The weighted-average interest rate applicable to debt outstanding at December 31, 2011 was 1.5% for short-term borrowings and 5.6% for total debt as compared to 6.3% and 5.9%, respectively, at December 31, 2010. The decline in the weighted-average interest rates for short-term borrowings was due to the $455 million of commercial paper borrowings outstanding at December 31, 2011, which carries favorable interest rates. There were no commercial paper borrowings outstanding at December 31, 2010. The three month LIBOR rate as of December 31, 2011 was 0.6% and 0.3% as of both December 31, 2010 and 2009.

Income Taxes

	2011	2010	2009
Effective income tax rate	**29.3%**	27.9%	27.4%

The effective income tax rates for 2011, 2010 and 2009 reflect tax benefits associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States. The 2011 effective income tax rate increased as compared to 2010, due to the absence of the repatriation of highly taxed dividends which had a net favorable impact in 2010. The 2011 effective tax rate reflects approximately $63 million of favorable income tax adjustments related to the settlement of two refund claims for years prior to 2004, as well as a favorable tax impact of $17 million related to a U.K. tax rate reduction enacted in 2011. These favorable tax adjustments are partially offset by non-deductible charges accrued in 2011.

The 2010 effective income tax rate reflects a non-recurring tax expense reduction associated with management's decision to repatriate additional high tax dividends from 2010 earnings to the U.S. as a result of U.S. tax legislation enacted in 2010. This was partially offset by the non-deductibility of impairment charges, the adverse impact from the health care legislation related to the Medicare Part D program and other increases to UTC's effective income tax rate.

The 2009 effective income tax rate reflects approximately $38 million of tax expense reductions relating to re-evaluation of our liabilities and contingencies based on global examination activity during the year including the Internal Revenue Service's (IRS) completion of 2004 and 2005 examination fieldwork and our related protest filing. As a result of the global examination activity, we recognized approximately $18 million of associated pre-tax interest income adjustments during 2009.

We estimate our full year annual effective income tax rate in 2012, excluding the impact of the acquisition of Goodrich, to be approximately 29.5%, absent one-time adjustments and contingent upon the release of valuation allowances resulting from potential internal reorganizations. These internal reorganizations are separate from the creation of the UTC Climate, Controls & Security and the UTC Propulsion & Aerospace Systems organizations as described above and are a component of our ongoing efforts to improve business efficiency. We anticipate variability in the tax rate quarter to quarter with lower rates likely to occur in the second half of 2012, primarily due to the realization of tax benefits associated with these potential internal reorganizations, which, if completed, would be recognized in the second half of 2012.

For additional discussion of income taxes, see "Critical Accounting Estimates—Income Taxes" and Note 10 to the Consolidated Financial Statements.

Net Income and Earnings Per Share

(Dollars in millions, except per share amounts)	2011	2010	2009
Net income	**$5,374**	$ 4,711	$ 4,179
Less: Noncontrolling interest in subsidiaries' earnings	**395**	338	350
Net income attributable to common shareowners	**$4,979**	$4,373	$3,829
Diluted earnings per share	**$ 5.49**	$ 4.74	$ 4.12

Foreign currency translation, inclusive of the net hedging impact at Pratt & Whitney Canada (P&WC) generated a net positive impact of $.11 per diluted share on our operational performance in 2011. At P&WC, the weakness of the U.S. Dollar against the Canadian Dollar during 2011 generated an adverse foreign currency translation impact as the majority of P&WC's sales are denominated in U.S. Dollars, while a significant portion of its costs are incurred in local currencies. To help mitigate the volatility of foreign currency exchange rates on our operating results, we maintain foreign currency hedging programs, the majority of which are entered into by P&WC. As a result of hedging programs currently in place, P&WC's 2012 full year operating results are expected to include a net adverse impact of foreign currency translation and hedging of approximately $50 million. In 2010, foreign currency generated a net positive impact on our operational results of $.12 per diluted share while in 2009, foreign currency had an adverse impact of $.22 per diluted share. For additional discussion of foreign currency exposure, see "Market Risk and Risk Management—Foreign Currency Exposures."

Diluted earnings per share for 2011 include a net charge of $.04 per share from net restructuring and non-recurring items. Besides the restructuring charges of $336 million, non-recurring items included approximately $152 million of favorable pre-tax interest and income tax adjustments related to the settlement of U.S. federal income tax refund claims for years prior to 2004, approximately $109 million of net gains resulting from Carrier's ongoing portfolio transformation, approximately $73 million gain recognized from the contribution of a business into a new venture in the United Arab Emirates at Sikorsky, approximately $66 million of other-than-temporary impairment charges on an equity investment at UTC Fire & Security, approximately $45 million of reserves established for legal matters, a gain of approximately $41 million recognized from the sale of an equity investment at Pratt & Whitney, and a favorable tax benefit of approximately $17 million as a result of a U.K. tax rate reduction enacted in July 2011.