

UNITED TECHNOLOGIES CORP /DE/  
Form 11-K  
June 30, 2003

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Plan period ended December 31, 2002

Commission File Number 1-812

UNITED TECHNOLOGIES CORPORATION  
EMPLOYEE SAVINGS PLAN

UNITED TECHNOLOGIES CORPORATION  
One Financial Plaza  
Hartford, Connecticut 06103

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**UNITED TECHNOLOGIES CORPORATION EMPLOYEE SAVINGS PLAN**  
**Index to Financial Statements**  
**December 31, 2002 and 2001**

	<b>Page</b>
<u>Report of Independent Auditors</u>	1
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4-12
<u>Exhibit Index</u>	14

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**FINANCIAL STATEMENTS OF THE UNITED TECHNOLOGIES CORPORATION**  
**EMPLOYEE SAVINGS PLAN**

Report of Independent Auditors

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To the Participants and Administrator of the  
 United Technologies Corporation  
 Employee Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the United Technologies Corporation Employee Savings Plan (the "Plan") at December 31, 2002 and December 31, 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP  
 PricewaterhouseCoopers LLP  
 Hartford, Connecticut  
 June 27, 2003

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UNITED TECHNOLOGIES CORPORATION EMPLOYEE SAVINGS PLAN  
 Statements of Net Assets Available for Benefits

(Thousands of Dollars)

	December 31, 2002	December 31, 2001
<b>Assets:</b>		
Investments (Notes <u>3</u> through <u>6</u> )	\$	8,636,869
		\$
		8,903,680
Contributions receivable: Participants' 7,906 4,072 Employer's		2,996
		1,355
		10,902
		5,427
 Net Assets Available for Benefits		 \$
		8,647,771

\$

8,909,107

The accompanying notes are an integral part of these financial statements.

2

**UNITED TECHNOLOGIES CORPORATION EMPLOYEE SAVINGS PLAN**  
**Statement of Changes in Net Assets Available for Benefits**  
(Thousands of Dollars)

	<b>Year Ended December 31, 2002</b>
<b>Additions to net assets attributed to:</b>	
Investment Income:	
Interest	\$ 278,852
Dividends 66,743	
Contributions: Participants' 213,121	
Employer's	
	25,166
Total additions	583,882
<b>Deductions from net assets attributed to:</b>	
Net depreciation in fair value of investments(442,719)	
Distributions to participants(360,877)	
Interest expense(33,738)	
Administrative expenses	
	(2,596)
Total deductions	(839,930)
Net decrease prior to transfers	(256,048)
<b>Plan transfers:</b> Assets transferred into Plan 3,375	
Assets transferred out of Plan	
	(8,663)
Net Plan transfers	(5,288)
Net decrease (261,336)	
Net Assets Available for Benefits, December 31, 2001	
	8,909,107

Net Assets Available for Benefits, December 31, 2002

\$  
8,647,771

The accompanying notes are an integral part of these financial statements.

3

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**UNITED TECHNOLOGIES CORPORATION  
EMPLOYEE SAVINGS PLAN  
Notes to Financial Statements**

**NOTE 1 - DESCRIPTION OF THE PLAN**

General. The United Technologies Corporation Employee Savings Plan (the "Plan") is a defined contribution savings plan administered by United Technologies Corporation ("UTC"). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Generally, non-represented employees of the Corporation and in participating business units of UTC are eligible to participate in the Plan immediately upon employment with UTC. Participants are eligible for matching employer contributions after one year of service. The following is a brief description of the Plan. For more complete information, participants should refer to the prospectus and summary plan description as well as the Plan document which are available from UTC.

**Contributions and Vesting.**

The percentages of total compensation participants may elect to contribute, through payroll deductions, varies depending on the provisions of the Plan specific to a participant's location. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers ten mutual funds, seven commingled index funds, one stable value fund, and a company stock fund as investment options to participants. Participant contributions, plus actual earnings thereon, are fully vested at all times under the Plan.

UTC has established a leveraged Employee Stock Ownership Plan ("ESOP") to fund the employer matching contributions to the Plan. The ESOP is primarily invested in UTC Series A ESOP Convertible Preferred Stock. UTC currently matches up to 60 percent of a participant's contributions, up to specified limits, in ESOP Preferred Stock (see Note 7). However, participants who have reached at least age 55 may direct that up to 50 percent, in multiples of 25 percent, of their ESOP account balances and future employer contributions be invested in the other investment funds offered through the Plan. In such cases, UTC may redeem or exchange the ESOP Preferred Stock in the participants' accounts for cash. Such stock may be allocated to other participants in the future. Generally, employer contributions, plus actual earnings thereon, become fully vested after two years of Plan participation.

**Participant Accounts.**

Each participant's account is credited with the participant's contributions and allocations of (a) UTC's contributions based on a percentage of the participant's contribution and (b) Plan earnings based on account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Forfeited balances of terminated participants' nonvested employer contribution accounts are used to reduce future UTC contributions. For the year ended December 31, 2002, approximately \$287,000 of forfeitures were used to fund UTC's contributions.

**Voting Rights.** Common Stock held in the UTC Common Stock Fund and ESOP Fund and ESOP Preferred shares are voted by the Trustee at shareowner meetings of UTC in accordance with the confidential instructions of the participants whose accounts are invested in the funds. ESOP Preferred shares vote on all matters submitted for

vote to the UTC Common Stock shareowners. Each share of ESOP Preferred stock is entitled to 5.2 votes compared to one vote for each share of UTC Common Stock. All shares of employer stock in the UTC Common Stock Fund or participants' ESOP accounts for which the Trustee receives voting instructions from participants to whose accounts the shares are allocated are voted in accordance with those instructions. All employer stock in the UTC Common Stock Fund for which the Trustee does not receive timely voting instructions are voted by the Trustee in accordance with the timely instructions it receives with respect to a plurality of the shares in the UTC Common Stock Fund. All employer stock in the ESOP Fund that has been allocated to participants' ESOP accounts but for which the Trustee does not receive timely voting instructions, and all shares in the Unallocated ESOP account, are voted by the Trustee in accordance with the timely instructions it receives with respect to a plurality of the shares that are allocated to participants' ESOP accounts.

Trustee and Recordkeeper

. All of the Plan's assets are held by Deutsche Bank Trust Company Americas, the Plan trustee. Deutsche Bank Trust Company Americas is a subsidiary of Deutsche Bank. Fidelity Institutional Retirement Services Company ("Fidelity") performs participant account recordkeeping responsibilities.

4

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**UNITED TECHNOLOGIES CORPORATION  
EMPLOYEE SAVINGS PLAN  
Notes to Financial Statements**

Participant Loans

. Participants with at least two years of Plan participation are allowed to borrow up to 50 percent of their vested account balances (excluding their ESOP account balance). Loan amounts can range from \$1,000 to \$50,000 and must be repaid within 5 years. The loans are secured by the balance in the participant's account and bear interest at Deutsche Bank's prime rate plus one percent. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits.

Generally, benefits are paid in a lump sum to a terminating participant. A participant terminating due to retirement may elect to receive benefits in installments over two to twenty years. At the participant's election, the portion of a lump sum distribution attributable to an investment in the UTC Common Stock Fund and ESOP investment options may be paid in shares of UTC Common Stock instead of cash. Distributions in UTC Common Stock for the year ended December 31, 2002 were approximately \$18,763,000.

Other.

Participants who transfer to a new UTC location with a different savings plan may have the option of transferring their account balances in accordance with the provisions of the new savings plan.

**NOTE 2 - SUMMARY OF ACCOUNTING PRINCIPLES**

Basis of Accounting.

The financial statements of the Plan are prepared under the accrual method of accounting, except for benefits which are recorded when paid.

Master Trust.

The Plan's assets are kept in the United Technologies Corporation Employee Savings Plan Master Trust (the "Master Trust") maintained by the Plan's trustee. Under the Master Trust agreement, the assets of certain employee savings plans of UTC and its subsidiaries are combined. Participating plans purchase units of participation in the investment funds based on their contribution to such funds and the unit value of the applicable investment fund at the end of the

trading day in which a transaction occurs. The unit value of each fund is determined at the close of each day by dividing the sum of uninvested cash, accrued income and the current value of investments by the total number of outstanding units in such funds. Income from the funds' investments increases the participating plans' unit values. Distributions to participants reduce the number of participation units held by the participating plans (see Note 6).

Investment Valuation and Income Recognition.

The Income Fund's investments in insurance contracts (see Note 5) are stated at contract value, which represents fair value. Contract value includes contributions plus earnings, less Plan withdrawals. The ESOP Preferred Stock's fair value is the higher of the guaranteed value (\$65) or four times the daily ending price of UTC's Common Stock. All other funds are stated at fair value, as determined by the Trustee, typically by reference to published market data.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Plan Expenses.

Plan administrative expenses, including Plan trustee and a portion of the recordkeeper fees were paid directly by the employer in 2002. The remaining recordkeeper fees were paid by participants in 2002. Investment management fees are charged against Plan assets. All other administrative and investment expenses were paid out of Plan assets during 2002.

UNITED TECHNOLOGIES CORPORATION  
EMPLOYEE SAVINGS PLAN  
Notes to Financial Statements

Use of Estimates

. The preparation of financial statements requires Plan management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

**Reclassifications.** Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

NOTE 3 - INVESTMENTS

The following presents investments that represent 5 percent or more of the Plan's net assets:

	<b>December 31,</b>	
(Thousands of Dollars, except unit amounts)		
	<b>2002</b>	
	<b>2001</b>	
Equity Fund, 31,648,278 and 33,745,497 units, respectively		\$ 648,157
		\$
886,099	UTC Common Stock Fund, 26,475,740 and 29,066,987 units, respectively	

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			562,874
	647,613	UTC ESOP Fund, 10,843,348 and 11,218,335	units, respectively
			2,686,548*
2,900,164*		Income Fund, 48,260,192 and 47,337,426 units, respectively	4,373,339 4,017,571

\* Non-participant-directed

During 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$442,719 as follows:

(Thousands of dollars)

Mutual Funds	\$ (315,346)
ESOP Fund	(118,831)
UTC Common Stock Fund	(8,542)
	\$ (442,719)

**NOTE 4 - NONPARTICIPANT-DIRECTED INVESTMENTS**

The following is a summary of the financial information attributable to the Plan for the UTC ESOP fund which is for the nonparticipant-directed investments (Note 7):

(Thousands of Dollars)

	December 31,					
	2002			2001		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
<b>Assets:</b>						
Short-term Investments	\$ 2,735	\$ -	\$ 2,735	\$ 8,656	\$ -	\$ 8,656
Common Stock	-	308	308	-	282	282
ESOP Stock Fund	1,611,723	1,074,825	2,686,548	1,684,068	1,216,096	2,900,164
ESOP Receivables	-	149,282	149,282	-	140,443	140,443
Total Assets	1,614,458	1,224,415	2,838,873	1,692,724	1,356,821	3,049,545
<b>Liabilities:</b>						
Accrued ESOP Interest	-	(1,853)	(1,853)	-	(1,971)	(1,971)
ESOP Debt	-	(230,056)	(230,056)	-	(265,377)	(265,377)
Notes Payable to UTC	-	(191,845)	(191,845)	-	(174,857)	(174,857)
Total Liabilities	-	(423,754)	(423,754)	-	(442,205)	(442,205)
Net Assets	\$ 1,614,458	\$ 800,661	\$ 2,415,119	\$ 1,692,724	\$ 914,616	\$ 2,607,340

**Year Ended December 31, 2002**

	Allocated	Unallocated	Total
<b>Additions:</b>			
Interest and Dividend Income	30,619	21,077	51,696
Contributions	-	23,020	23,020
Allocation of ESOP shares, at market	66,655	-	66,655
Total Additions	97,274	44,097	141,371
<b>Deductions:</b>			
Net depreciation of ESOP shares	\$ 67,583	\$ 51,248	\$ 118,831
Distributions to participants	58,165	-	58,165
Interest Expense	-	33,738	33,738
Transfers to participant-directed investments	49,792	-	49,792
Apportionment of Unallocated ESOP shares	-	6,411	6,411
			6,411
Allocation of ESOP shares, at market	- 66,655	66,655	-
Total Deductions	175,540	158,052	333,592
Net decrease	\$ 78,266	\$ 113,955	\$ 192,221
Net assets: Beginning of year	1,692,724	914,616	2,607,340
End of Year	\$1,614,458	\$800,661	\$2,415,119

6

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**UNITED TECHNOLOGIES CORPORATION  
EMPLOYEE SAVINGS PLAN  
Notes to Financial Statements**

**NOTE 5 - INVESTMENT CONTRACTS WITH INSURANCE COMPANIES**

The Plan's Income Fund invests in insurance contracts with insurance companies. Under these contracts, each insurance company guarantees repayment in full of the principal amount plus interest credited at a fixed rate for a specified period. Interest is credited to each contract based on an annual interest rate set each year by the individual insurance companies. This rate, which differs among contracts, takes into account any difference between prior year credited interest and the actual amount of investment earnings allocable to the contract in accordance with the established allocation procedures of the insurance company. The weighted average interest rates credited to participant accounts for 2002 and 2001 were 6.78% and 8.31%, respectively.

**NOTE 6 - INVESTMENT IN MASTER TRUST**

UTC has entered into a Master Trust agreement with Deutsche Bank Trust Company Americas. Under this agreement, certain savings plans of UTC and its subsidiaries combine their trust fund investments in the Master Trust.

Participating plans purchase units of participation in the investment funds based on their contribution to such funds along with income that the investment funds may earn, less distributions made to the Plans' participants.

7

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**UNITED TECHNOLOGIES CORPORATION  
EMPLOYEE SAVINGS PLAN  
Notes to Financial Statements**

The following is a summary of the financial information and data for the Master Trust and the portion attributable to the Plan:



**United Technologies Corporation**  
**Master Trust Statements of Net Assets**  
(Thousands of Dollars)

	December 31,					
	Allocated	2002 Unallocated	Total	Allocated	2001 Unallocated	Total
Assets:						
Short-term investments	\$ 24,137	\$ -	\$ 24,137	\$ 34,221	\$ -	\$ 34,221
Investments:						
Equity:						
Mutual funds	549,432	-	549,432	658,861	-	658,861
Equity commingled index funds	924,906	-	924,906	1,203,904	-	1,203,904
Common stock	674,306	310	674,616	768,320	283	768,603
ESOP stock fund	1,624,640	1,082,039	2,706,679	1,693,307	1,219,410	2,912,717
Debt:						
Fixed income commingled index funds	17,131	-	17,131	19,422	-	19,422
Income Fund investment contracts	5,285,606	-	5,285,606	4,775,327	-	4,775,327
Participant notes receivable	90,787	-	90,787	92,055	-	92,055
Subtotal	9,190,945	1,082,349	10,273,294	9,245,417	1,219,693	10,465,110
ESOP receivables	-	150,284	150,284	-	140,825	140,825
Interest and dividend receivable	1,674	-	1,674	2,297	-	2,297
Total assets	9,192,619	1,232,633	10,425,252	9,247,714	1,360,518	10,608,232
Liabilities:						
Accrued liabilities	39,113	-	39,113	6,499	-	6,499
Accrued ESOP interest	-	1,865	1,865	-	1,976	1,976
ESOP debt	-	231,600	231,600	-	266,100	266,100
Notes payable to UTC	-	193,133	193,133	-	175,334	175,334
Total liabilities	39,113	426,598	465,711	6,499	443,410	449,909
Net Assets	\$ 9,153,506	\$ 806,035	\$ 9,959,541	\$ 9,241,215	\$ 917,108	\$ 10,158,323
Net assets of the Master Trust attributable to the Plan	\$ 7,836,208	\$ 800,661	\$ 8,636,869	\$ 7,989,065	\$ 914,615	\$ 8,903,680

United Technologies Corporation  
Master Trust Statement of Changes in Net Assets

(Thousands of Dollars)

**Year Ended  
December 31,  
2002**

<b>Allocated</b>	<b>Unallocated</b>	<b>Total</b>	Additions: Interest and dividend income	\$ 384,220	\$ 21,225	\$ 405,445	Contributions from participating plans for purchase of units
71,553	-	71,553	302,384	24,811	327,195	Allocation of 269,000 ESOP shares, at market	
			Total additions	758,157	46,036	804,193	Deductions: Net depreciation on fair value of investments
	(466,592)	(51,592)	(518,184)				Benefit payments on behalf of participating plans
							(430,445)