as a director and Vice Chairman of the board, completing a distinguished five years as Otis Elevator’s President. Ari Bousbib succeeded Steve as Otis’ President. In September, Steve was elected to the additional post of UTC Chief Financial Officer.

This record and accomplishments reflect the complete commitment and focus of our 155,000 employees worldwide. On behalf of shareowners and all UTC constituents, special thanks to every single one.

George David
Chairman and Chief Executive Officer

February 4, 2003
United Technologies provides high-technology products and services to the aerospace and building systems industries throughout the world. UTC’s industry-leading companies are Pratt & Whitney, Carrier, Otis, UTC Fuel Cells, Hamilton Sundstrand and Sikorsky. The latter two make up the Flight Systems segment. UTC’s revenue and earnings both increased in 2002, despite challenging economic conditions, compared with 2001. Both diluted earnings per share and net income increased 15 percent to $4.42 per share and $2.2 billion, respectively. Revenues grew 1 percent to $28.2 billion. Commercial businesses Carrier and Otis generated 54 percent of total segment revenues, and international revenues contributed 56 percent of total revenues. Free cash flow* was strong at $2.3 billion, up from $2.2 billion in 2001. UTC’s debt to total capitalization ratio at the end of 2002 was 37 percent.

**At A Glance**

**[ Products and Services ]**

**Pratt & Whitney**
Large and small commercial and military turbofan, turboprop and turboshaft engines; spare parts and product support; specialized engine maintenance and overhaul and repair services for airline, government and private fleets; rocket engines and space propulsion systems; industrial gas turbines and aftermarket services to support the electrical generation, mechanical pump drive and marine propulsion markets.

**Carrier**
Heating, ventilating and air conditioning (HVAC) equipment for commercial, industrial and residential buildings; HVAC replacement parts and services; building controls; commercial and transport refrigeration equipment.

**Otis**
Elevators, escalators, moving walks and shuttle systems and related installation, maintenance and repair services; online design of elevator systems; online elevator and escalator service information; modernization products and services for elevators and escalators.

**Sikorsky**
Military and commercial helicopters; spare parts and maintenance services for helicopters and fixed wing aircraft; and civil helicopter operations.

**Hamilton Sundstrand**
Aircraft electrical and power distribution systems; engine and flight controls; propulsion systems; environmental controls for aircraft; spacecraft and submarines; auxiliary power units; space life support systems; industrial products including mechanical power transmissions, compressors, metering devices and fluid handling equipment.

**UTC Power**
Fuel cell systems made by UTC Fuel Cells, microturbines and related products for commercial, transportation, residential and space applications including the U.S. Space Shuttle program.

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*Free cash flow is net cash provided by operating activities less capital expenditures as disclosed in the consolidated statement of cash flows.
It was a year when markets were soft and UTC was bedrock.

The airline industry and other commercial markets entered 2002 in painfully slow lockstep with sluggish world economies. UTC’s commercial companies – Otis, Carrier and UTC Fuel Cells – moved aggressively to overcome market weakness and by year-end sold nearly $11 billion combined in Carrier heating, air conditioning and refrigeration products; Otis elevators and escalators; and fuel cell systems. Aerospace divisions Pratt & Whitney, Hamilton Sundstrand and Sikorsky all found greener pastures in government sales.

**Pratt & Whitney** won a $406 million U.S. Defense Department contract in January to continue building engines for Lockheed Martin’s F/A-22 Raptor, the world’s only stealth fighter jet designed to cruise at supersonic speed without use of an afterburner. The F/A-22 program could generate in excess of $10 billion over its lifetime for Pratt & Whitney and more than $620 million for Hamilton Sundstrand, which will supply electric power generation systems, engine controls and fuel pumps. The U.S. Air Force plans to activate the first operational F/A-22s in 2005, and last September certified Pratt’s F119-PW-100 engine for service.

Sikorsky and its partner Boeing restructured the Comanche™ stealth helicopter program and won an additional $3.4 billion in Pentagon-approved funding for the next phase of the futuristic aircraft’s development. The U.S. Army currently expects to buy 650 Comanche helicopters worth $27 billion, with full production scheduled to begin in 2009. Last March, Sikorsky opened a facility in Bridgeport, Connecticut, for first-phase assembly. The Pentagon also earmarked $640 million for Sikorsky to build 34 of its mainstay Hawk family helicopters. The company last year delivered nine Black Hawk® helicopters to Austria’s Federal Ministry of Defense, the 25th international customer for the rugged aircraft.

Continued development of the Joint Strike Fighter (JSF) was assured in October when President George Bush signed the U.S. defense budget. Pratt & Whitney was awarded the prestigious Collier Trophy in May for its team leadership role in JSF engine development, which is continuing under a $4.8 billion contract extending to 2012. Hamilton Sundstrand will supply $700 million worth of electrical system, engine control, gearbox and nozzle actuation development work through 2007 and will provide hardware and services for all JSF aircraft built, which could number 6,000 over the program’s life.

Both Pratt & Whitney and Hamilton Sundstrand have potentially large contracts in the offing as the result of the U.S. Air Force awarding Boeing a $9.7 billion, five-year deal to build 60 C-17 transport planes. Each is powered by four Pratt & Whitney F117-200 engines. The company anticipates receiving a total of $2 billion in Boeing contracts. The F117 engine is a military version of the PW2000 engine, which has a 20-year track record as the most fuel-efficient in its thrust class. Pratt & Whitney delivered its 500th F117 engine in December.
One of the amazing things about ants is that they can heft objects far heavier than their body weight. And one of the amazing things about the far-from-ant-sized PW4000 engine is that it can, too. Two of these Pratt & Whitney engines, weighing a total of 18,664 pounds, power the A300 aircraft, which has a maximum takeoff gross weight of 363,760 pounds.
The PW4000 proves daily that it’s among the safest, most reliable engines for airlines around the world. Among engines that power the Boeing 777, the PW4000 has the lowest in-flight shutdown rate and fewest engine removals. It is the first engine to be certified for 207-minute extended-range, twin-engine operation. Its continued reliability is recognized by airline customers around the world, including All Nippon Airways.
Pratt Power  The Bombardier JetTrain* locomotive is the first application of Pratt & Whitney's ST40 gas turbine in a high-speed passenger train. The ST40 is a lightweight alternative for high-speed rail, at one-tenth the size and 38,000 pounds lighter than standard diesel train engines of equivalent power.

Mothers of Invention  Kathy Spink, Debra Desrocher and Archie Deskus took the initiative to develop the Supplier Direct Ship information system, which tracks inventory and parts at both Pratt & Whitney and Hamilton Sundstrand, saving time, and — best of all — millions of dollars.

Pratt Canada  The Pratt & Whitney Canada-powered Cessna Citation Sovereign business jet successfully completed its first flight in February. The new jet will enter service in 2004.

Atlas V  The newest member of the Atlas family, a Lockheed Martin Atlas V successfully placed a European television satellite into orbit. The first stage was powered by the RD-180 engine produced by RD AMROSS, LLC, a joint venture of Pratt & Whitney and NPO Energomash of Russia. The upper stage was powered by a Pratt RL10A-4-2 engine.

*Trademark of Bombardier Inc.
Hamilton Sundstrand anticipates up to $190 million in contracts to supply the 60 C-17s with electrical and emergency power systems, engine controls, fuel pumps, data management computers and other equipment. Under another military contract announced in August, Hamilton Sundstrand will provide the U.S. Army with $70 million in advanced flight control computers for Black Hawk helicopters.

While commercial airlines retrenched in 2002, Pratt & Whitney and Hamilton Sundstrand both won significant new contracts. Pratt & Whitney won orders to build PW4084D engines for Vietnam Airlines; PW4090 engines for All Nippon Airways; and, along with its International Aero Engines partners, V2500® engines for Airbus A320 series aircraft for Air New Zealand, Middle East Airlines and JetBlue. Combined, these and other engine orders are potentially worth more than $2 billion over the next decade. In addition, The Engine Alliance, of which Pratt and General Electric are equal partners, won an order in February to build GP7000 engines for 22 Airbus A380-800 aircraft destined for Emirates airline and an order in July to build engines for 10 A380-800F aircraft for FedEx. With options for additional aircraft, the contracts potentially are worth a combined $2.5 billion to the alliance.

Hamilton Sundstrand won contracts for additional equipment on the Airbus A380 jumbo plane, which is scheduled to carry passengers starting in 2006. The company’s Nord-Micro unit in Germany received a contract to provide cabin pressure control, ventilation control and avionics ventilation systems. Hamilton Sundstrand’s Ratier-Figeac subsidiary in France was chosen to supply throttle control assemblies. In addition, Hamilton Sundstrand was tapped in 2002 to supply the Ram Air Turbine (RAT) emergency electrical generating system – after winning contracts in 2001 to provide the auxiliary power unit (APU), air management system and actuation equipment – and was selected to supply the complete engine control suite for Rolls-Royce Trent 900 engines powering the A380. The company also is supplying the engine fuel pump and gearbox for the Pratt & Whitney-General Electric alliance’s GP7000 engine competing to power the 550-plus passenger airliner. The value of Hamilton Sundstrand’s A380 contracts, when combined with aftermarket and spare parts, is projected to exceed $2 billion over the life of the program.

Also in 2002, Hamilton Sundstrand won contracts worth $115 million to supply RAT systems and engine fuel controls for Dassault Aviation’s new Falcon 7X corporate jet over the program’s life.

Hamilton Sundstrand’s noncommercial-aerospace units also recorded multimillion-dollar contract wins. California-based Sensor Systems was chosen to provide key instrumentation for a new NASA orbiting observatory that will study carbon dioxide in the atmosphere. The contract is expected to generate more than $20 million in revenue. Sensor Systems also won a contract to provide the U.S. Army with a device that detects chemical and biological agents. The company has developed and demonstrated a commercial version prototype as well, with potential homeland security applications. Also, Hamilton Sundstrand’s Dosapro Milton Roy industrial unit won the largest order in its history – a $5.4 million contract to provide injection systems for a Middle Eastern natural gas pumping project.

Joint Strike Fighter Pratt & Whitney has a $4.8 billion contract to develop the Joint Strike Fighter (JSF) propulsion system, with a production start date in 2007. Up to 6,000 JSF engines could be produced over the program’s life.
Carrier: The Art Institute of Chicago
The art of air conditioning surrounds visitors viewing paintings at the Art Institute of Chicago, where Carrier installed a 19XR Evergreen® chiller, with environmentally sound, non-ozone depleting HFC-134a refrigerant. Maintaining valuable artwork means humidity and temperature must be kept at precise levels.
**Retail Sales** Carrier residential heating and cooling products are now for sale through Sears under a three-year agreement. Carrier’s International Comfort Products business was named the exclusive manufacturer of Sears heating, ventilation and air conditioning products under the Kenmore®* brand name.

**ComfortChoice™** is Carrier’s Web-based tool for utilities and consumers to manage energy demand to reduce both cost and usage.

**Cunard** It’s the largest, tallest, most expensive passenger vessel ever built, and when Cunard’s Queen Mary II sails in 2004 it will include six Carrier chillers for passenger comfort.

**Carrier/Taylor** Fast-food restaurant milk shakes are deliciously thick thanks to Carrier’s Taylor Co., maker of frozen dessert and beverage equipment, as well as other specialized food-service equipment.

*Trademark of Sears, Roebuck & Co.*
The year ended much as it had begun for Pratt & Whitney: with solid program wins. The Polish Air Force announced in December its intent to purchase 48 Pratt & Whitney-powered F-16 fighter jets from Lockheed Martin. A month earlier, Pratt & Whitney Canada was selected by China Aviation Industry Corporation II to power the Z-8F three-engine helicopter with PT6B-67A engines and a four-engine medium transport aircraft, designated the Y8F600, with PW150B engines.

**UTC’s commercial businesses also carved out major contract wins in 2002.**

*Carrier* navigated market crosscurrents to sell more than $8 billion in heating, air conditioning and refrigeration products during 2002, the centennial year of Dr. Willis Carrier’s invention of modern air conditioning. The company signed major new contracts with three of the world’s larger and better-known retailers: Sears, Roebuck and Co., Target, and Shell.

Sears began selling Carrier residential heating and cooling products on January 1, 2003. Carrier wrested the contract from a main competitor, and the company’s International Comfort Products business won a separate, exclusive agreement to produce Sears’ residential heating and cooling products under the Kenmore brand name. The contracts to supply all of Target’s new stores with air conditioning and food display refrigeration, and to serve Shell’s global convenience store network with food and beverage refrigeration equipment, are expected to earn revenues of approximately $90 million combined over three years.

Other prestigious wins in 2002 include Carrier’s selection to provide chillers for Cunard cruise line’s Queen Mary II, the world’s largest, tallest and most expensive passenger vessel. Carrier’s Marine Systems Group won the order from shipbuilder Alstom Chantiers de L’Atlantique to provide six chillers built by Carrier in Montluel, France. The luxury liner is scheduled to make its inaugural voyage in February 2004.

In May, Carrier was chosen to participate in a joint U.S.-Chinese government project demonstrating how environmentally sound technology can reduce energy usage and greenhouse gas emissions for building owners. Carrier will supply two, 100-ton chillers, which use a non-ozone-depleting refrigerant, for an eight-story, green technology showcase building now under construction in downtown Beijing by the American-Chinese Coalition for Responsible Development in the 21st Century. The chillers will make and store up to 50 tons of ice per night for use in daytime cooling once the facility opens in 2003.

Otis received new elevator and escalator orders totaling $2.8 billion, including for a new Transit Center in Beijing that will serve spectators attending the 2008 Olympic Summer Games. Scheduled for completion in 2004, the 1.2-million-square-foot facility is expected to accommodate 260,000 train and bus passengers per day as well as visitors to its attached shopping malls, business center and entertainment outlets.
**Otis** also was awarded two major Australian projects. The company will supply and service elevators for the 49-story Latitude at World Square building in Sydney, with the maintenance period expected to extend for seven years. In May, Otis announced a $7.8 million contract to supply high-speed elevator systems for the 990-foot-tall Eureka Tower in Melbourne. Rising 88 stories and housing 463 luxury apartments, the residential skyscraper is scheduled to open in April 2005 as the tallest in the Southern Hemisphere. Tenants will travel to their floors at 1,800 feet per minute.

Large ongoing contracts include one in Paris and two in Frankfurt. Otis France is replacing or upgrading 54 elevators in three office towers in the La Defense business district for $10.3 million, while Otis Germany is installing 30 elevators in Deutsche Bank’s new investment Banking Center and nine elevators in the new Westhafen Tower for a combined $8.2 million.

UTC Fuel Cells recorded its biggest commercial fuel cell sale ever in 2002 and became part of the new UTC Power group headed by Jan van Dokkum, who joined United Technologies in September from Siemens Power Transmission & Distribution Inc. UTC Power is developing and marketing distributed power generation products for commercial and transportation applications. Besides fuel cells, those products will include microturbine systems made by California-based Capstone Turbine Corporation and marketed under the UTC Power brand. The two companies announced a strategic alliance in October that included UTC Power acquiring a 4.9 percent stake in Capstone.

**Otis** Nearly invisible ocean currents gently help schools of fish move in intricate food-gathering and migratory patterns. As we humans travel, we also are carried, often unknowingly, by Otis technology – in office buildings, airports, shopping centers and hotels.
[ global movement ]
Moving up, moving over Otis transportation equipment moves you within your world, whether traveling, working or shopping. Often the journey is as enjoyable as the destination, whether you’re glimpsing the view through glass elevator walls at a music store in France or gliding to your subway car in Athens.
UTC Fuel Cells’ record sale came in March when Verizon bought seven stationary PC25™ systems to power a critical call-routing center on Long Island, New York. When the project is completed in 2003, the center will house the world’s largest fuel cell installation, a distinction now held by the Connecticut Juvenile Training Center where UTC Fuel Cells placed six PC25 units in 2001. Each can produce 200 kilowatts of electricity, enough to power 100 homes. PC25 systems also were sold in 2002 for use at the New York Aquarium, the Rebekah Baines Johnson Health Center in Texas, and the Petrobras energy company’s research and development center in Rio de Janeiro. More than 250 PC25 units have been delivered worldwide since 1991.

In addition to new product sales, aftermarket business was another bright star, eclipsing 40 percent of total revenue as joint ventures, acquisitions and other investments expanded UTC’s universe.

Pratt & Whitney’s large commercial engine and aftermarket businesses lined up new multi-year agreements to provide fleet management and other services for Asiana Airlines, Air Jamaica and other carriers. Pratt & Whitney Canada expanded its relationship with Wideroe by signing an eight-year fleet management plan agreement covering all of its PW121 and PW123 engines.

Investments aimed at further increasing Pratt & Whitney’s aftermarket and service capabilities included the opening of a Customer Training Center in Beijing, in partnership with the China Aviation Supplies Import & Export Group Corporation, and the opening of a new Advanced Systems Technologies (AST) service center in Quebec, Canada, the first such facility outside the United States. AST centers specialize in removing coatings from metals using ultra-high water pressure in a patented, robot-controlled process that is environmentally friendly, non-abrasive and chemical free. Pratt & Whitney also launched a new service at the U.S. Air Force Air Logistics Command in Oklahoma to provide specialized coatings for military aircraft and engine components.

To help Pratt & Whitney Canada maintain its leadership position in servicing corporate aircraft, Pratt & Whitney Engine Services tripled the size of its fly-in engine repair and service hangar at Harrison Marion Regional Airport in West Virginia. In May, Pratt & Whitney Canada’s Singapore service facility, which provides repair and overhaul services for the PW901A and Hamilton Sundstrand APS32000 auxiliary power units on the Airbus A319/A320 and A321 aircraft families, achieved certification as a Center of Excellence for APUs.

Pratt & Whitney also expanded its successful collaboration with MTU Aero Engines and Mitsubishi Heavy Industries Inc. as the two companies became risk and revenue sharing partners in development of the PW6000 engine for 100-seat aircraft. The companies have collaborated on other Pratt & Whitney engine programs.

Sikorsky swooped into 2002 by winning the U.S. Navy’s first-ever contract to maintain a Seahawk® helicopter squadron. Sikorsky received the contract, worth $4.3 million over three years, in early January to service 13 SH-60B Seahawk helicopters based at Naval Air Station Mayport in Florida.
Sikorsky further solidified its military and civilian aftermarket capabilities by acquiring Milwaukee-based Derco Holding Ltd. in April. The addition of Derco, which generates $200 million in annual revenue and has 1,200 customers in 66 countries, added a major new business to Sikorsky’s Worldwide Customer Service operation, alongside Helicopter Support Inc. (HSI) and Sikorsky Support Services Inc. HSI in 2002 signed multi-year distribution agreements with Honeywell and General Electric Aircraft Engines, enabling the company to stock, service and sell additional helicopter products to governments and civil operators.

In February, Sikorsky moved closer toward establishing its first equity joint venture in the People’s Republic of China. The company and its prospective partners, Shanghai Little Eagle Science & Technology Company Ltd. and the Schweizer Aircraft Corporation, decided on the type of helicopter they will build for the Chinese civil market once the joint venture is completed in 2003 and operating as the Shanghai Sikorsky Aircraft Company Ltd.

Sikorsky closed out the year by winning two U.S. Army contracts potentially worth $586 million over five years to supply helicopter parts and support services. The company is now within striking
distance of achieving its 2003 goal of $1 billion in aftermarket revenues. In recognition of its outstanding customer service initiatives, the company won the prestigious 2002 Innovative Performer of the Year award from the U.S. Defense Logistics Agency.

Hamilton Sundstrand, meanwhile, landed a three-year contract, worth more than $300 million if fully exercised, to provide logistics support for U.S. Air Force and Navy aircraft repair depots. The company also expanded its commercial on-site maintenance support services into Asia, commencing a 10-year contract to provide parts, inventory and technical expertise to All Nippon Airways’ subsidiary ANA Aero Tech at a maintenance facility in Nagasaki, Japan. Hamilton Sundstrand has similar contracts at five sites in North America and Europe, including in London with British Airways, another new customer signed in 2002 for the next 10 years.

Hamilton Sundstrand’s APU business segment secured $135 million in sales and aftermarket support work during 2002, including orders to provide APUs for the Airbus A320 family and for Air France, the launch customer for the A318. In December, AirTran Airways chose Hamilton Sundstrand to serve as its exclusive provider of repair services for APUs on the carrier’s B717 fleet, which
Bellagio Hotel and Casino

Boeing 777  Airbus A380  Bombardier CRJ 900
is expected to number more than 70 aircraft by the end of 2003. AirTran is the second-largest discount air carrier in the United States, and the launch customer and largest operator of the Boeing 717 airplane.

Non-airline-related businesses of Hamilton Sundstrand also sank roots in fertile new fields. The company’s Space Systems International unit entered into a strategic alliance in September with Stuart Energy Systems Corporation of Toronto, Canada, to develop and market integrated hydrogen-generation products for vehicles, power production and industrial uses.

Otis continued to strengthen both its service and market presence. In Germany, France and the United Kingdom, the company introduced new Web-enabled customer service programs to boost efficiency and customer satisfaction. The company signed an agreement in October to form a joint venture with Suzhou Jiangnan Elevator Group in the fast-growing Chinese market, where Otis already holds a leadership position. In December, Otis introduced its revolutionary Gen2™ machine-roomless elevator to the North American market.

Carrier moved quickly in 2002 to enhance its controls product line and services. In January, the company announced it will work with Tridium Inc. to enable standard Web-browser access to monitor and control a building’s heating and cooling systems using Carrier’s Comfort Network® line of commercial controls products. Carrier then announced in July that it would provide its ComfortChoice™ energy demand management system to 10,000 customers of the Consolidated Edison Company of New York. ComfortChoice uses a Web-connected thermostat that utilities can adjust remotely—with the homeowner’s consent—so that power can be conserved during peak-load periods. The ComfortChoice system is now in use in 40,000 homes and small commercial businesses in the Northeast and on the West Coast. Installations are projected to grow to more than 100,000 within the next five years.

UTC Fuel Cells accelerated its drive into the automotive technology market by signing a deal in December to license its proton exchange membrane (PEM) technology to Nissan Motor Company Ltd., which in the same month unveiled its zero-emission X-TRAIL FCV vehicle powered by a UTC Fuel Cells’ power plant fueled by compressed hydrogen. UTC Fuel Cells, which had announced in February that it was teaming with Nissan and its alliance partner Renault to develop fuel cells and related components for vehicles, is continuing to work with other carmakers as
well, including Hyundai and BMW, and with bus makers Thor Industries and Irisbus. In November, a bus powered by a UTC Fuel Cells’ power plant became the first fuel cell hybrid bus to provide regularly scheduled service in California.

**New products debuted in 2002 while others achieved key development or sales milestones.**

Carrier set a new energy efficiency standard for cooling buildings when it unveiled its Evergreen VSS chiller technology at the Earth Technologies Forum and Exhibition in March. The technology uses a chiller system that is up to 48 percent more energy efficient than existing standards require, and a refrigerant that will not erode the Earth’s protective ozone layer. After collaborating for five years with the United Technologies Research Center and strategic partners to develop the technology, Carrier will begin taking orders in the first half of 2003.

Another fruitful collaboration between Carrier and United Technologies Research Center resulted in a new air purification system that uses a chemical reaction activated by ultraviolet light, combined with a high-efficiency filter, to remove particulates, eliminate odors and neutralize germs as they pass through an air conditioner or ventilation system. French developer SARI became the first customer, ordering 2,750 air purification modules that were installed in a recently commissioned, 41-story office building in Paris.

In August, Carrier introduced its WeatherMaker 8000 series gas furnaces including models that, unlike traditional furnaces, can adjust heating output to quietly and gently heat homes without kicking on full blast. As part of a Carrier IdealHumidity™ system, it monitors and controls humidity throughout the home, even when there is no call for heating or cooling. The WeatherMaker 8000 product line takes up less space and operates more quietly than competitors’ product lines.

**Sikorsky** products achieved long-awaited milestones. The U.S. Navy granted the MH-60S helicopter program Full Rate Production status in August, clearing the way for the Navy’s planned purchase of 237 aircraft through 2010 for approximately $2.8 billion. The MH-60S and its derivatives will offer multi-mission capability including search and rescue, medical evacuation and mine detection.

The Sikorsky-Boeing Comanche helicopter program aced all three milestones scheduled in 2002. The first prototype RAH-66 Comanche completed its final flight test impressively in January. While the prototype had flown for six years without a single, serious component failure, engineers gleaned ways to refine the aircraft’s design throughout the trials. In May, the Comanche completed an initial flight test with upgraded LHTEC T-800-LHT-801 engines and a new computer operating system. The third milestone, accomplished in September, involved one hour of flight by a pilot wearing a helmet-mounted display system designed for nighttime flying and for targeting operations.
The Black-Hawk is more robust-looking than most other hawks. This hawk can be found in a variety of environments near coastal lowlands, dunes, ponds, grasslands, wooded streams, and even hilly deserts, much like its namesake helicopter the Black Hawk.

**FLIGHT PATTERN**

Its flight pattern is made up of deep steady and fairly slow wing beats alternating with short to long glides. At midday, it can be seen soaring on thermals.
Also, Sikorsky’s new S-92 medium-weight passenger helicopter won Federal Aviation Administration (FAA) type certification in December as complying with stringent U.S. government strength and safety standards. Production is already under way, with final assembly scheduled to begin in 2003 at Sikorsky’s Bridgeport, Connecticut, facility.

In February, Embraer noted the successful maiden flight of its ERJ 170 regional jet – a promising milestone for Hamilton Sundstrand, which supplies the aircraft’s air management, actuation, electric and emergency power systems, and auxiliary power unit. Soon after, the U.S. Army certified Hamilton Sundstrand’s new Digital Electronic Sequence Unit as a replacement for the old analog controls that regulate APUs on nearly 3,000 Black Hawk and other helicopters. Considering other potential aerospace applications, the market value for the new unit could exceed $40 million over the next decade.

Another form of transportation, the world’s first indoor tram system running above ground, was unveiled by Otis in February. The driverless trams glide on an air cushion as they shuttle passengers along Northwest Airlines’ new mile-long Edward H. McNamara Terminal at Detroit Metropolitan Airport. Otis’ Hovair® technology enables each pollution-free tram to transport silently up to 75,000 passengers per day.

Despite the downturn in the electrical power distribution business, a Pratt & Whitney Power Systems’ product also hit the fast track. In October, Bombardier showed off its new JetTrain locomotive, a high-speed passenger train powered by Pratt’s ST40 gas turbine engine. The ST40, a derivative of Pratt & Whitney Canada’s PW150 aircraft engine, can drive the locomotive at a sustained speed of 150 miles per hour and offers an attractive alternative to standard diesel train engines of equivalent power because it is one-tenth the size and 38,000 pounds lighter. Pratt & Whitney Power Systems also completed the first installation of a SWIFTPAC™ 50 power plant in 2002, outside San Diego, California. From foundation completion to performance testing, the installation of 50 megawatts of power took less than two months. Within that timeframe, the SWIFTPAC power plant unit was installed and producing power in just 32 days.

Pratt & Whitney also marked milestones for several engines. Pratt & Whitney Canada’s new PW306C received Canadian and U.S. type certification in July after successfully powering the first flight of Cessna Aircraft Company’s new Citation Sovereign business jet in February. The jet is scheduled to enter service in early 2004. Another Pratt & Whitney Canada engine, the PT6A-135A, powered the 19-seat, general purpose Y12E aircraft built by Hafei Aviation Industry Company Ltd. and won certification by the Civil Aviation Administration of China in the same period. Also, the new PW307A engine, which was chosen last year for the Dassault Falcon 7X business jet, marked a major development milestone by completing its first run.

The PW600 turbofan engine family also achieved a significant milestone with the first test flight of the demonstrator engine. Other Pratt & Whitney milestones include the successful Pratt-powered inaugural launches of Lockheed Martin’s Atlas IIIB and Atlas V, and Boeing’s Delta IV launch vehicles. Pratt & Whitney Space Propulsion also celebrated the first space shuttle launch to include a full suite of the company’s high-pressure liquid oxygen and fuel (hydrogen) turbopumps as standard
[ all natural ]
UTC Fuel Cells  Fireflies are self-contained, all-natural energy producers that generate remarkable performance out of all proportion to their size... just like a fuel cell system.

equipment on each of the shuttle’s three main engines. The new turbopumps, which have fewer welds, stronger bearings and other features that improve safety and extend service life, are produced at Pratt & Whitney’s Space Propulsion facility in West Palm Beach, Florida. The company also supplies 16 booster separation motors for each shuttle launch. These motors are produced at the Space Propulsion facility in San Jose, California.

Equally noteworthy in 2002 were UTC’s initiatives to improve efficiency.

Productivity, as measured by net income per employee, rose nearly 13 percent on a reported basis in 2002 compared with 2001 and has increased cumulatively by 164 percent since 1995. Credit goes in no small part to UTC’s Achieving Competitive Excellence (ACE) program, which enhances work flow by identifying and eliminating the root causes of waste.

In 2002, Pratt & Whitney’s Turbine Overhaul Services facility in Singapore, a joint venture with Singapore Technologies Aerospace, became the first UTC facility to achieve the highest ACE certification level, Gold, for the entire operation. Since ACE was introduced at the facility in 1996, on-time delivery has improved from 81 percent to 96 percent and average repair time has been reduced by 50 percent, from 33 days to 16.

Other ACE successes abound throughout UTC. Operations as disparate as Otis Spain and Sikorsky’s Metrology Lab completed ACE projects. In the first case, an Otis team prevented cancellation of 200 unit sales in 2001 and 2002 by changing the way customer complaints are recorded, analyzed and then remedied; in the second case, a Sikorsky team reduced lead time by 87 percent and backlog by 68 percent for the lab, which calibrates 34,000 measurement and test instruments annually.

Hamilton Sundstrand’s manufacturing plants in Santa Isabel, Puerto Rico, improved on-time delivery rates to about 95 percent en route to ACE Silver-level certification in 2002, and reduced scrap and rework by more than 20 percent from the prior year. The plants employ approximately 550 people who support Hamilton Sundstrand’s business with Boeing, Airbus, Bombardier, Lockheed Martin and other customers.

New York Aquarium

The fish don’t know the difference, but the New York Aquarium in Brooklyn does. The aquarium is now getting about 20 percent of its daily electricity usage from a clean-energy UTC Fuel Cells’ unit.
Another example: Carrier’s residential and light commercial systems plant in Villasanta, Italy, saved about $500,000 by virtually eliminating leaks caused by coil lubricant fouling the combustion process during the brazing stage. The ACE team addressed the root cause of the problem by developing an innovative “oil-less” solution that eliminated lubricant from the process.

Productivity also benefited from ongoing efforts to outsource appropriate functions. For example, in November UTC extended its information technology agreement with Computer Sciences Corporation, saving an estimated $1 billion over the next 15 years while replacing 45,000 employee computers, standardizing backup and recovery operations, and consolidating 20 major data centers into three. Also, UTC’s continuing commitment to diversity has helped to build a better skilled and more responsive supplier base, which, in turn, enhances employee productivity. In 2002, the company exceeded its goal of sourcing 3 percent of its North American spending, or approximately $164 million, to minority businesses. That goal will rise to 4 percent in 2004.

In June, UTC held its first Minority Business Exchange, bringing together more than 250 suppliers, prospective suppliers and UTC commodity managers to network and discuss business opportunities. UTC in 2002 also became a founding member of the Connecticut Chapter of BusinessLINC, a program that works to stimulate economic growth in cities and distressed areas by linking corporations with small business, especially minority and women-owned businesses, in a mentoring relationship.
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President, North Asia Pacific, Otis

Randal E. Wilcox
President, South Asia Pacific, Otis
Shareowner Information

Corporate Office
United Technologies Corporation
One Financial Plaza
Hartford, Connecticut 06103
Telephone 1-860-728-7000

This annual report is made available to shareowners in advance of the annual meeting of shareowners to be held at 2:00 p.m., April 9, 2003, in New York, New York. The proxy statement will be made available to shareowners on or about February 21, 2003, at which time proxies for the meeting will be requested. Information about UTC, including financial information, can be found at our Website: http://www.utc.com.

Stock Listing

Ticker Symbol: UTX

Transfer Agent and Registrar
EquiServe 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 should be directed to:
EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, RI
02940-3069
Telephone: 1-800-519-3111
Website: http://www.equiserve.com

Dividends
Dividends are usually declared the first month of each calendar quarter and are usually paid on the 10th day of March, June, September and December. The dividend-disbursing agent for the Common Stock is EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, RI
02940-3069
Dividend and Transfer inquiries:
1-800-519-3111
TDD: 1-800-952-9245
Telecommunications device for the hearing impaired.

Electronic Access
Shareowners of record may sign up at the following Website for electronic access to future annual reports and proxy materials, rather than receiving mailed copies:
http://www.econsent.com/utx

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 your broker or bank, or ADP at www.utc.com/investor/econsent/ics.htm.

Shareowner Dividend Reinvestment and Stock Purchase Plan
The Corporation has adopted a Shareowner Dividend Reinvestment and Stock Purchase Plan that provides eligible holders with a simple and convenient method of investing cash dividends and voluntary cash payments in additional shares of Common Stock without payment of a brokerage commission or service charge. Shareowners should carefully review the Plan Prospectus before investing. For more information and a Plan Prospectus, contact EquiServe Trust Company, N.A. at 1-800-519-3111.

Additional Information
Shareowners may obtain a copy of the United Technologies Report on Form 10-K for 2002 filed with the Securities and Exchange Commission by writing to:
Corporate Secretary
United Technologies Corporation
One Financial Plaza
Hartford, Connecticut 06103

For additional information about the Corporation please contact Investor Relations at the above corporate office address, or visit our Website at http://www.utc.com.

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 EquiServe 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 Shareowner Information Services at 1-800-881-1914.

Environmentally Friendly Report
This annual report is printed on recycled and recyclable paper.