

UNITED TECHNOLOGIES CORP /DE/
Form 10-Q
October 25, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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 September 30, 2010 there were 923,407,094 shares of Common Stock outstanding.

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AND SUBSIDIARIES
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Quarter Ended September 30, 2010**

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

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

(in millions, except per share amounts)	Quarter Ended September 30,	
	2010	2009
Revenues:		
Product sales	\$ 9,771	\$ 9,398
Service sales	3,849	3,789
Other (expense) income, net	(93)	188
	13,527	13,375
Costs and Expenses:		
Cost of products sold	7,124	7,353
Cost of services sold	2,543	2,483
Research and development	433	344
Selling, general and administrative	1,478	1,424
Operating profit	1,949	1,771
Interest expense	182	170
Income before income taxes	1,767	1,601
Income tax expense	468	456
Net income	1,299	1,145
Less: Noncontrolling interest in subsidiaries earnings	101	87
Net income attributable to common shareowners	\$ 1,198	\$ 1,058
Earnings Per Share of Common Stock:		
Basic	\$ 1.32	\$ 1.15
Diluted	\$ 1.30	\$ 1.14
Dividends Per Share of Common Stock	\$.43	\$.39
Weighted average number of shares outstanding:		
Basic shares	906	917
Diluted shares	919	929

See accompanying Notes to Condensed Consolidated Financial Statements

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UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

(in millions, except per share amounts)	Nine Months Ended September 30,	
	2010	2009
Revenues:		
Product sales	\$ 28,123	\$ 27,387
Service sales	11,339	11,059
Other income, net	46	374
	39,508	38,820
Costs and Expenses:		
Cost of products sold	20,949	21,220
Cost of services sold	7,465	7,324
Research and development	1,289	1,137
Selling, general and administrative	4,393	4,481
Operating profit	5,412	4,658
Interest expense	560	522
Income before income taxes	4,852	4,136
Income tax expense	1,394	1,126
Net income	3,458	3,010
Less: Noncontrolling interest in subsidiaries earnings	284	254
Net income attributable to common shareowners	\$ 3,174	\$ 2,756
Earnings Per Share of Common Stock:		
Basic	\$ 3.49	\$ 3.00
Diluted	\$ 3.43	\$ 2.97
Dividends Per Share of Common Stock	\$ 1.28	\$ 1.16
Weighted average number of shares outstanding:		
Basic shares	910	918
Diluted shares	925	928
	See accompanying Notes to Condensed Consolidated Financial Statements	

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UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(in millions)	September 30, 2010	December 31, 2009
<u>Assets</u>		
Cash and cash equivalents	\$ 5,731	\$ 4,449
Accounts receivable, net	8,731	8,469
Inventories and contracts in progress, net	8,430	7,509
Future income tax benefits, current	1,603	1,689
Other assets, current	842	1,078
Total Current Assets	25,337	23,194
Customer financing assets	1,098	1,047
Future income tax benefits	2,308	2,102
Fixed assets	15,796	15,677
Less: Accumulated depreciation	(9,648)	(9,313)
Fixed assets, net	6,148	6,364
Goodwill	17,422	16,298
Intangible assets, net	4,070	3,538
Other assets	4,266	3,219
Total Assets	\$ 60,649	\$ 55,762
<u>Liabilities and Equity</u>		
Short-term borrowings	\$ 2,137	\$ 254
Accounts payable	4,964	4,634
Accrued liabilities	12,425	11,792
Long-term debt currently due	94	1,233
Total Current Liabilities	19,620	17,913
Long-term debt	10,071	8,257
Future pension and postretirement benefit obligations	3,927	4,150
Other long-term liabilities	4,460	4,054
Total Liabilities	38,078	34,374
Redeemable noncontrolling interest	318	389
Shareowners' Equity:		
Common Stock	12,316	11,746
Treasury Stock	(16,920)	(15,408)

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Retained earnings	29,384	27,396
Unearned ESOP shares	(169)	(181)
Accumulated other comprehensive loss	(3,357)	(3,487)
Total Shareowners' Equity	21,254	20,066
Noncontrolling interest	999	933
Total Equity	22,253	20,999
Total Liabilities and Equity	\$ 60,649	\$ 55,762

See accompanying Notes to Condensed Consolidated Financial Statements

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UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2010	2009
Operating Activities:		
Net income attributable to common shareowners	\$ 3,174	\$ 2,756
Noncontrolling interest in subsidiaries earnings	284	254
Net income	3,458	3,010
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	1,008	925
Deferred income tax (benefit) provision	(123)	36
Stock compensation cost	112	110
Change in:		
Accounts receivable	(169)	981
Inventories and contracts in progress	(932)	145
Other current assets	(46)	(58)
Accounts payable and accrued liabilities	1,178	(784)
Global pension contributions*	(699)	(633)
Other operating activities, net	443	146
Net cash flows provided by operating activities	4,230	3,878
Investing Activities:		
Capital expenditures	(479)	(501)
Investments in businesses	(2,551)	(557)
Dispositions of businesses	200	107
Increase in customer financing assets, net	(29)	(36)
Other investing activities, net	173	256
Net cash flows used in investing activities	(2,686)	(731)
Financing Activities:		
Issuance (repayment) of long-term debt, net	610	(965)
Increase (decrease) in short-term borrowings, net	1,882	(72)
Common Stock issued under employee stock plans	211	212
Dividends paid on Common Stock	(1,114)	(1,018)
Repurchase of Common Stock	(1,644)	(780)
Other financing activities, net	(253)	(285)
Net cash flows used in financing activities	(308)	(2,908)
Effect of foreign exchange rate changes on cash and cash equivalents	46	66

Net increase in cash and cash equivalents	1,282	305
Cash and cash equivalents, beginning of year	4,449	4,327
Cash and cash equivalents, end of period	\$ 5,731	\$ 4,632

* Non-cash activities include contributions of UTC Common Stock of \$250 million to domestic defined benefit pension plans in the second quarter of 2010. There were no contributions of UTC Common Stock in 2009.

See accompanying Notes to Condensed Consolidated Financial Statements

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UNITED TECHNOLOGIES CORPORATION

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Condensed Consolidated Financial Statements at September 30, 2010 and for the quarters and nine months ended September 30, 2010 and 2009 are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. The results reported in these Condensed Consolidated Financial Statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the financial statements and notes in our Annual Report to Shareowners (2009 Annual Report) incorporated by reference to our Annual Report on Form 10-K for calendar year 2009 (2009 Form 10-K).

Note 1: Acquisitions, Dispositions, Goodwill and Other Intangible Assets

Business Acquisitions and Dispositions. During the first nine months of 2010, our investment in business acquisitions was approximately \$2.6 billion, including debt assumed of \$32 million, principally reflecting the acquisitions of the General Electric (GE) Security business, and an equity stake in Clipper Windpower Plc (Clipper). On March 1, 2010, we completed the acquisition of the GE Security business for approximately \$1.8 billion, including debt assumed of \$32 million. The GE Security business supplies security and fire safety technologies for commercial and residential applications through a broad product portfolio that includes fire detection and life safety systems, intrusion alarms, and video surveillance and access control systems. This business is being integrated into our UTC Fire & Security segment during the course of 2010, and will enhance UTC Fire & Security's geographic diversity with the strong North American presence and increased product and technology offerings of GE Security. In connection with the acquisition of GE Security, we recorded approximately \$600 million of identifiable intangible assets and \$1.1 billion of goodwill. The goodwill recorded reflects synergies expected to be realized through the combination of GE Security's products, resources and management talent with those of the existing UTC Fire & Security business to enhance competitiveness, accelerate the development of certain product offerings, drive improved operational performance and secure additional service channels. Additionally, the combined businesses will allow for significant improvements to the cost structure through the rationalization of general and administrative expenditures as well as research and development efforts.

In January 2010, we completed the acquisition of a 49.5% equity stake in Clipper, a California-based wind turbine manufacturer that trades on the AIM London Stock Exchange. This investment is intended to expand our power generation portfolio and allow us to enter the wind power market by leveraging our expertise in blade technology, turbines and gearbox design. The total cost was £166 million (approximately \$270 million) for the purchase of 84.3 million newly issued shares and 21.8 million shares from existing shareowners. We have accounted for this investment under the equity method of accounting. Subsequent to the initial purchase, we increased our investment to 49.9%. During the quarter ended September 30, 2010, we recorded a \$159 million other-than-temporary impairment charge, on our equity investment in Clipper, in order to write-down our investment to market value as of September 30, 2010. This impairment is recorded within Other income, net on our Condensed Consolidated Statement of Operations.

In October 2010, we reached agreement with the management and independent members of the board of directors of Clipper on the terms of a cash offer to acquire all remaining shares of Clipper. The acquisition will be implemented by way of a court-approved scheme of arrangement under the UK Companies Act 2006, and remains subject to customary closing conditions and the approval of Clipper's shareholders. Under the terms of the agreement, the acquisition is valued at 65 pence per share or £70 million (approximately \$112 million). In connection with the agreement, we have also agreed to provide to Clipper's operating subsidiary a loan facility permitting borrowings of up to \$50 million for the period prior to closing of the acquisition. The facility would be guaranteed by Clipper and the operating subsidiary would grant a lien over certain of its assets subject to approval of Clipper shareholders.

During the quarter ended June 30, 2010, we recorded approximately \$86 million of asset impairment charges, for assets that have met the held-for-sale criteria, related primarily to the expected disposition of businesses within both Carrier and Hamilton Sundstrand. These asset impairment charges are recorded within Cost of products sold on our Condensed Consolidated Statement of Operations. The asset impairment charges include a \$58 million charge related to the expected disposition of a business associated with Carrier's ongoing portfolio transformation to a higher returns business and a \$28 million charge at Hamilton Sundstrand related primarily to the expected disposition of an aerospace business as part of Hamilton Sundstrand's efforts to implement low cost sourcing initiatives.

Goodwill. Changes in our goodwill balances for the first nine months of 2010 were as follows:

(in millions)	Balance as of January 1, 2010	Goodwill resulting from business combinations	Foreign currency translation and other	Balance as of September 30, 2010
Otis	\$ 1,382	\$ 99	\$ (8)	\$ 1,473
Carrier	3,252	14	(85)	3,181
UTC Fire & Security	5,641	1,115	(64)	6,692
Pratt & Whitney	1,237		(11)	1,226
Hamilton Sundstrand	4,496	1	(17)	4,480
Sikorsky	250	81	(1)	330
Total Segments	16,258	1,310	(186)	17,382
Eliminations and other	40			40
Total	\$ 16,298	\$ 1,310	\$ (186)	\$ 17,422

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Intangible Assets. Identifiable intangible assets are comprised of the following:

(in millions)	September 30, 2010		December 31, 2009	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized:				
Service portfolios	\$ 1,950	\$ (911)	\$ 1,814	\$ (833)
Patents and trademarks	440	(144)	369	(120)
Other, principally customer relationships	3,148	(1,161)	2,624	(1,047)
	5,538	(2,216)	4,807	(2,000)
Unamortized:				
Trademarks and other	748		731	
Total	\$ 6,286	\$ (2,216)	\$ 5,538	\$ (2,000)

Amortization of intangible assets for the quarter and nine months ended September 30, 2010 was \$104 million and \$283 million, respectively, compared with \$88 million and \$259 million for the same periods of 2009. Amortization of these intangible assets for 2010 through 2014 is expected to approximate \$305 million per year.

Note 2: Earnings Per Share

(in millions, except per share amounts)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income attributable to common shareowners	\$ 1,198	\$ 1,058	\$ 3,174	\$ 2,756
Basic weighted average number of shares outstanding	906	917	910	918
Stock awards	13	12	15	10
Diluted weighted average number of shares outstanding	919	929	925	928
Earnings Per Share of Common Stock:				
Basic	\$ 1.32	\$ 1.15	\$ 3.49	\$ 3.00
Diluted	\$ 1.30	\$ 1.14	\$ 3.43	\$ 2.97

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock appreciation rights and stock options, when the average market price of the common stock is lower than the exercise price of the related stock awards during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would be antidilutive. The number of stock awards excluded from the computation was 12.7 million and 12.6 million for the quarter and nine months ended September 30, 2010, respectively. For the quarter and nine months ended September 30, 2009, the number of stock awards excluded from the computation was 15.2 million and 35.7 million, respectively.

Table of Contents**Note 3: Inventories and Contracts in Progress**

(in millions)	September 30, 2010	December 31, 2009
Raw materials	\$ 1,251	\$ 1,281
Work-in-process	3,762	3,097
Finished goods	3,110	2,889
Contracts in progress	6,505	6,479
	14,628	13,746
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(299)	(264)
Billings on contracts in progress	(5,899)	(5,973)
	\$ 8,430	\$ 7,509

As of September 30, 2010 and December 31, 2009, the above inventory balances include capitalized contract development costs of \$801 million and \$862 million, respectively, related to certain aerospace programs. These capitalized costs are liquidated as production units are delivered to the customer. The capitalized contract development costs within inventory principally relate to costs capitalized on Sikorsky's CH-148 contract with the Canadian government. The CH-148 is a derivative of the H-92, a military variant of the S-92.

Note 4: Borrowings and Lines of Credit

(in millions)	September 30, 2010	December 31, 2009
Commercial paper	\$ 1,945	\$
Other borrowings	192	254
Total short-term borrowings	\$ 2,137	\$ 254

At September 30, 2010, we had committed credit agreements from banks permitting aggregate borrowings of up to \$2.5 billion under a \$1.5 billion revolving credit agreement and a \$1.0 billion multicurrency revolving credit agreement, both of which are available for general funding purposes, including acquisitions. As of September 30, 2010, there were no borrowings under either of these revolving credit agreements, which expire in October 2011 and November 2011, respectively. The undrawn portions under both of these agreements are also available to serve as backup facilities for the issuance of commercial paper. We generally use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our common stock.

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Long-term debt consists of the following:

(in millions)	September 30, 2010	December 31, 2009
4.375% notes due 2010*	\$	\$ 600
7.125% notes due 2010*		500
6.350% notes due 2011*		500
6.100% notes due 2012*	500	500
4.875% notes due 2015*	1,200	1,200
5.375% notes due 2017*	1,000	1,000
6.125% notes due 2019*	1,250	1,250
8.875% notes due 2019	272	272
4.500% notes due 2020*	1,250	
8.750% notes due 2021	250	250
6.700% notes due 2028	400	400
7.500% notes due 2029*	550	550
5.400% notes due 2035*	600	600
6.050% notes due 2036*	600	600
6.125% notes due 2038*	1,000	1,000
5.700% notes due 2040*	1,000	
Project financing obligations	125	158
Other (including capitalized leases)	168	110
Total long-term debt	10,165	9,490
Less current portion	(94)	(1,233)
Long-term debt, net of current portion	\$ 10,071	\$ 8,257

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

In February 2010, we issued two series of fixed rate notes that pay interest semiannually, in arrears, on April 15 and October 15 of each year beginning October 15, 2010. The \$1.25 billion principal amount of fixed rate notes bears interest at a rate equal to 4.500% per year and matures on April 15, 2020. The \$1.0 billion principal amount of fixed rate notes bears interest at a rate equal to 5.700% per year and matures on April 15, 2040. The proceeds from these notes were used primarily to fund a portion of the GE Security business acquisition, and to repay commercial paper borrowings.

In May 2010, we repaid the entire \$600 million outstanding principal amount of our 4.375% notes at maturity. In June 2010, we redeemed the entire \$500 million outstanding principal amount of our 7.125% notes that were due November 15, 2010. In September 2010, we redeemed the entire \$500 million outstanding principal amount of our 6.350% notes that were due March 1, 2011.

We have an existing universal shelf registration statement filed with the Securities and Exchange Commission (SEC) for an indeterminate amount of securities for future issuance, subject to our internal limitations on the amount of debt to be issued under this shelf registration statement.

Note 5: Income Taxes

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We conduct business globally and, as a result, UTC or one or more of our subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Belgium, Canada, China, France, Germany, Hong Kong, Italy, Japan, South Korea, Singapore, Spain, the United Kingdom and the United States. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 1998.

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In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest has also been recognized. Interest accrued in relation to unrecognized tax benefits is recorded in interest expense. Penalties, if incurred, would be recognized as a component of income tax expense.

It is reasonably possible that over the next twelve months the amount of unrecognized tax benefits may change within a range of a net increase of \$30 million to a net decrease of \$130 million resulting from additional worldwide uncertain tax positions, from the re-evaluation of current uncertain tax positions arising from developments in examinations, in appeals, or in the courts, or from the closure of tax statutes. Not included in the range is 198 million (approximately \$264 million) of tax benefits that we have claimed related to a 1998 German reorganization. These tax benefits are currently being reviewed by the German Tax Office in the course of an audit of tax years 1999 to 2000. In 2008 the German Federal Tax Court denied benefits to another taxpayer in a case involving a German tax law relevant to our reorganization. The determination of the German Federal Tax Court on this other matter was appealed to the European Court of Justice (ECJ) to determine if the underlying German tax law is violative of European Union (EU) principles. On September 17, 2009 the ECJ issued an opinion in this case that is generally favorable to the other taxpayer and referred the case back to the German Federal Tax Court for further consideration of certain related issues. In May 2010, the German Federal Tax Court released its decision, in which it resolved certain tax issues that may be relevant to our audit and remanded the case to a lower court for further development. After consideration of the ECJ decision and the latest German Federal Tax Court decision, we continue to believe that it is more likely than not that the relevant German tax law is violative of EU principles and we have not accrued tax expense for this matter. As we continue to monitor developments related to this matter, it may become necessary for us to accrue tax expense and related interest.

In 2009, the Internal Revenue Service (IRS) Examination Division completed its review of tax years 2004 and 2005, and certain proposed tax adjustments, with which the Company did not agree, were transferred to the IRS Appeals Division for resolution discussions. The Company expects these resolution discussions to be ongoing into 2011. In 2009, the IRS Examination Division also commenced review activity of tax years 2006, 2007 and 2008, which is expected to continue through 2011.

The effective tax rate for the quarter ended September 30, 2010 has decreased as compared to the same period of 2009. This decrease is largely driven by a \$102 million net tax benefit associated with management's intention to repatriate additional high tax dividends for the current year to the U.S. in 2010 as a result of recent U.S. tax legislation. This net tax benefit was partially offset by the non-deductibility of impairment charges, primarily driven by a \$159 million other-than-temporary impairment charge on our equity investment in Clipper, and the tax effects of net gains from dispositions associated with Carrier's ongoing portfolio transformation to a higher returns business. The effective tax rate for the quarter ended September 30, 2009 reflects the tax effects of the previously disclosed Carrier and Watsco transaction and a \$32 million adverse tax impact associated with a foreign reorganization, net of the reduction to tax expense relating to the re-evaluation of our tax liabilities and contingencies based on global examination activity in the quarter.

The effective tax rate for the nine months ended September 30, 2010 increased as compared to the same period of 2009 as a result of the adverse impact from the health care legislation related to the Medicare Part D program in the first quarter of 2010, the net tax effects of asset impairment charges in the second quarter of 2010 and the impact from items disclosed above that were recorded in the quarter ended September 30, 2010. The effective tax rate for the nine months ended September 30, 2009 reflects a \$25 million favorable tax impact in the first quarter of 2009 related to the formation of a commercial venture, the non-taxability in the second quarter of 2009 of a gain recognized at Otis and the net adverse impacts of the third quarter 2009 items disclosed above.

Note 6: Employee Benefit Plans

Pension and Postretirement Plans. We sponsor both funded and unfunded domestic and foreign defined pension and other postretirement benefit plans, and defined contribution plans. Contributions to these plans were as follows:

(in millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009

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Defined Benefit Plans	\$ 438	\$ 182	\$ 949	\$ 633
Defined Contribution Plans	\$ 46	\$ 43	\$ 142	\$ 144

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In the first nine months of 2010, we made contributions of \$801 million to our domestic defined benefit pension plans, including \$350 million in the third quarter of 2010. Included in the total domestic contributions made through the first nine months of 2010 is a \$250 million contribution of UTC common stock in the second quarter of 2010. In the first nine months of 2009, we made contributions of \$551 million to our domestic defined benefit pension plans, including \$150 million which was contributed in the third quarter of 2009. There were no contributions of UTC common stock to our domestic defined benefit pension plans in 2009.

The following tables illustrate the components of net periodic benefit cost for our defined pension and other postretirement benefit plans:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	Quarter Ended		Quarter Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Service cost	\$ 99	\$ 108	\$ 1	\$
Interest cost	321	324	11	12
Expected return on plan assets	(430)	(416)		(1)
Amortization	(4)	14	(1)	
Recognized actuarial net loss	71	56		
Net settlement and curtailment loss		84		
Total net periodic benefit cost	\$ 57	\$ 170	\$ 11	\$ 11

(in millions)	Pension Benefits		Other Postretirement Benefits	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Service cost	\$ 297	\$ 322	\$ 2	\$ 2
Interest cost	963	959	34	37
Expected return on plan assets	(1,289)	(1,218)		(1)
Amortization	(12)	42	(2)	(2)
Recognized actuarial net loss (gain)	213	168	(1)	(2)
Net settlement and curtailment loss	17	101		
Total net periodic benefit cost	\$ 189	\$ 374	\$ 33	\$ 34

Note 7: Restructuring and Other Costs

During the first nine months of 2010, we recorded net pre-tax restructuring and other costs and reversals in our business segments totaling \$210 million for new and ongoing restructuring actions as follows:

(in millions)	
Otis	\$ 40
Carrier	32
UTC Fire & Security	53
Pratt & Whitney	48
Hamilton Sundstrand	11
Sikorsky	14
Eliminations and other	12

Total

\$ 210

The net costs included \$122 million recorded in cost of sales, \$87 million in selling, general and administrative expenses and \$1 million in other income, net. As described below, these costs primarily relate to actions initiated during 2010 and 2009.

2010 Actions. During the first nine months of 2010, we initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and consolidation of field operations. We recorded net pre-tax restructuring and other costs totaling \$178 million, including \$96 million in cost of sales and \$82 million in selling, general and administrative expenses.

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We expect the actions initiated in the first nine months of 2010 to result in net workforce reductions of approximately 3,300 hourly and salaried employees, the exiting of approximately 3.0 million net square feet of facilities and the disposal of assets associated with the exited facilities. As of September 30, 2010, we have completed net workforce reductions of approximately 1,300 employees. We are targeting the majority of the remaining workforce and all facility related cost reduction actions for completion during 2010 and 2011. No specific plans for significant other actions have been finalized at this time.

The following table summarizes the accrual balances and utilization by cost type for the 2010 restructuring actions:

(in millions)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs	Total
Restructuring accruals at June 30, 2010	\$ 71	\$	\$ 4	\$ 75
Net pre-tax restructuring costs	48	2	7	57
Utilization	(18)	(2)	(7)	(27)
Balance at September 30, 2010	\$ 101	\$	\$ 4	\$ 105

The following table summarizes expected, incurred and remaining costs for the 2010 restructuring actions by type:

(in millions)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs	Total
Expected costs	\$ 186	\$ 14	\$ 62	\$ 262
Costs incurred - quarter ended March 31, 2010	(42)		(7)	(49)
Costs incurred - quarter ended June 30, 2010	(58)	(12)	(2)	(72)
Costs incurred - quarter ended September 30, 2010	(48)	(2)	(7)	(57)
Balance at September 30, 2010	\$ 38	\$	\$ 46	\$ 84

The following table summarizes expected, incurred and remaining costs for the 2010 restructuring actions by segment:

(in millions)	Expected Costs	Costs Incurred Quarter Ended March 31, 2010	Costs Incurred Quarter Ended June 30, 2010	Costs Incurred Quarter Ended September 30, 2010	Remaining Costs at September 30, 2010
Otis	\$ 60	\$ (11)	\$ (15)	\$ (16)	\$ 18
Carrier	60	(8)	(17)	(5)	30
UTC Fire & Security	67	(9)	(13)	(21)	24
Pratt & Whitney	35	(19)	(4)	(6)	6
Hamilton Sundstrand	10	(2)	(5)		3
Sikorsky	18		(7)	(8)	3
Eliminations and other	12		(11)	(1)	
Total	\$ 262	\$ (49)	\$ (72)	\$ (57)	\$ 84

2009 Actions. During the first nine months of 2010, we recorded net pre-tax restructuring and other costs and reversals totaling \$43 million for restructuring actions initiated in 2009, including \$26 million in cost of sales, \$16 million in selling, general and administrative expenses and \$1 million in other income, net. The 2009 actions relate to ongoing cost reduction efforts, including workforce reductions, the consolidation of field operations and the consolidation of repair and overhaul operations.

As of September 30, 2010, we have completed net workforce reductions of approximately 13,300 employees of an expected 14,600 employees, and have exited 1.2 million net square feet of facilities of an expected 4.6 million net square feet. We are targeting the majority of the remaining workforce and all facility related cost reduction actions for completion during 2010 and 2011.

As previously disclosed, in September 2009, Pratt & Whitney announced plans to close a Connecticut repair facility by the second quarter of 2010 and a Connecticut engine overhaul facility by early 2011. The International Association of Machinists (IAM) subsequently filed a lawsuit in U.S. District Court alleging that Pratt & Whitney's decision to close these facilities and transfer certain work to other facilities breached the terms of its collective bargaining agreement with the IAM and seeking to enjoin Pratt & Whitney

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from moving the work for the duration of the collective bargaining agreement. In February 2010, the District Court issued a judgment enjoining Pratt & Whitney from closing the facilities and transferring the work for the duration of the current collective bargaining agreement, which expires on December 5, 2010. Pratt & Whitney subsequently appealed the decision. On July 8, 2010, the Second Circuit Court of Appeals upheld the District Court's decision. Pratt & Whitney is reviewing this decision and considering its impact on Pratt & Whitney's operations. Pratt & Whitney recorded \$53 million of restructuring costs in 2009 and \$6 million of restructuring costs in 2010 associated with these planned closures. We do not believe that resolution of this matter will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

The following table summarizes the accrual balances and utilization by cost type for the 2009 restructuring actions:

(in millions)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs		Total
Restructuring accruals at June 30, 2010	\$ 182	\$	\$	21	\$ 203
Net pre-tax restructuring costs	(4)			12	8
Utilization	(36)			(12)	(48)
Balance at September 30, 2010	\$ 142	\$	\$	21	\$ 163

The following table summarizes expected, incurred and remaining costs for the 2009 restructuring actions by type:

(in millions)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs		Total
Expected costs	\$ 703	\$ 74	\$	108	\$ 885
Costs incurred through December 31, 2009	(680)	(69)		(53)	(802)
Costs incurred - quarter ended March 31, 2010	(9)	(3)		(7)	(19)
Costs incurred - quarter ended June 30, 2010		(2)		(14)	(16)
Costs incurred - quarter ended September 30, 2010	4			(12)	(8)
Remaining costs at September 30, 2010	\$ 18	\$	\$	22	\$ 40

The following table summarizes expected, incurred and remaining costs for the 2009 restructuring actions by segment:

(in millions)	Expected Costs	Costs Incurred through December 31, 2009	Costs Incurred Quarter Ended March 31, 2010	Costs Incurred		Remaining Costs at September 30, 2010
				Quarter Ended June 30, 2010	Costs Incurred Quarter Ended September 30, 2010	
Otis	\$ 155	\$ (157)	\$	\$ (2)	\$ 4	\$
Carrier	232	(205)	(10)	(1)	(1)	15
UTC Fire & Security	114	(103)	(1)	(6)	(3)	1
Pratt & Whitney	210	(174)	(8)	(5)	(7)	16
Hamilton Sundstrand	102	(90)		(2)	(2)	8
Sikorsky	6	(7)			1	
Eliminations and other						