

In September 2011, to better serve customers and to drive growth and achieve efficiencies through greater integration across certain product lines, we announced a new organizational structure which combines UTC Fire & Security with Carrier into a new segment called UTC Climate, Controls & Security. This new segment will report combined financial and operational results beginning with the first quarter of 2012.

TOTAL CHANGE YEAR-OVER-YEAR FOR:							
				2011 Compared with 2010		2010 Compared with 2009	
(Dollars in millions)	2011	2010	2009	\$	%	\$	%
Net Sales	\$6,895	\$6,490	\$5,503	\$405	6 %	\$987	18%
Cost of Sales	4,603	4,308	3,831	295	7 %	477	12%
	2,292	2,182	1,672				
Operating Expenses and Other	1,600	1,468	1,179				
Operating Profits	\$ 692	\$ 714	\$ 493	\$(22)	(3)%	\$ 221	45%

FACTORS CONTRIBUTING TO TOTAL % CHANGE YEAR-OVER-YEAR IN:						
2011			2010			
Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits	
Organic / Operational	2 %	4 %	(8)%	(3)%	(4)%	2%
Foreign currency translation	4 %	4 %	4 %	2 %	1 %	2%
Acquisitions and divestitures, net	1 %	—	—	19 %	15 %	34%
Restructuring costs	—	—	—	—	—	7%
Other	(1)%	(1)%	1 %	—	—	—
Total % change	6 %	7 %	(3)%	18 %	12 %	45%

#### 2011 Compared with 2010

Organically, the 2% growth in sales was driven by increased volumes in the products businesses, while the service and install businesses remained flat. Geographically, the organic growth was driven by stronger volume in the product businesses, partially offset by declines in the U.K. and U.S. service businesses.

The operational profit decline (8%) reflects lower margins on projects and unfavorable sales mix, led by the U.K. on lower sales and productivity, with a partial offset from the benefits from higher sales volume and cost reductions. The increase contributed by "Other" was primarily related to the favorable resolution of litigation and gains on the dispositions of U.K. security businesses, which were largely offset by a \$66 million other-than-temporary impairment charge recorded on an equity investment in Asia in 2011.

#### 2010 Compared with 2009

Organically, the 3% sales contraction was driven by declines in the service and install businesses, while the products businesses were flat year-over-year. Geographically, the service and install businesses experienced weakness in Europe and the Americas in 2010 as a result of poor economic conditions, partially offset by growth in Asia. The increase contributed by "Acquisitions and divestitures, net" reflects the net year-over-year impact from acquisition and divestitures completed in the preceding twelve months, led by the acquisition in March 2010 of the GE Security business.

The organic cost of sales decline (4%) exceeded the organic sales decline (3%), generating incremental profits from the benefits of integrating operations, productivity initiatives, and the benefits of prior restructuring actions taken, which were partially offset by the impact of organic volume contraction. The increase contributed by "Acquisitions and divestitures, net" primarily reflects the acquisition in March 2010 of the GE Security business.