

UNITED TECHNOLOGIES CORP /DE/
Form 10-Q
July 25, 2011
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____ to _____

Commission file number 1-812

UNITED TECHNOLOGIES CORPORATION

DELAWARE

06-0570975

One Financial Plaza, Hartford, Connecticut 06103

(860) 728-7000

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

At June 30, 2011 there were 908,712,931 shares of Common Stock outstanding.

Table of Contents

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES**

CONTENTS OF QUARTERLY REPORT ON FORM 10-Q

Quarter Ended June 30, 2011

	Page
PART I FINANCIAL INFORMATION	
<u>Item 1. Financial Statements:</u>	3
<u>Condensed Consolidated Statement of Operations for the quarters ended June 30, 2011 and 2010</u>	3
<u>Condensed Consolidated Statement of Operations for the six months ended June 30, 2011 and 2010</u>	4
<u>Condensed Consolidated Balance Sheet at June 30, 2011 and December 31, 2010</u>	5
<u>Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2011 and 2010</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Report of Independent Registered Public Accounting Firm</u>	24
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	41
<u>Item 4. Controls and Procedures</u>	41
PART II OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	42
<u>Item 1A. Risk Factors</u>	42
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
<u>Item 6. Exhibits</u>	48
<u>SIGNATURES</u>	49
<u>EXHIBIT INDEX</u>	50

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

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****UNITED TECHNOLOGIES CORPORATION****AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****(Unaudited)**

(Dollars in millions, except per share amounts; shares in millions)	Quarter Ended June 30,	
	2011	2010
Net Sales:		
Product sales	\$ 10,823	\$ 9,967
Service sales	4,253	3,835
	15,076	13,802
Costs, Expenses and Other:		
Cost of products sold	8,099	7,466
Cost of services sold	2,806	2,549
Research and development	526	459
Selling, general and administrative	1,644	1,491
Other income, net	(219)	(45)
Operating profit	2,220	1,882
Interest expense, net	141	149
Income before income taxes	2,079	1,733
Income tax expense	649	521
Net income	1,430	1,212
Less: Noncontrolling interest in subsidiaries earnings	112	102
Net income attributable to common shareowners	\$ 1,318	\$ 1,110
Earnings Per Share of Common Stock:		
Basic	\$ 1.48	\$ 1.22
Diluted	\$ 1.45	\$ 1.20
Dividends Per Share of Common Stock	\$.480	\$.425
Weighted average number of shares outstanding:		
Basic shares	892.9	910.4
Diluted shares	909.8	925.4

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**UNITED TECHNOLOGIES CORPORATION****AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****(Unaudited)**

(Dollars in millions, except per share amounts; shares in millions)	Six Months Ended June 30,	
	2011	2010
Net Sales:		
Product sales	\$ 20,168	\$ 18,352
Service sales	8,252	7,490
	28,420	25,842
Costs, Expenses and Other:		
Cost of products sold	15,051	13,825
Cost of services sold	5,495	4,922
Research and development	1,011	856
Selling, general and administrative	3,187	2,915
Other income, net	(323)	(81)
Operating profit	3,999	3,405
Interest expense, net	290	320
Income before income taxes	3,709	3,085
Income tax expense	1,178	926
Net income	2,531	2,159
Less: Noncontrolling interest in subsidiaries earnings	201	183
Net income attributable to common shareowners	\$ 2,330	\$ 1,976
Earnings Per Share of Common Stock:		
Basic	\$ 2.60	\$ 2.17
Diluted	\$ 2.55	\$ 2.13
Dividends Per Share of Common Stock	\$.905	\$.850
Weighted average number of shares outstanding:		
Basic shares	895.9	912.1
Diluted shares	912.4	927.4

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**UNITED TECHNOLOGIES CORPORATION****AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEET****(Unaudited)**

(Dollars in millions)	June 30, 2011	December 31, 2010
<u>Assets</u>		
Cash and cash equivalents	\$ 5,396	\$ 4,083
Accounts receivable, net	9,801	8,925
Inventories and contracts in progress, net	8,795	7,766
Future income tax benefits, current	1,557	1,623
Other assets, current	880	1,113
Total Current Assets	26,429	23,510
Customer financing assets	1,059	1,118
Future income tax benefits	1,724	1,970
Fixed assets	16,365	15,914
Less: Accumulated depreciation	(10,036)	(9,634)
Fixed assets, net	6,329	6,280
Goodwill	18,309	17,721
Intangible assets, net	4,141	4,060
Other assets	4,156	3,834
Total Assets	\$ 62,147	\$ 58,493
<u>Liabilities and Equity</u>		
Short-term borrowings	\$ 1,270	\$ 116
Accounts payable	5,686	5,206
Accrued liabilities	12,622	12,247
Long-term debt currently due	636	163
Total Current Liabilities	20,214	17,732
Long-term debt	9,492	10,010
Future pension and postretirement benefit obligations	3,528	3,592
Other long-term liabilities	4,826	4,510
Total Liabilities	38,060	35,844
Redeemable noncontrolling interest	348	317
Shareowners' Equity:		
Common Stock	13,036	12,597
Treasury Stock	(18,960)	(17,468)
Retained earnings	31,701	30,191
Unearned ESOP shares	(158)	(166)
Accumulated other comprehensive loss	(2,896)	(3,769)

Edgar Filing: UNITED TECHNOLOGIES CORP /DE/ - Form 10-Q

Total Shareowners' Equity	22,723	21,385
Noncontrolling interest	1,016	947
Total Equity	23,739	22,332
Total Liabilities and Equity	\$ 62,147	\$ 58,493

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**UNITED TECHNOLOGIES CORPORATION****AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****(Unaudited)**

(Dollars in millions)	Six Months Ended June 30,	
	2011	2010
Operating Activities:		
Net income attributable to common shareowners	\$ 2,330	\$ 1,976
Noncontrolling interest in subsidiaries earnings	201	183
Net income	2,531	2,159
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	677	666
Deferred income tax provision	292	128
Stock compensation cost	128	88
Change in:		
Accounts receivable	(624)	(552)
Inventories and contracts in progress	(829)	(653)
Other current assets	(7)	(26)
Accounts payable and accrued liabilities	524	834
Global pension contributions*	(70)	(261)
Other operating activities, net	(3)	171
Net cash flows provided by operating activities	2,619	2,554
Investing Activities:		
Capital expenditures	(390)	