

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

**FORM 10-K**

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

For the fiscal year ended December 31, 2021

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 001-39221

**OTIS**

**OTIS WORLDWIDE CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation)

83-3789412  
(I.R.S. Employer Identification No.)

One Carrier Place, Farmington, Connecticut 06032  
(Address of principal executive offices, including zip code)

(860) 674-3000  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (\$0.01 par value)	OTIS	New York Stock Exchange
0.000% Notes due 2023	OTIS/23	New York Stock Exchange
0.318% Notes due 2026	OTIS/26	New York Stock Exchange
0.934% Notes due 2031	OTIS/31	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒. No ☐.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐. No ☒.

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 every Interactive Data File required to be submitted 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in

Large Accelerated Filer ☒ Accelerated Filer ☐

Non-accelerated Filer ☐ Smaller Reporting Company ☐

Emerging Growth Company ☐

Rule 12b-2 of the Exchange Act.

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒.

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

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2021 was approximately \$34,888,309,556 based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At January 21, 2022, there were 424,962,356 shares of Common Stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Part III hereof incorporates by reference portions of the Otis Worldwide Corporation Proxy Statement for the 2022 Annual Meeting of Shareholders (the "2022 Proxy Statement"). The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

**OTIS WORLDWIDE CORPORATION**  
**Form 10-K**  
**For the Year Ended December 31, 2021**  
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Otis Worldwide Corporation's and its subsidiaries' names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of Otis Worldwide Corporation and its subsidiaries. Names, abbreviations of names, logos, and product 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", "the Company" or "Otis", unless the context otherwise requires, mean Otis Worldwide Corporation and its subsidiaries. References to Internet websites in this Form 10-K are provided for convenience only. Information available through these websites is not incorporated by reference into this Form 10-K.

## **PART I**

### **Item 1. Business**

#### **Our Company**

Otis is the world's leading elevator and escalator manufacturing, installation and service company. We serve customers in over 200 countries and territories around the world. Otis has global scale and local focus, with over 1,400 branches and offices, and a direct physical presence in approximately 80 countries.

#### **Separation from United Technologies Corporation**

Otis is a Delaware corporation and was incorporated on March 1, 2019 in connection with the separation and distribution ("Separation") of each of Otis and Carrier Global Corporation ("Carrier") from United Technologies Corporation, subsequently renamed Raytheon Technologies Corporation ("UTC" or "RTX", as applicable) into separate independent publicly-traded companies. The Separation occurred on April 3, 2020. References to "UTC" relate to pre-Separation matters, and references to "RTX" relate to post-Separation matters.

The Separation was completed pursuant to a Separation and Distribution Agreement ("Separation Agreement") and other agreements with UTC and Carrier related to the Separation, including but not limited to a transition services agreement ("TSA"), a tax matters agreement ("TMA"), an employee matter agreement ("EMA") and an intellectual property agreement (the "Intellectual Property Agreement"). For further discussion of these agreements, see Item 1A, "Note 1: Business Overview" in Item 8 and Item 15 in this Form 10-K.

The following description of our business should be read in conjunction with Item 7 in this Form 10-K, including the information contained therein under the heading "Business Overview."

#### **Description of Business by Segment**

Our Company is organized into two segments, New Equipment and Service, which, for the year ended December 31, 2021, contributed 45% and 55% of our net sales, and 21% and 79% of our segment operating profit, respectively. Our international operations represented approximately 74% of our net sales for the year ended December 31, 2021.

##### ***New Equipment***

Through our New Equipment segment, we design, manufacture, sell and install a wide range of passenger and freight elevators, as well as escalators and moving walkways for residential, commercial and infrastructure projects. In 2021, our New Equipment segment had sales of \$6.4 billion and operating profit of \$459 million. In 2021, our New Equipment sales in China and the Americas each represented approximately one-third of our new equipment net sales, respectively, while China represented over half of our global New Equipment unit volume.

We have developed a range of elevator and escalator solutions to meet the varying needs and objectives of our diverse customers. Our primary elevator and escalator solutions are described below.

The Gen2 family of elevators has been our principal low-and mid-rise elevator solution. Since its launch in 2000, Otis has sold over one million Gen2 units, making it our best selling elevator platform. In 2021, we introduced the successors to the Gen2 family of elevators: the Gen3 and Gen360 digital elevator platforms. These platforms enhance the space-saving, energy-efficient design of the Gen2 elevator with the connectivity of the Otis ONE IoT (internet of things) digital service platform, while adding additional safety features for the passengers and our colleagues who maintain the elevator. Otis ONE is designed

to continuously monitor equipment health and performance in real time to provide proactive, predictive and transparent information to our technicians and customers. The technology expands predictive and remote maintenance capabilities to support improved elevator up-time and service productivity.

The Gen360 elevator also features a new native electronic architecture, with many mechanical components replaced by electronic components that in connection with our service increase reliability, reduce the potential for entrapments and free hoistway space to accommodate larger cabins. The new Otis One IoT solution turns the elevator into a network of sensors for real-time status updates. A foldable, in-ceiling platform allows maintenance operations to be performed safely from within the car rather than on top of it and, depending on local regulations, eliminates the need for a refuge space above the car and the protrusion on the roof for a flat roof design. With 360-degree cameras in the hoistway, Otis service teams can visually confirm, fine-tune, diagnose and solve many issues remotely without stopping the elevator.

For taller, high-rise buildings, our most prominent product is the SkyRise elevator solution. The SkyRise advanced high-rise elevator platform combines cutting-edge technologies and precision engineering to deliver solutions for residential, commercial and mixed use skyscrapers.

Otis offers a range of technologies for improving the passenger experience as well as the safety and efficiency of the building itself. Our proprietary Compass 360 destination management system groups passengers by their desired destination and directs them to an assigned car that minimizes waiting and ride time. The system's algorithms anticipate traffic demand within a building and improves traffic flow. Otis eView in-car display streams live, customizable infotainment to passengers and connects them to OTISLINE during an emergency. The Otis eCall Plus smartphone app enables passengers to summon their elevator remotely for a touchless experience. We have also rolled out new voice and gesturing technologies for summoning elevators to customers in China and North America, with other geographies to follow. And the new Otis Cab Air Purifier significantly reduces airborne bacteria and viruses, another innovation designed to address customer needs and passenger preferences as the result of the COVID-19 pandemic.

In addition to elevator solutions, we also offer escalators and moving walkways. With a range of finishes and aesthetics, Otis escalators integrate easily with building designs. Our smart design and features enhance sustainability and passenger safety, such as sensor-equipped escalators and moving walkways that efficiently run only when passengers approach, or operate at reduced speeds to conserve energy when there are no riders.

Our New Equipment customers include real-estate and building developers and general contractors who develop and/or design buildings for residential, commercial, retail or mixed-use activity. We also sell New Equipment to government agencies, particularly, to support infrastructure projects, such as airports, railways or metros. We generally sell directly to our customers through our New Equipment sales personnel. Due to the large and widespread nature of the customer base in China and certain other geographies, our direct sales force is augmented by agents and distributors. We also rely on agents and distributors to sell our new equipment in certain other countries and territories. Given the breadth of our customer base and the large number of customers to whom we deliver new equipment on an annual basis, we are not dependent on any single customer and do not have any contracts material to Otis as a whole with any single customer. Our network of agents and distributors is broad and geographically dispersed, and we do not rely on or have any contracts material to Otis as a whole with any single agent or distributor.

New Equipment customers typically engage with us at an early stage during the construction cycle. The timing of order placement depends on factors including project complexity and customer requirements. Elevator installation usually occurs midway through building construction.

Most New Equipment orders are delivered within 12 months of booking, though larger projects can take longer to deliver based on customer construction schedules. When placing New Equipment orders, customers typically make an advance payment to cover costs including design and contract engineering. These advance payments are typically followed by periodic progress payments at specified milestones, such as delivery of materials at the job site and completion of installation and equipment commissioning. Installation is carried out by our installation technicians or through subcontractors, in which case we typically complete the final inspection and commissioning to ensure that our quality standards are met. Revenues are recognized based on percentage of completion. Once commissioned, New Equipment units are typically supported by a warranty for a limited period of time.

## *Service*

Through our Service segment, we perform maintenance and repair services, as well as modernization services to upgrade elevators and escalators. We have a maintenance portfolio of over 2.1 million units globally, which includes Otis equipment manufactured and sold by us, as well as equipment from other original equipment manufacturers. Through our network of service sales personnel, we sell our services directly to customers in all significant elevator and escalator end-segments around the world. In 2021, our Service segment had net sales of \$7.9 billion and operating profit of \$1.8 billion.

Service customers typically comprise building owners, facility managers, housing associations and government agencies that operate buildings where elevators and escalators are installed. Customers securing services for elevators are frequently different from those who initially make purchasing decisions with respect to New Equipment solutions. With over 2.1 million maintenance units under contract globally, we have a wide range of customers in our Service segment and do not have any single service contract material to Otis as a whole. Contract duration depends on a number of factors, including customer needs, regulatory requirements and industry/geography dynamics. We work closely with our customers to renew these contracts as appropriate. Certain types of customers, such as those owning or operating large properties or portfolios of properties, tend to execute long-term maintenance agreements.

We grow our maintenance portfolio through conversion of newly installed units into maintenance contracts, through prospecting and winning units already in service from customers using another service provider and through acquisitions. Our Service sales personnel seek to win service contracts upon the expiration or termination of existing service contracts from customers by offering a superior value proposition through service excellence, an engaged and technically sophisticated group of field service technicians, a streamlined customer experience and strong elevator and escalator operating performance.

Our services include inspections, preventive maintenance offerings and other customized maintenance offerings tailored to meet customer needs. A basic maintenance contract provides for inspection consistent with local regulatory needs. We also provide customers with repair services to address equipment and component wear and tear, as well as breakdowns. We offer incremental, tiered maintenance and service offerings, with varying levels of coverage up to and including comprehensive component replacement coverage.

Similar to most other electro-mechanical equipment, elevators and escalators are subject to wear and tear, which over time erodes equipment functionality. As elevator equipment ages, we work with customers to help renew or refresh their elevators with modernization solutions that enhance equipment operation and improve building functionality. Modernization offerings can range from relatively simple upgrades of interior finishes and aesthetics to complex upgrades of larger components and sub-systems.

We provide our Service offerings to our customers through a global network of approximately 34,000 Service mechanics operating out of over 1,400 branches and offices typically located in close proximity to concentrations of customers. Our mechanics are critical to our ability to deliver a high level of service to our customers. Our OTISLINE operations provide personalized customer support 24/7. They receive customer service requests and assign and dispatch field technicians, as necessary, to respond to service requests. Our network of service parts centers, repair centers, and obsolescence management capabilities are key enablers to supporting customers by keeping their elevators and escalators in good working condition.

### *Digital Technology initiatives*

Otis has been using technology to monitor elevator performance remotely for decades, culminating in our latest Otis ONE technology discussed under "New Equipment" above. We also offer multimedia subscription options with additional voice, data and video digital services to customers leveraging our IoT technologies. By the end of 2021, approximately 35% of our global portfolio is connected. In 2022, we expect to continue to innovate and expand our digital ecosystem and suite of digital solutions for both our existing service portfolio customers and for new equipment shipments from our factories.

## Research and Development & Intellectual Property

Innovation is a fundamental characteristic of our history and is central to our strategy. For the year ended December 31, 2021, research and development ("R&D") expense was \$159 million and 1.1% as a percentage of net sales. In addition to research and development expense, we made investments in digital and strategic initiatives of approximately \$59 million, which in combination with research and development expense was 1.5% as a percentage of net sales. We coordinate our R&D efforts globally through an operating model that sets global and local priorities based on customer and segment needs. We have 11 R&D centers and 18 factories around the world, including major locations in China, India, France, Spain and the United States. The R&D centers are strategically located close to concentrations of customers and factories to enable efficient development of engineering solutions that can serve as global model products and adapt quickly and efficiently to local customer needs and local demographic and construction trends. We have approximately 1,300 engineers globally, with increasing focus on digital initiatives, software, design of the user interface and the user experience.

We maintain a portfolio of patents, trademarks, copyrights, trade secrets, licenses and franchises related to the Otis business to protect our R&D investments in products and services. We currently own approximately 3,700 globally issued patents, and we have approximately 2,700 patent applications pending globally, of which approximately 2,600 applications were filed in the last three years. Our patents are primarily filed in Europe, the United States and Asia. We believe that our patents and trade secrets create a competitive advantage and that we have taken reasonable measures to build a portfolio of valid and enforceable intellectual property rights. However, these intellectual property rights might be challenged and could be found invalid or unenforceable. Loss of strategic patents and trade secrets could significantly affect our competitiveness. See Item 1A in this Form 10-K for further discussion of intellectual property matters.

## Joint Ventures and Non-Wholly Owned Subsidiaries

Our international strategic relationships, joint ventures and non-wholly owned subsidiaries are an important part of our business as they support our access to international markets and customers. Results of these entities are consolidated with our financial and operational results. In addition to China and Spain, as discussed below, we also operate through joint ventures and non-wholly owned subsidiaries in other countries, including Italy, Russia, Malaysia, and certain countries in the Middle East.

### *China*

We operate in China through two principal joint ventures: Otis Elevator (China) Investment Company Limited ("Otis China") and Otis Electric Elevator Company Limited ("Otis Electric"). Otis China is a joint venture established in 1998 for the purpose of manufacturing, installing and servicing elevators, escalators and related equipment. We are a majority owner of Otis China, and Tianjin Tai Kang Investment Co. Ltd. ("Tianjin Tai Kang") is our joint venture partner. Otis Electric, a subsidiary of Otis China, is a joint venture established in 1997 for the purpose of manufacturing, installing and servicing elevators, escalators and related equipment. Otis China owns a controlling equity stake in Otis Electric. Otis China's partner in Otis Electric is Xizi Elevator Group Co.

### *Zardoya Otis*

We conduct our operations based in Spain through Zardoya Otis S.A. ("Zardoya Otis"), which manufactures, installs and services elevators and elevator equipment in Spain, and exports elevator equipment it manufactures for installation by certain of our subsidiaries outside of Spain. Zardoya Otis' shares are listed on Spanish stock exchanges, and the company is subject to the supervision of the Spanish Securities Exchange Commission (Comisión Nacional del Mercado de Valores (the "CNMV")). We own a majority equity stake in Zardoya Otis, with Euro Syns S.A. owning a minority position and the remaining shares being held by public shareholders.

In September 2021, the Company announced a tender offer to acquire all of the issued and outstanding shares of Zardoya Otis not owned by Otis. See Item 1A and "Note 1: Business Overview" in Item 8 in this Form 10-K for further details regarding this pending transaction, including risks associated therewith.

## Competition

We operate in a global and highly competitive industry. Due to the global and localized nature of the industry, there are numerous participants of varying size that operate in our industry. According to industry estimates, there are hundreds of participants that offer New Equipment solutions and several thousand participants that offer maintenance and service solutions. In both the New Equipment and Service segments, major competitors globally include KONE Oyj, Schindler Group and TK Elevator, while there are a number of additional competitors in the Asia Pacific region. Competitive dynamics vary significantly by segment and geography. In the Service segment, independent service providers and other small operators are significant competitors in most of our local geographies. These independent service providers have an aggregate portfolio of about 50% of service units, but account for a smaller percentage of the service business when measured by value because of the types of units and level of maintenance covered by these providers.

There are several factors that determine competitiveness in the industry, including local codes and compliance requirements, customer preferences, price, reputation, delivery and execution, product quality, equipment performance, reliability and long-term service and product support. Our success in both our New Equipment and Service segments depends upon our ability to develop and market our products, services and solutions, as well as our ability to provide the people, technologies, facilities, equipment and financial capacity needed to deliver those products and services with maximum efficiency. We believe our global presence, local relationships and proven track record in executing complex elevator and escalator solutions contribute to our iconic brand, reputation and competitive position in the industry. We believe our business strategies sustain New Equipment growth, accelerate Service portfolio growth, advance the digitalization of Otis, focus and empower the organization, support our ability to successfully compete across the New Equipment and Service segments, and will help deliver sustainable earnings growth.

## Compliance with Government Regulations

We conduct our business through subsidiaries and affiliates worldwide. Any changes in legislation or government policies impacting our industry, including with respect to employee safety, labor-related regulations, industrial equipment, licensing requirements, foreign ownership limitations and building and elevator safety codes, can affect our operations. We closely monitor local legislation and government policies in the locations in which we operate.

In addition, our operations are subject to and affected by environmental regulations promulgated by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. We have incurred and will likely continue to incur liabilities under various government statutes and regulations for the cleanup of pollutants previously released into the environment. We do not anticipate that compliance with current provisions relating to the protection of the environment or that any payments we may be required to make for cleanup liabilities will have a material adverse effect upon our competitive position, cash flows, results of operations or financial condition.

U.S. laws, regulations, orders, and other measures concerning the export or re-export of products, software, services and technology to, and other trade-related activities involving, non-U.S. countries and parties affect the operations of Otis and its affiliates, as do those of other countries pertaining to similar matters.

For further discussion of risks related to environmental matters and other government regulations, see in this Form 10-K Item 1A, Item 7 and "Note 2: Summary of Significant Accounting Policies" and "Note 22: Contingent Liabilities" in Item 8 in this Form 10-K.

## Seasonality

Our business and operating results are generally not subject to significant fluctuations as a result of seasonality, although we have experienced lower New Equipment sales in Asia in the first calendar quarter, coinciding with Lunar New Year celebrations. In addition, we have also experienced lower New Equipment sales in the fourth quarter in China, due to a national holiday that occurs during the first week of October which may impact the relative mix of sales within the quarter.



## **Raw Materials and Supplies**

Due to the global and distributed nature of our operations, we partner with a diverse network of several thousand suppliers globally. These include product and non-product suppliers, as well as subcontractors. We rely on approximately 500 key suppliers for our manufacturing supply chain.

Components and systems necessary to effectively complete our New Equipment projects, as well as to satisfy our maintenance and repair obligations, are often available from two or more sources within the industry. While we believe no single supplier is material to our business, some components or applications require particular specifications or qualifications. In those cases, there may be a single supplier or a limited number of suppliers that can readily provide such components, which have in the past, and could in the future, result in supply constraints or cost pressures due to an issue with such a supplier, including financial or operational difficulties or a contract dispute. Additionally, the slowdown of economic activity due to COVID-19 and subsequent ongoing recovery in certain regions, as well as the impact of COVID-19 more broadly on employment and the economy, have created long lead times and product shortages for certain components and supplier. We implemented mitigation actions to address potential disruption in and other risks relating to our supply chain, including the use of safety stock and alternative materials, as well as risk assessments, qualification of multiple supply sources and use of long term supplier agreements.

Although at times high prices for some raw materials important to our business have caused margin and cost pressures for our business, including in connection with the impact of COVID-19 and the ongoing recovery, we do not expect near-term unavailability or pricing of materials, components or supplies that would have a material adverse effect on our business. We seek to manage commodity price risk through locking and hedging strategies, as well as passing the increases onto our customers through pricing. See Item 1A in this Form 10-K for risks associated with raw material and supply chain, as well as COVID-19.

## **Environmental, Social and Governance ("ESG")**

Otis is committed to working for the global good of our passengers, customers, colleagues and society. In order to align our ESG initiatives with our broader strategy, we completed a materiality assessment in 2020 to determine our most critical ESG areas for management, goal-setting and reporting. This allows us to focus on the topics most important to our business. We also became a signatory to the U.N. Global Compact in March 2021. Our ESG goals and alignment to U.N. Sustainable Development Goals are categorized into four areas: Health & Safety, Environmental & Impact, People & Communities and Governance & Accountability.

We have published our ESG goals, which can be found in the Investor section of our corporate website. Additionally, we expect to publish an ESG report on our ESG activities, metrics and progress towards our goals starting in 2022. In 2022, our progress towards reducing Scope 1 and Scope 2 greenhouse gases will be a factor in determining payouts under our executive short-term incentive plan. Our ESG goals and ESG report are not incorporated by reference into this Form 10-K and will be available in the Investors section of our website (<http://www.otis.com>) under the heading "ESG". Also, see "Human Capital" below for additional information regarding certain ESG initiatives related to our colleagues, including health & safety, employee engagement and diversity, equity and inclusion.

There have been no, and we do not expect there to be in the near term, material impacts on our business, financial condition or results of operations as a result of compliance with legislation or regulatory rules regarding climate change, from the known physical effects of climate change or as a result of implementing our ESG initiatives. Increased regulation and other climate change concerns, however, could subject us to additional costs and restrictions, and we are not able to predict how such regulations or concerns would affect our business, operations or financial results.

## **Human Capital**

As of December 31, 2021, our global workforce consists of approximately 70,000 colleagues, with 42% in Asia, 35% in Europe, the Middle East and Africa ("EMEA") and 22% in the Americas.

Approximately 63% of our workforce in the U.S. is covered by collective bargaining agreements. Outside of the U.S., our colleagues are represented by workers' councils or statutory labor unions as may be customary or required in those jurisdictions. While we strive to maintain good relationships with our employee representative bodies, our business may be adversely affected by work stoppages, union negotiations, labor disputes and other matters associated with our labor force. The collective bargaining agreement for most of our bargaining unit colleagues in the U.S. was renewed without disruption in July 2017 and is

set to expire in July 2022. Although some previous contract renegotiations have had a significant impact on our financial condition or results of operations, we do not anticipate that the renegotiation of this contract will have a material adverse effect on our competitive position, cash flows, financial condition or results of operations. For a discussion of employment-related matters, see Item 1A in this Form 10-K.

### ***Compensation***

Our colleagues are vital to our success, and we offer pay and benefits designed to attract, retain and motivate our colleagues and align their compensation with both individual and our overall performance. While our programs vary by location and based on the roles of our colleagues, they include competitive base pay, short-term incentive bonuses, long-term incentive pay in the form of stock awards, retirement plans, health care and insurance benefits, paid time off, tuition assistance through our Employee Scholar program, family leave, dependent care and employee assistance programs.

### ***Safety and Health***

Safety is one of the Otis Absolutes. For that reason, safety measures and indicators are regularly monitored by management and reported to our Board of Directors. To promote safety, we have a health and safety management system and regularly measure the effectiveness of our health and safety programs. We empower all of our colleagues and subcontractors with stop work authority if they perceive an unsafe condition or a behavior that may cause injury. We also seek to promote a culture where stop work authority can be freely exercised without the fear of retribution or retaliation, and a learning culture to enhance the quality and delivery of safety and technical training.

For our colleagues to be effective, they need to be healthy. Starting in 2020, with the added stress of the COVID-19 pandemic, we increased our efforts to improve our colleagues' mental health by expanding employee assistance plan benefits and by bringing increased attention to the importance of mental health. We believe this is an important initiative to continue and we are striving to provide employee assistance plan benefits to all of our colleagues by the end of 2022. During 2020 and 2021, we covered the cost of COVID-19 testing and treatment for our U.S. based colleagues and their covered family members under our welfare plans. We have, where possible, also offered remote work flexibility for our colleagues.

### ***Training and Development***

We strive to emphasize development and training, as we believe that individual and corporate success is driven by lifelong learning and by empowering our colleagues. As a result, we provide a range of development and mentoring opportunities that vary based on a colleague's career stage and function. One of our flagship programs is "Otis University," a global program that builds leadership and functional capabilities in sales, field, engineering, operations, and major projects. We are very proud of our "Employee Scholar Program," which is a comprehensive, company-sponsored education program that allows colleagues to expand their skills through degree or certification programs. Since the program's inception in 1997, Otis, as a business unit of UTC and following the Separation, has supported Otis colleagues in receiving more than 5,500 degrees across 60 countries through an investment of over \$95 million in the Employee Scholar Program.

Ensuring that we have access to trained technicians is very important to our business. Our mechanics receive extensive training to service and install equipment safely. This training, which is provided by Otis and our unions, consists of live, virtual, and on-the-job modules with experienced mechanics. To help us attract talent and provide us with a pipeline of trained mechanics in China, we have partnered with five technology schools in the country to offer the Otis Technology Academy. The students in the technology schools are provided with technical training, certifications, hands-on access to our equipment and an Otis apprenticeship period. We are also increasing the number of women in our mechanic population across the world in order to enhance diversity and to obtain access to a larger talent pool.

### ***Commitment to Change***

We aim to be an equal-opportunity employer of choice for people of broad perspectives and experiences, cultures, genders, races, and generations. We want to be a business whose workforce mirrors the diversity of our customers and the communities where we live and work and a place where every voice feels safe, welcomed and heard. To help us achieve these objectives, we:

- Conducted an independent review of our Company to uncover and eliminate biases affecting any colleagues in our hiring, compensation, professional development and other business practices;

- Accelerated anti-racism, unconscious bias and inclusion learning for colleagues at all levels of the organization and throughout their Otis careers;
- Created a diversity, equity & inclusion ("DE&I") advisory group at the enterprise level and regional DE&I councils to ensure transparency and to hold us accountable for achieving measurable progress towards a diverse, inclusive culture;
- Amplified our ongoing commitment to STEM and vocational education, by joining with community and business partners to invest in and build a diverse talent pipeline;
- Made social justice and racial equality an integral part of our community giving, volunteerism and external reporting programs; and
- Promoted and expanded mental health and well-being benefits, policies and practices to support our colleagues.

In addition, we believe that it is important for us to significantly increase the number of women we have in executive roles. In 2020, we joined the Paradigm for Parity coalition, pledging our commitment to establish gender parity across our executive leadership by 2030. In 2022, our progress against attaining gender parity across our executive leadership will be a factor in determining payouts under our executive short-term incentive plan.

### ***Engagement***

We believe that engaged colleagues deliver better service to our customers. We measure engagement by conducting colleague surveys two to three times a year. The results, which are reported to our Board of Directors and management, help us assess how our colleagues feel about working for us. We use the survey results to develop action plans to address areas of concern. The engagement surveys, which anonymizes the data, cover topics such as safety, ethics, belonging, quality, company prospects, inclusion, empowerment, accountability and managerial effectiveness.

### **Available Information**

This Form 10-K and our quarterly reports on Form-10-Q, current reports on Form 8-K and any amendments to those reports are available free of charge through the Investors section of our Internet website (<http://www.otis.com>) under the heading "Financial Information" as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC. In addition, the SEC maintains a website (<http://www.sec.gov>) containing reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

### Cautionary Note Concerning Factors That May Affect Future Results

This Form 10-K contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for Otis’ future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “expectations,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “outlook,” “medium-term,” “near-term,” “confident,” “goals” and other words of similar meaning in connection with a discussion of future operating or financial performance, the Tender Offer and the Separation. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, dividends, share repurchases, tax rates, R&D spend, credit ratings, net indebtedness and other measures of financial performance or potential future plans, strategies or transactions of Otis following the Separation or in connection with the Tender Offer, including the estimated costs associated with the Separation and the Tender Offer, or statements that relate to climate change and our intent to achieve certain ESG targets or goals, including operational impacts and costs associated therewith, and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, Otis claims the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the industries and markets in which Otis and its businesses operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, pandemic health issues (including COVID-19 and variants thereof and the ongoing economic recovery therefrom and their effects on, among other things, global supply, demand and distribution), natural disasters and the financial condition of Otis’ customers and suppliers;
- challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services;
- future levels of indebtedness, capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, credit market conditions and Otis’ capital structure;
- the timing and scope of future repurchases of Otis’ common stock (“Common Stock”), which may be suspended at any time due to various factors, including market conditions and the level of other investing activities and uses of cash;
- fluctuations in prices and delays and disruption in delivery of materials and services from suppliers, whether as a result of COVID-19 or otherwise;
- cost reduction or containment actions, restructuring costs and related savings and other consequences thereof;
- new business and investment opportunities;
- the outcome of legal proceedings, investigations and other contingencies;
- pension plan assumptions and future contributions;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the effect of changes in political conditions in the U.S. and other countries in which Otis and its businesses operate on general market conditions, global trade policies and currency exchange rates in the near term and beyond;
- the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which Otis and its businesses operate;
- the ability of Otis to retain and hire key personnel;
- the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs;
- the timing of closing, if any, of the Tender Offer and the ability to achieve the expected benefits of the Tender Offer and the timing thereof;
- the ability to achieve the expected benefits of the Separation;
- the determination by the Internal Revenue Service and other tax authorities that the distribution or certain related transactions should be treated as taxable transactions; and
- the amount of our obligations and nature of our contractual restrictions pursuant to, and disputes that have or may hereafter arise under the agreements we entered into with RTX and Carrier in connection with the Separation.

These and other factors are more fully discussed in the “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections and elsewhere in this Form 10-K and may cause actual results to differ materially from those expressed or implied in the forward-looking statements. The forward-looking statements speak only as of the date of this report, or in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the SEC.

## **Item 1A. Risk Factors**

Our business, financial condition, operating results and cash flows can be impacted by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

### **Risks Related to our Business**

***We may be affected by global economic, capital market and political conditions in general, and conditions in the construction and infrastructure industries in particular.***

Our business, financial condition, operating results and cash flows may be adversely affected by changes in global economic conditions and geopolitical risks, including global credit market conditions, levels of consumer and business confidence, commodity prices, raw material and energy costs, supply chain issues, foreign currency exchange rates, interest rates, labor costs, levels of government spending and deficits, trade policies, tariffs and trade barriers, political conditions, regulatory changes, fluctuations in residential and commercial construction activity, pandemic health issues (see discussion of COVID-19 below), natural disasters, actual or anticipated default on sovereign debt and other challenges that could affect the global economy. These economic and political conditions affect businesses such as ours in a number of ways. In particular, a slowdown in building and remodeling activity or decreased public spending on infrastructure projects could adversely affect our financial performance.

***Our business may be further impacted by the COVID-19 pandemic.***

COVID-19, including variants of the original virus, has continued to spread throughout the world, resulting in prolonged travel restrictions and shutdowns, occupancy limits or other restrictions of non-essential businesses, including construction and hospitality venues, impacting to various extents our factory operations, new equipment installations and access to units under maintenance. The ultimate impact of the COVID-19 pandemic on our business is uncertain at this time and will depend on future developments, including the availability, efficacy and distribution of various vaccines and treatments for COVID-19, but further prolonged restrictions or the rollback of reopening measures due to higher infection rates may further disrupt our operations and the operations of our suppliers, distributors and customers. COVID-19 has adversely affected and could further affect the ability of our customers to pay for our products and services and to obtain financing for significant purchases and operations, which has resulted in, and could further result in, a decrease and/or cancellation of orders for our products and services and/or payment delays or defaults. Similarly, COVID-19 and the ongoing economic recovery from the virus have adversely affected and may further affect our supply base and increase the potential for one or more of our suppliers to experience production constraints, distribution challenges, financial distress or bankruptcy, which could impact our ability to fulfill orders on time or at anticipated cost. Additionally, governments, including in the U.S., have enacted, or may enact, vaccine mandates. While the U.S. Supreme Court has recently blocked enforcement of one mandate, other mandates remain in effect, and uncertainty remains around whether additional mandates may be adopted in the future. Such mandates could result in labor disruptions, employee attrition, difficulty securing future labor needs and loss of government contracts. Furthermore, it is unclear what longer term effects the virus will have on the global economy, including the commercial building industry. Any of these factors could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***Our international operations subject us to risk as our results of operations may be adversely affected by changes in local and regional economic conditions, such as fluctuations in exchange rates, risks associated with government policies on international trade and investments, and risks associated with China and other emerging markets.***

We conduct our business on a global basis, with approximately 74% of our 2021 net sales derived from international operations. Changes in local and regional economic conditions, including credit conditions and fluctuations in exchange rates, may affect product demand and reported profits in our non-U.S. operations, where transactions are generally denominated in local currencies. In addition, currency fluctuations may affect the prices we pay for the materials used in our products. Though we engage in hedging strategies to manage foreign currency exposures in connection with certain cross-border transactions, our operating margins may be negatively impacted by currency fluctuations that result in higher costs or lower revenues for certain cross-border transactions. Our financial statements are denominated in U.S. Dollars. Accordingly, fluctuations in exchange rates may also give rise to gains or losses when financial statements of non-U.S. operating units are translated into U.S. Dollars. Given that the majority of our sales are non-U.S. based, a strengthening of the U.S. Dollar against other major foreign currencies could adversely affect our results of operations.

Our international sales and operations are subject to risks associated with changes in local government laws, regulations and policies, including those related to investments and limitations on foreign ownership of businesses, taxation, foreign exchange controls, capital controls, employment regulations and the repatriation of earnings. Government policies on international trade and investments such as import quotas, capital controls, punitive taxes or tariffs or similar trade barriers, whether imposed by individual governments or regional trade blocs, can affect demand for our products and services, impact the competitive position of our products or services, or encumber our ability to manufacture or sell products in certain countries. The implementation of more restrictive trade policies, including the imposition of tariffs, or the renegotiation of existing trade agreements with the U.S. or countries where we sell large quantities of products and services, procure materials incorporated into our products, manufacture products or recruit and employ employees, including trade relations between the U.S. and China (as discussed below), could have a material adverse effect on our business, results of operations and financial condition, including our ability to recruit and retain employees or deploy certain employees to the geographies where their skills are best utilized. Our international sales and operations are also sensitive to changes in foreign nations' priorities, including government budgets, as well as to political and economic instability. International transactions may involve increased financial and legal risks due to differing legal systems and customs in foreign countries.

China is currently the largest end market for sales of new equipment in our industry, with our New Equipment sales in China representing approximately 35% of our global New Equipment net sales and over half of our global New Equipment unit volume. Changes to market and economic conditions in China, including credit conditions for our customers, or an escalation of trade conflicts between the U.S. and China, may impact our ability to continue New Equipment net sales in China at rates consistent with prior years. Furthermore, as is the case in many countries where we operate, the legal and regulatory regime in China is evolving, and accordingly, we could, in the future, be required to comply with significant requirements unique to China in order to maintain access to Chinese markets.

We expect that sales to emerging markets will continue to account for a significant portion of our sales as those and other developing nations and regions around the world increase their demand for our products and services. A slowdown in urbanization in emerging countries, such as China or India, could adversely affect our financial performance. In addition, as part of our global business model, we operate in certain countries, including Argentina, Brazil, China, India, Indonesia, Malaysia, Mexico, Poland, Russia, South Africa, Ukraine, Turkey and certain countries in the Middle East, that carry high levels of currency, political, compliance and economic risk. Our emerging market operations can present many risks, including differences in culturally accepted practices (such as employment and business practices), compliance risks, economic and government instability, currency fluctuations, and the imposition of foreign exchange and capital controls. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

***We use a variety of raw materials, supplier-provided parts, components, sub-systems and third-party manufacturing services in our business, and significant shortages, supplier capacity constraints, supplier production disruptions or price increases could increase our operating costs and adversely impact the competitive positions of our products.***

Our reliance on suppliers (including third-party manufacturers) and commodity markets to secure the raw materials and components used in our products exposes us to volatility in the prices and availability of these materials. Issues with suppliers, (such as a disruption in deliveries, capacity constraints, production disruptions, quality issues and supplier closings or bankruptcies, including in connection with the impact of COVID-19 and the ongoing economic recovery), price increases or

decreased availability of raw materials or commodities could have a material adverse effect on our ability to meet our commitments to customers, could damage our reputation or could increase our operating costs, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

***Adverse changes in our relationships with, or the financial condition, performance or purchasing patterns of, key distributors and agents could adversely affect us.***

Certain of our businesses sell a significant amount of their products to distributors and agents, particularly in China, that have valuable relationships with customers. Some of these distributors and agents also sell our competitors' products, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, or adverse developments in their financial condition, performance or purchasing patterns, or compliance practices, could adversely affect our reputation, competitive position, results of operations, cash flows or financial condition.

***We design, manufacture, install and service products that incorporate advanced technologies; the introduction of new products and technologies involves risks, and we may not realize the degree or timing of benefits initially anticipated.***

We seek to grow our business through the design, development, production, sale and support of innovative products that incorporate advanced technologies. The product and service needs of our customers change and evolve regularly, and we invest substantial amounts in research and development efforts to pursue advancements in technologies, products and services. Our ability to realize the anticipated benefits of our technological advancements, such as the development and execution of advanced digital technologies for the benefit of our New Equipment or Service segment or the development of new products depend on a variety of factors, including meeting development, production, certification and regulatory approval schedules; execution of internal and external performance plans; availability of supplier and internally produced parts and materials; performance of suppliers and subcontractors; hiring and training of qualified personnel; achieving cost and production efficiencies; validation of innovative technologies; and customer interest in new technologies and products and acceptance of products we manufacture or that incorporate technologies we develop.

Our research and development efforts may not result in innovative products or services that incorporate new technologies for our New Equipment and Service segments, or products or services being developed on a timely basis or that meet the needs of our customers as effectively as competitive offerings. In addition, the markets for our products or services, or products that incorporate our technologies, may not develop or grow as we anticipate. We or our customers, suppliers or subcontractors may encounter difficulties in developing and producing new products and services, and may not realize the degree or timing of benefits initially anticipated or may otherwise suffer significant adverse financial consequences. Due to the design complexity of our products, we may experience delays in completing the development and introduction of new products. Any delays could result in increased development costs or divert resources from other projects. If we are unable to successfully develop and timely introduce new products, services and technologies, our competitors may develop competing technologies that gain market acceptance in advance of or instead of our products or services. The possibility also exists that our competitors might develop new technology or offerings that might cause our existing technology and offerings to become obsolete, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

***We operate in a competitive environment and our profitability depends on our ability to accurately estimate the costs and timing of providing our products and services.***

Our contracts are typically awarded on a competitive basis. Our quotations and bids are based upon, among other items, the cost to provide the products and services. To generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services and deliver the products required by the contract and to be able to complete the contracts in a timely manner. If we fail to accurately estimate our costs or the time required to complete a new equipment order, or the extent of required maintenance pursuant to a service contract, the profitability of our contracts may be materially and adversely affected. Some of our contracts provide for liquidated damages if we do not perform in accordance with the contract. As a result of these and other factors, we may not be able to provide products and services at competitive prices while maintaining anticipated levels of profitability, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.



***Our debt levels and related debt service obligations could have negative consequences; we may need additional debt or equity financing in the future to meet our capital needs, and such financing may not be available on favorable terms, if at all, due to changes in global capital markets, our financial performance or outlook or our credit ratings and may be dilutive to existing shareholders.***

As of December 31, 2021, we had \$7.2 billion outstanding long-term debt. Our debt level and related debt service obligations could have negative consequences, including, among others:

- requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which would reduce funds we have available for other purposes, such as acquisitions and reinvestment in our businesses; and
- reducing our flexibility in planning for or reacting to changes in our business and market conditions.

We may need additional financing for general corporate purposes. For example, we may need funds to increase our investment in research and development activities, to refinance or repay existing debt, or to make a strategic acquisition. We may be unable to obtain additional financing on terms favorable to us, if at all. Volatility in the world financial markets, including as a result of inflation concerns from the ongoing recovery from the COVID-19 pandemic, could increase borrowing costs or affect our ability to access the capital markets. Our ability to issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our products or services, or in the solvency of our customers, suppliers or distributors or other significantly unfavorable changes in economic conditions.

Otis has an investment grade credit rating from each of Moody's Investor Services, Inc. and Standard & Poor's. There can be no assurance that we will be able to maintain our credit ratings, and any actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade or similar announcement, could increase the cost of borrowing under any indebtedness we may incur, reduce market capacity for our commercial paper, require the posting of additional collateral under our derivative contracts, or otherwise have a negative impact on our liquidity, capital position and access to the capital markets.

If we raise additional funds through the issuance of equity securities, our shareholders will experience dilution of their ownership interest. If we raise additional funds by issuing debt, we may be subject to limitations on our operations due to restrictive covenants or rating agencies may downgrade our credit rating.

***Quarterly cash dividends and share repurchases may be discontinued, accelerated or modified, are subject to a number of uncertainties and may affect the price of Common Stock.***

Quarterly cash dividends are a component of our capital allocation strategy, which we fund with operating free cash flow, borrowings and divestitures. We also have authority to repurchase our shares under a share repurchase program, which we have suspended in connection with the Tender Offer. In general, dividends and share repurchases, if commenced, may be discontinued, accelerated, suspended or delayed at any time without prior notice. Furthermore, the amount of such dividends and repurchases may be changed, and the amount, timing and frequency of such dividends and repurchases may vary from historical practice or from the company's stated expectations. Decisions with respect to dividends and share repurchases are subject to the discretion of our Board of Directors and will be based on a variety of factors. Important factors that could cause us to discontinue, limit, suspend, increase or delay our quarterly cash dividends or share repurchases include market conditions, the market price of Common Stock, the nature and timing of other investment and acquisition opportunities, changes in our business strategy, the terms of our financing arrangements, our outlook as to the ability to obtain financing at attractive rates, the impact on our credit ratings and the availability of domestic cash. The reduction or elimination of our cash dividend or share repurchase program could adversely affect the market price of Common Stock. Although our share repurchase program is intended to enhance long-term shareholder value, changes in laws or regulations related thereto or short-term stock price fluctuations could reduce the program's effectiveness.

See Item 5 in this Form 10-K for more information regarding our share repurchase program.



***We engage in acquisitions and divestitures, and may encounter difficulties integrating acquired businesses with, or disposing of businesses from, our current operations; therefore, we may not realize the anticipated benefits of these acquisitions and divestitures.***

We seek to grow through strategic acquisitions in addition to internal growth. Our due diligence reviews in connection with our acquisitions may not identify all of the material issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. For example, we may incur unanticipated costs, expenses or other liabilities as a result of an acquisition target's violation of applicable laws, such as anti-corruption, antitrust, anti-collusion, environmental or income tax laws. We also may incur unanticipated costs or expenses, including post-closing asset impairment charges, as well as expenses associated with eliminating duplicate facilities, litigation and other liabilities. We may incur unexpected costs associated with labor law, tax or pension matters or to bring acquired assets up to our operating standards. We may encounter difficulties in integrating acquired businesses with our operations, applying our internal controls to these acquired businesses or in managing strategic investments. Additionally, we may not realize the degree or timing of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations. In addition, accounting requirements relating to business combinations, including the requirement to expense certain acquisition costs as incurred, may cause us to incur greater earnings volatility and generally lower earnings during periods in which we acquire new businesses.

We also make strategic divestitures from time to time. Our divestitures may result in continued financial exposure to the divested businesses, such as through guarantees, other financial arrangements, continued supply and services arrangements, and environmental and product liability claims, following the transaction. Under these arrangements, nonperformance by those divested businesses could result in obligations being imposed on us that could have a material adverse effect on our competitive position, cash flows, results of operations or financial condition.

For constraints on mergers and acquisition activity after the completion of the distribution, see "Risk Factors—Risks Related to the Separation" below.

***The Tender Offer of Zardoya Otis may not be completed at the price per share anticipated or result in the financial benefit in the time frame expected.***

The Tender Offer is subject to approval by the CNMV and other uncertainties. Zardoya Otis shareholders may not tender their shares or there may be competing offers. The Company may not be able to complete the Tender Offer at the anticipated price or, if it does complete the Tender Offer, to realize certain cost and other expected benefits. If the Company is unable to complete the Tender Offer on the anticipated terms, time frame, or at all, the anticipated benefits may not be realized fully or at all, or may take longer to realize than expected, and the value of the Company's Common Stock may decline.

***We are party to joint ventures and other strategic alliances, which may not be successful and may expose us to special risks and restrictions.***

Our business operations depend on various strategic alliances and joint ventures. In certain regions, we operate our business through joint venture relationships or non-wholly owned subsidiaries, including: Otis Electric Elevator Company Limited and Otis Elevator (China) Investment Limited in China; and Zardoya Otis in Spain. (See the Risk Factor above regarding the Tender Offer). A significant downturn or deterioration in the business or financial condition of a joint venture partner could affect our results of operations in a particular period. Our joint ventures may experience labor strikes, diminished liquidity or credit unavailability, weak demand for products, delays in the launch of new products or other difficulties in their businesses. Changes in local government laws, regulations and policies, including those related to investments and limitations on foreign ownership of businesses, could adversely impact our ability to participate in and operate our joint ventures, or could result in changes to the ownership structure or allocation of rights in our joint ventures. If we are not successful in maintaining our joint ventures and other strategic partnerships, our financial condition, results of operations and cash flows may be adversely affected.

Joint ventures, strategic alliances and non-wholly owned subsidiaries inherently involve special risks. Whether or not we hold a majority interest or maintain operational control in such arrangements, our partners or other shareholders may (1) have economic or business interests or goals that are inconsistent with or contrary to ours, (2) exercise veto or other rights, to the extent available, to block actions that we believe to be in our or the joint venture's, strategic alliance's or non-wholly owned subsidiary's best interests, (3) take action contrary to our policies or objectives with respect to our investments or business or (4) be unable or unwilling (including as a result of financial or other difficulties) to fulfill their obligations, such as contributing

capital to expansion or maintenance projects, under the joint venture, strategic alliance or other agreement. There can be no assurance that any particular joint venture or strategic alliance will be beneficial to us.

***We are subject to litigation, product safety and other legal and compliance risks.***

We are subject to a variety of litigation, legal and compliance risks. These risks relate to, among other things, product safety, personal injuries, intellectual property rights, contract-related claims, taxes, environmental matters, competition laws and laws governing improper business practices. We could be charged with wrongdoing in connection with such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments and other damages (in certain cases, treble damages).

As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses or changes to business operations that could impact our ability to sell our products and services or sell them at expected profit levels. Uncertainty relating to those laws or regulations may also affect how we operate, structure our investments and enforce our rights.

Product and general liability claims (including claims related to the safety, reliability or maintenance of our products) and accident risks during the production, installation, maintenance and use of our products can result in significant costs, including settlements, punitive damages and other risks such as damage to our reputation, negative publicity and management distraction, which could reduce demand for our products and services.

In addition, we are subject to the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws that generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. The FCPA applies to companies, individual directors, officers, employees and agents. Under certain anti-corruption laws, companies also may be held liable for the actions of partners or representatives. Certain of our customer relationships are with governmental entities and are, therefore, subject to the FCPA and other anti-corruption laws. Despite meaningful measures that we undertake to seek to ensure lawful conduct, which include training and internal controls, we may not always be able to prevent our employees, partners, joint ventures, agents or distributors from violating the FCPA or other anti-corruption laws. As a result, we could be subject to criminal and civil penalties, disgorgement, changes or enhancements to our compliance measures that could increase our costs, decrease our access to certain sales channels, personnel changes or other remedial actions. Prior to the Separation, UTC, including Otis, was subject to a formal investigation by the SEC related to alleged violations of anti-corruption laws, which resulted in a Settlement Order in which our former parent UTC paid a civil penalty related to certain activities in our business in Russia, China and Kuwait, as well as activities in another UTC business.

Moreover, we are subject to antitrust and anti-collusion laws, including mandatory supply laws and bidding regulations, in various jurisdictions throughout the world. Changes in these laws or their interpretation, administration and/or enforcement may occur over time, and any such changes may limit our future acquisitions or operations, or result in changes to our strategies, sales and distribution structures or other business practices. We are subject to ongoing claims related to alleged violations of anti-collusion laws in certain European countries, where we are subject to claims for overcharges on elevators and escalators related to civil cartel cases. Though we have implemented policies, controls and other measures to prevent collusion or anti-competitive behavior, our controls may not always be effective in preventing our employees, partners, joint ventures, agents or distributors from violating antitrust or anti-collusion laws.

Violations of FCPA, antitrust or other anti-corruption or anti-collusion laws, or allegations of such violations, could disrupt our operations, cause reputational harm, involve significant management distraction and result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We also must comply with various laws and regulations relating to the export of products, services and technology from the U.S. and other countries having jurisdiction over our operations. In the U.S., these laws include, among others, the Export Administration Regulations administered by the Department of Commerce and embargoes and sanctions regulations administered by the Department of the Treasury. In addition, U.S. foreign policy may restrict or prohibit business dealings with certain individuals, entities or countries; changes in these prohibitions can happen suddenly and could result in a material adverse effect on our operations.

For a description of current material legal proceedings, see "Note 22: Contingent Liabilities" in Item 8 of this Form 10-K.

***Our defined benefit pension plans are subject to financial market risk that could adversely affect our results.***

The performance of the financial markets and interest rates can impact our defined benefit pension plan expenses and funding obligations. Significant decreases in the discount rate or investment losses on plan assets may increase our funding obligations and adversely impact our financial results. See "Note 13: Employee Benefit Plans" in Item 8 of this Form 10-K for further discussion on pension plans and related obligations and contingencies.

***Information security, data privacy and identity protection may require significant resources and present certain risks to our business, reputation and financial condition.***

We collect, store, have access to and otherwise process certain confidential or sensitive data that may be subject to data privacy and cybersecurity laws, regulations or customer-imposed controls, including proprietary business information, personal data and other information. We also develop products that may in certain cases collect, store, have access to, and otherwise process certain personally identifiable or confidential data of our customers who purchase and use such products either separately or as a part of another product or system or by way of access to our websites or social media accounts. Although we seek to protect such data and design our products to enable our customers to use them while complying with applicable data privacy and cybersecurity laws and/or customer-imposed controls and have experienced cyber-attacks in the past, both our internal systems and products may be vulnerable to hacking or further cyber-attacks, material security breaches, theft, programming errors or employee errors, which could lead to the compromise of such data, unauthorized access, use, disclosure, modification or destruction of information, improper use of our systems, software solutions or networks, defective products, production downtimes and/or operational disruptions in violation of applicable law and/or contractual obligations. A significant actual or perceived risk of theft, loss, fraudulent use or misuse of customer, employee or other data, whether by us, our suppliers, distributors, customers or other third parties, as a result of employee error or malfeasance, or as a result of the compromise of software, security and other products we incorporate into our products, as well as non-compliance with applicable industry standards or our contractual or other legal obligations or privacy and information security policies regarding such data, could result in costs, fines, litigation or regulatory actions, or could lead customers to select products and services of our competitors. In addition, any such event could harm our reputation, cause unfavorable publicity or otherwise adversely affect certain potential customers' perception of the security and reliability of our services as well as our credibility and reputation, which could result in lost sales. In addition, because of the global nature of our business, both our internal systems and products must comply with the applicable laws, regulations and standards in a number of jurisdictions, which continue to evolve, and in certain cases, include provisions that are unclear. Government enforcement actions, including due to geopolitical concerns, and violations of data privacy and cybersecurity laws could be costly or interrupt our business operations. Any of the foregoing factors could result in reputational damage or civil or governmental proceedings, which could result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

***Our business and financial performance depend on continued substantial investment in information technology infrastructure, which may not yield anticipated benefits, and may be adversely affected by cyber-attacks on information technology infrastructure and products and other business disruptions.***

The efficient operation of our business will require continued substantial investment in technology infrastructure systems, including partial shifting from virtual private networks to cloud-based networks, and we must attract and retain qualified people to operate these systems, expand and improve them, integrate new systems effectively and efficiently convert to new systems when required. An inability to fund, acquire and implement these systems might impact our ability to respond effectively to changing customer expectations, manage our business, scale our solutions effectively or impact our customer service levels, which could put us at a competitive disadvantage and negatively impact our financial results. Repeated or prolonged interruptions of service due to problems with our systems or third-party technologies, whether or not in our control, could have a significant negative impact on our reputation and our ability to sell products and services. Furthermore, we are highly dependent upon a variety of internal computer and telecommunication systems to operate our business. Failure to design, develop and implement new technology infrastructure systems in an effective and timely manner, or to adequately invest in and maintain these systems, could result in the diversion of management's attention and resources and could materially adversely affect our operating results, competitive position and ability to efficiently manage our business. Our existing information systems may become obsolete, requiring us to transition our systems to a new platform. Such a transition would be time consuming, costly and damaging to our competitive position, and could require additional management resources. Failure to implement and deploy new systems or replacement systems on the schedules anticipated, could materially adversely affect our operating results.

In addition, our business may be impacted by disruptions to our own or third-party information technology (“IT”) infrastructure, which could result from (among other causes) cyber-attacks on or failures of such infrastructure or compromises to its physical security, as well as from damaging weather or other acts of nature. Cyber-based risks, in particular, are evolving and include attacks on our IT infrastructure, as well as attacks targeting the security, integrity and/or availability of the hardware, software and information installed, stored or transmitted in our products, including after the purchase of those products and when they are installed into third-party products, facilities or infrastructure. Such attacks could disrupt our business operations, our systems or those of third parties, and could impact the ability of our products to work as intended. We have experienced cyber-based attacks, and, due to the evolving threat landscape, may continue to experience them going forward, potentially with more frequency. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services and operations from potential cyber-attacks. However, given the unpredictability, nature and scope of cyber-attacks, it is possible that potential vulnerabilities could go undetected for an extended period. As a result of a cyber-attack, we could potentially be subject to production downtimes, operational delays or other detrimental impacts on our operations or ability to provide products and services to our customers; destruction or corruption of data; security breaches; manipulation or improper use of our or third-party systems, networks or products; financial losses from remedial actions, loss of business, potential liability, penalties, fines and/or damage to our reputation, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted. Any disruption to our business due to such issues, or an increase in our costs to cover these issues that is greater than what we have anticipated, could have an adverse effect on our competitive position, results of operations, cash flows or financial condition.

There can be no assurance that our systems will not fail or experience disruptions, and any significant failure or disruption of these systems could prevent us from making sales, ordering supplies, delivering products, providing functional products and otherwise conducting our business.

***We depend on our intellectual property, and have access to certain intellectual property and information of our customers, suppliers and distributors; infringement or failure to protect our intellectual property could adversely affect our future growth and success.***

We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, customer and supplier agreements, license agreements, information technology security systems, internal controls and compliance systems and other measures to protect our intellectual property. We also rely on nondisclosure agreements, information technology security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. Our efforts to protect such intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. Our ability to protect and enforce our intellectual property rights also may be limited. In addition, we may be the target of competitor or other third-party patent enforcement actions seeking substantial monetary damages or seeking to prevent the sale and marketing of certain of our products or services. Our competitive position also may be adversely impacted by limitations on our ability to obtain possession of, and ownership or necessary licenses concerning, data important to the development or provision of our products or service offerings, or by limitations on our ability to restrict the use by others of data related to our products or services. Any of these events or factors could subject us to judgments, penalties and significant litigation costs or temporarily or permanently disrupt our sales and marketing of the affected products or services and could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

***Additional tax expense or additional tax exposures could affect our future profitability.***

We are subject to income taxes in the United States and various international jurisdictions. Changes to tax laws and regulations, as well as changes and conflicts in related interpretations or other tax guidance could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business, we are subject to examinations by various tax authorities. In addition, governmental authorities in various jurisdictions could launch new examinations and expand existing examinations. The global and diverse nature of our operations means that these risks will continue and additional examinations, proceedings and contingencies will arise from time to time. Our competitive position, cash flows, results of operation or financial condition may be affected by the outcome of examinations, proceedings and contingencies that cannot be predicted with certainty.

See “Business Overview” and “Results of Operations - Income Taxes” in Item 7 and “Note 2: Significant Accounting Policies” and “Note 16: Income Taxes” in Item 8 in this Form 10-K, for further discussion on income taxes and related contingencies.

***We may not realize expected benefits from our cost reduction and restructuring efforts, and our profitability may be hurt or our business otherwise might be adversely affected.***

In order to operate more efficiently and cost effectively, we may adjust employment, optimize our footprint or undertake other restructuring activities. These activities are complex and may involve or require significant changes to our operations. If we do not successfully manage restructuring activities, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions and other workforce management issues include unfavorable political responses, unforeseen delays in the implementation of anticipated workforce reductions, additional unexpected costs, adverse effects on employee morale, the failure to meet operational targets due to the loss of employees or work stoppages, any of which may impair our ability to achieve anticipated cost reductions, otherwise harm our business or have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

### **Risks Related to Our Common Stock**

***Anti-takeover provisions could enable our Board of Directors to resist a takeover attempt by a third party and limit the power of our shareholders.***

Otis’ amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with Otis’ Board of Directors rather than to attempt a hostile takeover. These provisions include, among others, (1) the ability of our remaining directors to fill vacancies on Otis’ Board of Directors (except in an instance where a director is removed by shareholders and the resulting vacancy is filled by shareholders); (2) limitations on shareholders’ ability to call a special shareholder meeting; (3) rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings; and (4) the right of Otis’ Board of Directors to issue preferred stock without shareholder approval.

In addition, we are subject to Section 203 of the Delaware General Corporation Law (“DGCL”), which could have the effect of delaying or preventing a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with persons that acquire, more than 15% of the outstanding voting stock of a Delaware corporation may not engage in a business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or any of its affiliates becomes the holder of more than 15% of the corporation’s outstanding voting stock.

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with Otis’ Board of Directors and by providing Otis’ Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make Otis immune from takeovers; however, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that Otis’ Board of Directors determines is not in the best interests of Otis and our shareholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, an acquisition or issuance of our stock could trigger the application of Section 355(e) of the Internal Revenue Code (“Code”), causing the distribution of Common Stock pursuant to the Separation to be taxable to RTX. Under the TMA, we would be required to indemnify RTX for the resulting tax, and this indemnity obligation might discourage, delay or prevent a change of control that our shareholders may consider favorable.

***Our amended and restated bylaws designate the state courts within the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could discourage lawsuits against Otis and our directors and officers.***

Otis' amended and restated bylaws provide that unless Otis' Board of Directors otherwise determines, the state courts within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of Otis, any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director or officer or other employee of Otis to Otis or its shareholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, any action asserting a claim against Otis or any current or former director or officer or other employee of Otis arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or amended and restated bylaws, any action asserting a claim relating to or involving Otis governed by the internal affairs doctrine, or any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL.

To the fullest extent permitted by law, this exclusive forum provision applies to state and federal law claims, including claims under the federal securities laws, including the Securities Exchange Act of 1934, as amended ("Exchange Act"), although Otis shareholders will not be deemed to have waived Otis' compliance with the federal securities laws and the rules and regulations thereunder. The enforceability of similar exclusive forum provisions in other companies' organizational documents has been challenged in legal proceedings, and it is possible that, in connection with claims subject to exclusive federal jurisdiction, a court could find the exclusive forum provision contained in the amended and restated bylaws to be inapplicable or unenforceable.

This exclusive forum provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with Otis or our directors or officers, which may discourage such lawsuits against Otis and our directors and officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could negatively affect our business, results of operations and financial condition.

### **Risks Related to the Separation**

***Our historical information is not necessarily indicative of the results that we will achieve as a separate, publicly traded company and may not be a reliable indicator of our future results.***

The historical information in this Form 10-K for the periods prior to the Separation is derived from the combined financial statements and accounting records of our former parent UTC and is based on a number of estimates and assumptions. Accordingly, such historical financial information does not necessarily reflect the financial condition, results of operations or cash flows that we will achieve as a separate, publicly traded company. Prior to the Separation, our business had been operated by UTC as part of its broader corporate organization, rather than as an independent company. As part of our former parent UTC, we were able to enjoy certain benefits from UTC's operating diversity, purchasing power and opportunities to pursue integrated strategies with UTC's other businesses. Additionally, UTC or one of its affiliates performed or helped perform various corporate functions for us, such as accounting, auditing, tax, legal, human resources, investor relations, risk management, treasury and other general and administrative functions. Our historical and pro forma financial results reflect allocations of corporate expenses from UTC for such functions, which are likely to be less than the expenses we will incur as a separate publicly traded company. In addition, the diversification of our sales, costs, and cash flows have diminished as a stand-alone company, such that our results of operations, cash flows, working capital and financing requirements may be subject to increased volatility and our ability to fund capital expenditures and investments, and service debt may be diminished and we are no longer able to use cash flow from UTC's other businesses as part of its centralized cash management systems to fund our investments and operations. Accordingly, for these reasons, as well as the additional Risks Related to the Separation noted below, we may not achieve the expected benefits of the Separation.



***As a result of the Separation, certain members of management, directors and shareholders may own stock in RTX, Otis and Carrier, and as a result may face actual or potential conflicts of interest.***

Management and directors of each of RTX, Otis and Carrier may own common stock in all three companies as a result of the Separation. This ownership overlap could create, or appear to create, potential conflicts of interest when the management and directors of one company face decisions that could have different implications for themselves and the other two companies. For example, potential conflicts of interest could arise in connection with the resolution of any dispute regarding the terms of the agreements governing the separation and Otis' relationship with RTX and Carrier thereafter.

***We may not be able to engage in desirable capital-raising or strategic transactions as a result of the Separation and the related TMA.***

Under current U.S. federal income tax law, a spin-off that otherwise qualifies for tax-free treatment can be rendered taxable to the parent corporation and its shareholders as a result of certain post-spin-off transactions, including certain acquisitions of shares or assets of the spun-off corporation. To preserve the tax-free treatment of the Separation, and in addition to Otis' indemnity obligation described below, the TMA restricts us, for the two-year period following the Separation, except in specific circumstances, from (1) entering into any transaction pursuant to which all or a portion of the shares of Otis stock would be acquired, whether by merger or otherwise; (2) issuing equity securities beyond certain thresholds; (3) repurchasing shares of Otis stock other than in certain open-market transactions; and (4) ceasing to actively conduct certain of our businesses. The TMA also prohibits us from taking or failing to take any other action that would prevent the Separation and certain related transactions from qualifying as a transaction that is generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) of the Code or for applicable non-U.S. income tax purposes. Further, the TMA imposes similar restrictions on us and our subsidiaries during the two-year period following the Separation that are intended to prevent certain transactions undertaken as part of the internal reorganization from failing to qualify as transactions that are generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code or for applicable non-U.S. income tax purposes. These restrictions may limit our ability to pursue certain equity issuances, strategic transactions, repurchases or other transactions that we may otherwise believe to be in the best interests of our shareholders or that might increase the value of our business.

***In connection with the Separation, each of RTX, Otis and Carrier agreed to indemnify the other parties for certain liabilities. If we are required to pay under these indemnities to RTX and/or Carrier, our financial results could be negatively impacted. Also, the RTX or Carrier indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which RTX and Carrier are allocated responsibility, and RTX and/or Carrier may not be able to satisfy their respective indemnification obligations in the future.***

Pursuant to the Separation Agreement, the TMA and the EMA, each party agreed to indemnify the other parties for certain liabilities. Indemnities that we may be required to provide RTX and/or Carrier are not subject to any cap, may be significant and could negatively impact our business. Third parties could also seek to hold us responsible for any of the liabilities that RTX and/or Carrier has agreed to retain. The indemnities from RTX and Carrier for our benefit may not be sufficient to protect us against the full amount of such liabilities, and RTX and/or Carrier may not be able to fully satisfy their respective indemnification obligations. Any amounts we are required to pay pursuant to such indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business. Moreover, even if we ultimately succeed in recovering from RTX or Carrier, as applicable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations and financial condition.

***If the Separation, together with certain related transactions, were to fail to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, including as a result of subsequent acquisitions of our stock or the stock of RTX, we, as well as RTX, Carrier, and RTX's shareholders, could be subject to significant tax liabilities. In addition, if certain internal restructuring transactions were to fail to qualify as transactions that are generally tax-free for U.S. federal or non-U.S. income tax purposes, we, as well as RTX and Carrier could be subject to significant tax liabilities. In certain circumstances, we could be required to indemnify RTX for material taxes and other related amounts pursuant to indemnification obligations under the TMA.***

In connection the Separation, our former parent UTC received a ruling from the IRS regarding certain U.S. federal income tax matters relating to the Separation and an opinion of outside counsel regarding the qualification of certain elements of the Separation under Section 355 of the Code. The IRS ruling and the opinion of counsel were based upon and rely on, among other

things, various facts and assumptions, as well as certain representations, statements and undertakings of UTC (and RTX), Otis and Carrier, including those relating to the past and future conduct of UTC (and RTX), Otis and Carrier. Notwithstanding receipt of the IRS ruling and the opinion of counsel, the IRS could determine that the Separation and/or certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the representations, assumptions or undertakings upon which the IRS ruling or the opinion of counsel was based were inaccurate or have not been complied with. In addition, the IRS ruling does not address all of the issues that are relevant to determining whether the Separation, together with certain related transactions, qualifies as a transaction that is generally tax-free for U.S. federal income tax purposes. The opinion of counsel represents the judgment of such counsel and is not binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion of counsel. Accordingly, notwithstanding receipt by UTC of the IRS ruling and the opinion of counsel, there can be no assurance that the IRS will not assert that the Separation and/or certain related transactions did not qualify for tax-free treatment for U.S. federal income tax purposes or that a court would not sustain such a challenge.

If the distribution of Common Stock pursuant to the Separation were to fail to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, in general, for U.S. federal income tax purposes, RTX would recognize a taxable gain as if it had sold the Common Stock in a taxable sale for its fair market value, and RTX shareholders who received Common Stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares. Even if the distribution of Common Stock pursuant to the Separation were to otherwise qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code, it may result in taxable gain to RTX (but not its shareholders) under Section 355(e) of the Code if the Separation were deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50% or greater interest (by vote or value) in RTX or Otis. For this purpose, any acquisitions of RTX or Otis shares within the period beginning two years before the distribution of Common Stock pursuant to the Separation and ending two years after such distribution are presumed to be part of such a plan, although RTX or Otis may be able to rebut that presumption (including by qualifying for one or more safe harbors under applicable Treasury Regulations).

In addition, in connection with and prior to the Separation, UTC and its subsidiaries completed various internal reorganization transactions. With respect to certain transactions undertaken as part of the internal reorganization, UTC obtained tax rulings in certain non-U.S. jurisdictions and/or opinions of external tax advisors, in each case, regarding the tax treatment of such transactions. Such tax rulings and opinions were based upon and relied on, among other things, various facts and assumptions, as well as certain representations (including with respect to certain valuation matters relating to the internal reorganization), statements and undertakings of UTC (and RTX), Otis, Carrier or their respective subsidiaries. If any of these representations or statements were, or become, inaccurate or incomplete, or if RTX, Otis, Carrier or any of their respective subsidiaries do not fulfill or otherwise comply with any such undertakings or covenants, such tax rulings and/or opinions may be invalid or the conclusions reached therein could be jeopardized. Further, notwithstanding receipt of any such tax rulings and/or opinions, there can be no assurance that the relevant taxing authorities will not assert that the tax treatment of the relevant transactions differs from the conclusions reached in the relevant tax rulings and/or opinions. In the event the relevant taxing authorities prevail with any challenge in respect of any relevant transaction, we, as well as RTX and Carrier could be subject to significant tax liabilities.

Under the TMA, Otis generally is required to indemnify RTX and Carrier for any taxes resulting from the Separation and certain related transactions (and any related costs and other damages) to the extent such amounts resulted from (1) an acquisition of all or a portion of the equity securities or assets of Otis, whether by merger or otherwise (and regardless of whether we participated in or otherwise facilitated the acquisition), (2) other actions or failures to act by Otis or (3) certain of Otis' representations, covenants or undertakings contained in any of the separation-related agreements and documents or in any documents relating to the IRS ruling and/or the opinion of counsel being incorrect or violated. Further, under the TMA, we generally are required to indemnify RTX and Carrier for a specified portion of any taxes (and any related costs and other damages) (a) arising as a result of the failure of the Separation and certain related transactions to qualify as a transaction that is generally tax-free (including as a result of Section 355(e) of the Code) or a failure of any internal separation transaction that is intended to qualify as a transaction that is generally tax-free to so qualify, in each case, to the extent such amounts do not result from a disqualifying action by, or acquisition of equity securities of, Otis, Carrier or RTX or (b) arising from an adjustment, pursuant to an audit or other tax proceeding, with respect to any transaction undertaken in connection with the Separation that is not intended to qualify as a transaction that is generally tax-free. Any such indemnity obligations could be material.



***Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and results of operations.***

In connection with the Separation, our former parent UTC undertook several corporate reorganization transactions involving its subsidiaries, which, including the Separation of Otis, may be subject to various fraudulent conveyance and transfer laws. If, under these laws, a court were to determine that, at the time of the separation, any entity involved in these reorganization transactions or the separation: (1) was insolvent, was rendered insolvent by reason of the separation, or had remaining assets constituting unreasonably small capital, and (2) received less than fair consideration in connection with the reorganization; or intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured, then the court could void the Separation, in whole or in part, as a fraudulent conveyance or transfer. The court could then require our shareholders to return to RTX some or all of the shares of the Common Stock issued in the distribution, or require RTX or Otis, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency would vary depending upon the jurisdiction and the applicable law. Generally, however, an entity would be considered insolvent if the fair value of its assets was less than the amount of its liabilities (including the probable amount of contingent liabilities), or if it incurred debt beyond its ability to repay the debt as it matures. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that Otis or any of its subsidiaries were solvent at the time of or after giving effect to the distribution.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We have a direct physical presence in approximately 80 countries with an overall property portfolio comprising approximately 15 million square feet of space as of December 31, 2021, compared to approximately 16 million square feet of space as of December 31, 2020. We have approximately 2,300 facilities, of which approximately 50%, 37% and 13% of which are located in EMEA, Asia and the Americas, respectively. We operate over 1,400 branches and offices, 11 R&D centers and 18 manufacturing facilities globally. Our principal manufacturing facilities are located across Brazil, China, Czech Republic, France, India, Korea, Russia, Spain, and the United States, of which 10 are owned. Our principal R&D centers are located in China, the United States, India, France, Germany, Japan and Spain. Our branches and R&D centers typically support both our New Equipment and Service segments.

Our fixed assets as of December 31, 2021 include manufacturing facilities and non-manufacturing facilities, such as warehouses, and a substantial quantity of machinery and equipment, most of which are general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The facilities, warehouses, machinery and equipment in use as of December 31, 2021 are substantially in good operating condition.

**Item 3. Legal Proceedings**

For a discussion regarding material legal proceedings, see "Note 22, Contingent Liabilities" to the Consolidated Financial Statements within Item 8 of this Form 10-K.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Stock is listed on the New York Stock Exchange under the symbol "OTIS". There were approximately 22,100 registered shareholders at January 21, 2022. The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is incorporated by reference to Part III, Item 12 in this Form 10-K.

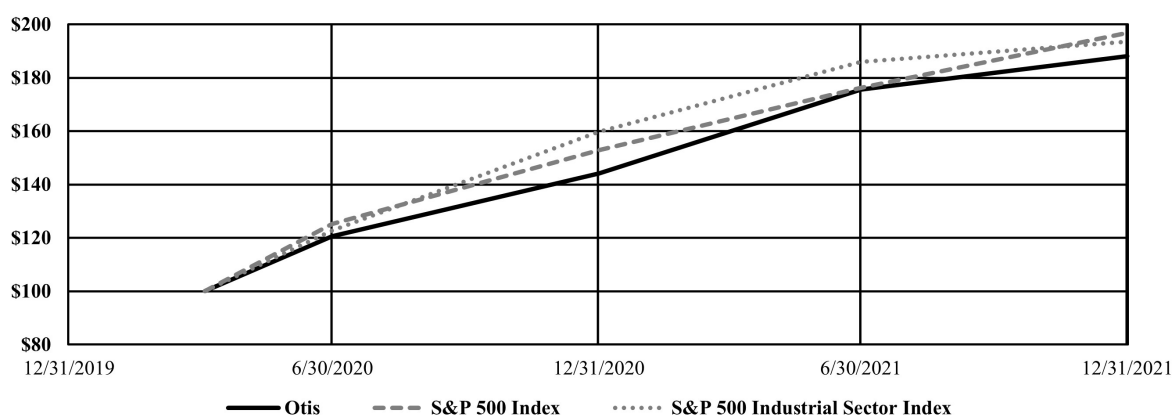
#### Stock Performance Graph

The following table and graph illustrate the total return from April 3, 2020 (date of Separation) through December 31, 2021, for (1) our Common Stock, (2) the Standard and Poor's ("S&P") 500 Index, and (3) the S&P 500 Industrial Sector Index. The graph and table assume that \$100.00 was invested on April 3, 2020 in each of our Common Stock, the S&P 500 Index and the S&P 500 Industrial Select Sector Index, and that any dividends were reinvested. The comparison reflected in the graph and the table are not intended to forecast the future performance of our Common Stock and may not be indicative of our future performance.

#### Comparison of Cumulative Total Return - Table

	April 3, 2020	June 30, 2020	December 31, 2020	June 30, 2021	December 31, 2021
Otis	\$ 100	\$ 121	\$ 144	\$ 176	\$ 188
S&P 500 Index	100	125	153	176	197
S&P 500 Industrial Sector Index	100	122	158	186	193

#### Comparison of Cumulative Total Return - Graph



## Issuer Purchases of Equity Securities

The following table provides information about our purchases during the quarter ended December 31, 2021 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

2021	Total Number of Shares Purchased (thousands)	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of a Publicly Announced Program (thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (dollars in millions)
October 1 - October 31	—	\$ —	—	\$ 275
November 1 - November 30	—	—	—	\$ 275
December 1 - December 31	—	—	—	\$ 275
Total	—	\$ —	—	—

<sup>(1)</sup> Average price paid per share includes costs associated with the repurchases.

On April 27, 2020, our Board of Directors authorized a share repurchase program for up to \$1 billion of Common Stock. As of December 31, 2021, the maximum dollar value of shares that may yet be purchased under this current program was approximately \$275 million. Under this program, shares may be purchased on the open market, in privately negotiated transactions, under accelerated share repurchase programs or under plans complying with rules 10b5-1 and 10b-18 under the Exchange Act. As a result of the increased debt incurred to fund the Tender Offer, we have temporarily suspended our share repurchases as we focus on deleveraging.

**Item 6. [Reserved]****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations****BUSINESS OVERVIEW**

We are the world's leading elevator and escalator manufacturing, installation and service company. Our Company is organized into two segments, New Equipment and Service. Through our New Equipment segment, we design, manufacture, sell and install a wide range of passenger and freight elevators, as well as escalators and moving walkways for residential and commercial buildings and infrastructure projects. Our New Equipment customers include real-estate and building developers and general contractors who develop and/or design buildings for residential, commercial, retail or mixed-use activity. We sell our New Equipment directly to customers, as well as through agents and distributors.

Through our Service segment, we perform maintenance and repair services for both our own products and those of other manufacturers and provide modernization services to upgrade elevators and escalators. Maintenance services include inspections to ensure code compliance, preventive maintenance offerings and other customized maintenance offerings tailored to meet customer needs, as well as repair services to address equipment and component wear and tear and breakdowns. Modernization services enhance equipment operation and improve building functionality. Modernization offerings can range from relatively simple upgrades of interior finishes and aesthetics to complex upgrades of larger components and sub-systems. Our typical Service customers include building owners, facility managers, housing associations and government agencies that operate buildings where elevators and escalators are installed.

We function under a centralized operating model whereby we pursue a global strategy set around New Equipment and Service, in large measure, because we seek to grow our maintenance portfolio, in part, through the conversion of new elevator and escalator installations into service contracts. Accordingly, we benefit from an integrated global strategy, which sets priorities and establishes accountability across the full product lifecycle.

For additional discussion of our business, refer to Item 1 in this Form 10-K.

**Zardoya Otis Tender Offer**

The Company announced a tender offer to acquire all of the issued and outstanding shares of Zardoya Otis not owned by Otis (the "Tender Offer"). The offer price is €7.07 per share in cash after adjusting for dividends. As of February 4, 2022, the Tender Offer remains outstanding and has not yet been completed. See "Note 1: Business Overview" and "Note 10: Borrowings and Lines of Credit" in Item 8 in this Form 10-K, as well as "Liquidity and Financial Condition" in this item, for further details regarding this pending transaction and financing arrangements entered into in connection with the Tender Offer and Item 1A in this Form 10-K for additional risks related to thereto.

**Impact of COVID-19 on our Company**

The results of our operations and overall financial performance were impacted due to the COVID-19 pandemic during the years ended December 31, 2021 and 2020. COVID-19 has had, and could continue to have, an impact on our business, including impacts to overall financial performance in 2022, as a result of the following, among other things:

- Customer demand impacting our new equipment, maintenance and repair, and modernization businesses
- Cancellations or delays of customer orders
- Customer liquidity constraints and related credit reserves
- Supplier and raw material capacity constraints, delays and related costs

We currently do not expect any significant impact to our capital and financial resources from the COVID-19 pandemic, including our overall liquidity position based on our available cash and cash equivalents and our access to credit facilities and the capital markets.

See the "Liquidity and Financial Condition" section of this item of this Form 10-K for further detail and Item 1A in this Form 10-K for additional risks related to COVID-19.

### Separation from United Technologies Corporation

As previously disclosed, on April 3, 2020, Otis became an independent, publicly-traded company and its Common Stock is listed under the symbol "OTIS" on the New York Stock Exchange ("NYSE") as a result of the separation ("the Separation") of each of Otis and Carrier Global Corporation ("Carrier") from United Technologies Corporation, subsequently renamed Raytheon Technologies Corporation ("UTC" or "RTX", as applicable).

Prior to the Separation on April 3, 2020, our historical financial statements were prepared on a standalone combined basis and were derived from the consolidated financial statements and accounting records of our former parent, UTC. For the periods subsequent to April 3, 2020, our financial statements are presented on a consolidated basis as the Company became a standalone public company.

We entered into a transition services agreement ("TSA") and tax matters agreement ("TMA") with our former parent, UTC, and Carrier on April 2, 2020. Under the TSA, we received services for information technology, technical and engineering support, application support for operations, general administrative services and other support services. The TSA and the related trailing exit costs are substantially completed as of December 31, 2021. For additional discussion, see "Note 5: Related Parties" in Item 8 in this Form 10-K.

The TMA governs the parties' respective rights, responsibilities and obligations with respect to tax matters (including responsibility for taxes, entitlement to refunds, allocation of tax attributes, preparation of tax returns, control of tax contests and other tax matters). For additional discussion, see "Note 5: Related Parties" in Item 8 in this Form 10-K.

See Item 1A in this Form 10-K for discussion on risks related to Separation.

## RESULTS OF OPERATIONS

### Net Sales

(dollars in millions)

	2021	2020	2019
Net sales	\$ 14,298	\$ 12,756	\$ 13,118
Percentage change year-over-year	12.1 %	(2.8)%	1.6 %

The factors contributing to the total percentage change year-over-year in total Net sales are as follows:

	2021	2020
Organic volume	8.9 %	(2.1)%
Foreign currency translation	3.0 %	(0.4)%
Acquisitions and divestitures, net	0.2 %	(0.2)%
Other	— %	(0.1)%
Total % change	12.1 %	(2.8)%

The Organic volume increase of 8.9% for 2021 was driven by increases in organic sales of 15.5% in New Equipment and 4.1% in Service.

The Organic volume decrease of (2.1)% for 2020 was driven by decreases in organic sales of (4.0)% in New Equipment and (0.7)% in Service.

See "Segment Review" below for a discussion of Net sales by segment.

## Cost of Products and Services Sold

<i>(dollars in millions)</i>	2021	2020	2019
Cost of products and services sold	\$ 10,105	\$ 8,977	\$ 9,292
Percentage change year-over-year	12.6 %	(3.4)%	1.1 %

The factors contributing to the percentage change year-over-year in total cost of products and services sold are as follows:

	2021	2020
Organic volume	9.1 %	(2.7)%
Foreign currency translation	3.3 %	(0.5)%
Acquisitions and divestitures, net	0.2 %	(0.2)%
Total % change	12.6 %	(3.4)%

The organic increase in total cost of products and services sold in 2021 was driven primarily by the organic sales increases noted above.

The organic volume decrease in total cost of products and services sold in 2020 was driven by the organic sales decrease noted above, productivity and cost containment actions.

## Gross Margin

<i>(dollars in millions)</i>	2021	2020	2019
Gross margin	\$ 4,193	\$ 3,779	\$ 3,826
Gross margin percentage	29.3 %	29.6 %	29.2 %

Gross margin decreased 30 basis points in 2021 when compared to 2020, as improvements in gross margin in both New Equipment and Service were more than offset by overall segment mix.

Gross margin increased 40 basis points in 2020 when compared to 2019, primarily driven by improvement in the Service margin and overall segment mix, partially offset by a decrease in the New Equipment margin.

## Research and Development

<i>(dollars in millions)</i>	2021	2020	2019
Research and development	\$ 159	\$ 152	\$ 163
Percentage of Net sales	1.1 %	1.2 %	1.2 %

Research and development spending increased \$7 million, or 4.6%, in 2021 compared to 2020. Research and development expense as a percentage of net sales has remained relatively flat year-over-year. Research and development includes product development and innovation, including for IoT and developing the next generation of connected elevators and escalators.

Research and development spending decreased approximately \$11 million, or (6.7)%, in 2020 compared to 2019 primarily as a result of cost containment actions taken in 2020. Research and development expenses remained relatively consistent as a percentage of Net sales.

## Selling, General and Administrative

<i>(dollars in millions)</i>	2021	2020	2019
Selling, general and administrative	\$ 1,948	\$ 1,924	\$ 1,810
Percentage of Net sales	13.6 %	15.1 %	13.8 %

### 2021 Compared with 2020

Selling, general and administrative expenses increased \$24 million, or 1.2%, in 2021. The primary drivers of the change are the following:

- Higher employment and information technology costs, including incremental standalone public company costs, and the absence of cost containment actions taken during 2020 in response to COVID-19;
- Impact of unfavorable foreign exchange of \$38 million compared to 2020;
- These increases were partially offset by lower non-recurring Separation-related costs and the absence of UTC allocations of \$105 million.

Selling, general and administrative expenses as a percentage of Net sales decreased 150 basis points in 2021 compared to 2020, as Net sales increased at a faster rate than expenses.

### 2020 Compared with 2019

Selling, general and administrative expenses increased approximately \$114 million, or 6.3%, in 2020. The primary drivers of the change are the following:

- Lower employment costs and lower discretionary spending, including cost containment actions taken in response to COVID-19, and the absence of corporate allocations from UTC, being more than offset by
- Higher non-recurring Separation-related costs and incremental standalone public company costs.

Selling, general and administrative expenses as a percentage of Net sales increased 130 basis points in 2020 compared to 2019, primarily driven by the increase in non-recurring Separation-related costs, incremental standalone public company costs and lower Net sales.

## Restructuring Costs

<i>(dollars in millions)</i>	2021	2020	2019
Restructuring costs	\$ 56	\$ 77	\$ 54

We initiate restructuring actions to keep our cost structure competitive. Charges generally arise from severance related to workforce reductions, and to a lesser degree, facility exit and lease termination costs associated with the consolidation of office and manufacturing operations. We continue to closely monitor the economic environment and may undertake further restructuring actions to keep our cost structure aligned with the demands of the prevailing market conditions.

Total 2021 restructuring costs include \$41 million of costs related to 2021 actions, \$13 million of costs related to 2020 actions and \$2 million of costs related to pre-2020 actions.

Most of the expected charges will require cash payments, which we have funded and expect to continue to fund with cash generated from operations. During 2021, we had cash outflows of approximately \$51 million related to the restructuring actions and expect to make cash payments of \$47 million to complete the actions announced, which is comprised of \$7 million of additional restructuring expenses and \$40 million of existing restructuring accruals as of December 31, 2021.

We generally expect to achieve annual recurring savings within the two-year period subsequent to initiating the actions, including \$41 million for the 2021 actions and \$55 million for the 2020 actions, of which approximately \$66 million was realized for the 2021 and 2020 actions during the current year.

For additional discussion of restructuring, see Note 17, "Restructuring Costs" in the Consolidated Financial Statements.

## Other Income (Expense), Net

<i>(dollars in millions)</i>	2021	2020	2019
Other income (expense), net	\$ 22	\$ (64)	\$ (39)

Other income (expense), net primarily includes the impact of changes in the fair value and settlement of derivatives, gains or losses on sale of businesses and fixed assets, earnings from equity method investments, fair value changes on equity securities, impairments, non-recurring Separation-related expenses and certain other operating items.

The change in Other income (expense), net of \$86 million in 2021 compared to 2020, was primarily driven by the absence of a fixed asset impairment of \$(71) million and related licensing costs of \$(14) million recognized during 2020.

The change in Other income (expense), net of \$(25) million in 2020 compared to 2019, was driven by fixed asset impairments of \$(71) million and related license costs of \$(14) million and non-recurring Separation-related expenses. These were partially offset by favorable mark-to-market adjustments on foreign currency derivatives of \$46 million when compared to 2019, the absence of the loss on the sale of a business of \$19 million included in the 2019 results and a non-recurring gain of \$17 million related to an expected insurance recovery recognized for property damage as a result of the fire in our manufacturing facility in Germany in 2020.

See "Note 5: Related Parties" in Item 8 in this Form 10-K for further discussion on costs related to the Separation.

## Interest Expense (Income), Net

<i>(dollars in millions)</i>	2021	2020	2019
Interest expense (income), net	\$ 136	\$ 122	\$ (14)

Interest expense (income), net primarily relates to interest expense on our external debt, offset by interest income earned on cash balances, short-term investments and, in 2019 and prior, related party activity between Otis and our former parent, UTC.

The increase in Interest expense (income), net of \$14 million in 2021 compared to 2020, was primarily driven by interest expense on the external debt associated with the Separation, which was not outstanding for the full year of 2020, as well as costs associated with the bridge financing and related guarantees and the interest expense related to the Tender Offer. This was partially offset by lower interest expense as a result of the debt refinancing and debt repayments during 2021. For additional discussion of debt refinancing and repayments, see the "Liquidity and Financial Condition" section below.

The increase in Interest expense (income), net in 2020 compared to 2019 was primarily driven by interest expense of \$124 million on our external debt and debt issuance cost amortization of \$5 million in 2020. These expenses were partially offset by interest income on short-term investments.

The average interest rate on our external debt for 2021 and 2020 was 2.3%.

For additional discussion of borrowings, see "Note 10: Borrowings and Lines of Credit" in Item 8 in this Form 10-K.



## Income Taxes

	2021	2020	2019
Effective tax rate	27.6 %	30.1 %	31.9 %

The 2021, 2020 and 2019 effective tax rates are higher than the statutory U.S. rate primarily due to higher international tax rates as compared to the lower U.S. federal statutory rate and foreign earnings subject to U.S. tax under the provisions of the U.S. Tax Cuts and Jobs Act ("TCJA").

The 2021 effective tax rate is lower than the 2020 effective tax rate primarily due to the following:

- \$16 million tax benefit related to repatriation of foreign earnings as a result of changes to planned debt repayments and in estimates related to Otis' pre-Separation tax attributes;
- \$16 million decrease in U.S. tax related to base erosion and anti-abuse tax in 2021;
- Absence of the tax cost resulting from Separation-related expenses and fixed asset impairment incurred in 2020; and
- The net impact of income tax settlements related to the Separation, as discussed in Note 5, "Related Parties".

The 2020 effective tax rate is lower than the 2019 effective tax rate primarily due to a \$10 million tax benefit related to our change in assertion of no longer intending to reinvest certain undistributed earnings of our international subsidiaries made during 2020 as compared to the liability previously recorded by UTC, a decrease as a result of tax regulations related to the TCJA that were enacted during 2020, as well as a recognition of a Separation-related foreign tax loss, all partially offset by incremental withholding taxes in 2020.

For additional discussion of income taxes and the effective income tax rate, see "Note 16: Income Taxes" in Item 8 in this Form 10-K.

## Noncontrolling Interest in Subsidiaries' Earnings

<i>(dollars in millions)</i>	2021	2020	2019
Noncontrolling interest in subsidiaries' earnings	\$ 174	\$ 150	\$ 151

Noncontrolling interest in subsidiaries' earnings increased in 2021 in comparison to 2020, primarily driven by an increase in net income from non-wholly owned subsidiaries and the impact of foreign exchange rates. Ownership interest in the underlying non-wholly owned subsidiaries has remained generally consistent year-over-year.

For additional discussion of the Zardoya Otis Tender Offer, see "Note 1: Business Overview" in Item 8 in this Form 10-K.

Noncontrolling interest in subsidiaries' earnings remained consistent in 2020 in comparison to 2019.

## Net Income Attributable to Otis Worldwide Corporation

<i>(dollars in millions, except per share amounts)</i>	2021	2020	2019
Net income attributable to Otis Worldwide Corporation	\$ 1,246	\$ 906	\$ 1,116
Diluted earnings per share	\$ 2.89	\$ 2.08	\$ 2.55

Net income attributable to Otis Worldwide Corporation increased in 2021, compared to the same period in 2020, primarily driven by higher operating profit and the benefit of a lower effective tax rate, partially offset by higher noncontrolling interest in subsidiaries' earnings and higher interest expense.

Net income attributable to Otis Worldwide Corporation decreased in 2020, compared to the same period in 2019, primarily driven by non-recurring Separation-related costs, fixed asset impairments, non-recurring Separation-related tax

benefits, the impact of non-recurring tax items, and incremental standalone public company costs incurred in 2020 after the Separation.

For additional discussion of the net income attributable to shareholders and earnings per share, see "Note 3: Earnings Per Share" in Item 8 in this Form 10-K.

## Segment Review

(dollars in millions)	Net Sales			Operating Profit			Operating Profit Margin		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
New Equipment	\$ 6,428	\$ 5,371	\$ 5,648	\$ 459	\$ 318	\$ 393	7.1 %	5.9 %	7.0 %
Service	7,870	7,385	7,470	1,762	1,611	1,603	22.4 %	21.8 %	21.5 %
Total segment	14,298	12,756	13,118	2,221	1,929	1,996	15.5 %	15.1 %	15.2 %
General corporate expenses and other	—	—	—	(113)	(290)	(182)	—	—	—
Total	\$ 14,298	\$ 12,756	\$ 13,118	\$ 2,108	\$ 1,639	\$ 1,814	14.7 %	12.8 %	13.8 %

As previously disclosed in our Quarterly Report on Form 10-Q for the quarter ending June 30, 2021, we changed how we present and discuss operating profit in our Segment Review of the Management's Discussion and Analysis. Previously, we presented and discussed the percentage change in segment operating profit between periods using organic/operational profit, which excluded the impact of foreign currency translation, acquisitions and divestitures and restructuring costs. We are now presenting and discussing, including for the 2020 to 2019 comparison, the change in the total dollar amount of segment operating profit and the percentage change in operating profit margin between periods. There is no change in the amounts of operating profit that we have previously disclosed. We have continued to use the same key metrics to explain the changes in our operating performance that we previously used. For example, as discussed below, the drivers of the changes in 2021 relative to the prior year are volume, rate drivers, selling general and administrative expense, foreign exchange and restructuring which are consistent with the drivers we have disclosed in the past where applicable. In addition, we will discuss the impact of foreign currency translation, acquisitions and divestitures and restructuring to the extent they are meaningful to understanding our performance. We believe this changed approach aligns better with how we measure our performance.

## New Equipment

The New Equipment segment designs, manufactures, sells and installs a wide range of passenger and freight elevators, as well as escalators and moving walkways in residential and commercial buildings and infrastructure projects. Our New Equipment customers include real-estate and building developers and general contractors who develop and/or design buildings for residential, commercial, retail or mixed-use activity. We sell directly to customers as well as through agents and distributors. We also sell New Equipment to government agencies to support infrastructure projects, such as airports, railways or metros.

Summary performance for New Equipment for the years ended December 31, 2021, 2020 and 2019 was as follows:

(dollars in millions)	2021	2020	2019	Total Increase (Decrease) Year-Over-Year for:			
				2021 compared with 2020		2020 compared with 2019	
Net sales	\$ 6,428	\$ 5,371	\$ 5,648	\$ 1,057	19.7 %	\$ (277)	(4.9)%
Cost of sales	5,293	4,439	4,640	854	19.2 %	(201)	(4.3)%
	1,135	932	1,008	203	21.8 %	(76)	(7.5)%
Operating expenses	676	614	615	62	10.1 %	(1)	(0.2)%
Operating profit	\$ 459	\$ 318	\$ 393	\$ 141	44.3 %	\$ (75)	(19.1)%
Operating profit margin	7.1 %	5.9 %	7.0 %				

Summary analysis of the Net sales change for New Equipment for the years ended December 31, 2021 and 2020 compared with the prior years was as follows:

Components of Net sales change:	2021	2020
Organic	15.5 %	(4.0)%
Foreign currency translation	4.1 %	(0.8)%
Acquisitions/Divestitures, net	0.1 %	(0.1)%
Total % change	19.7 %	(4.9)%

### 2021 Compared with 2020

The organic sales increase of 15.5% was driven by mid-teens growth in the Americas, high teens growth in Asia and high single digit growth in EMEA.

New Equipment operating profit increased \$141 million, primarily due to higher volume of \$140 million, with an operating margin increase of 120 basis points. Favorable field installation and material productivity was partially offset by unfavorable price and mix and commodity headwinds. Foreign currency tailwinds of \$30 million were more than offset by higher selling, general and administrative costs of \$40 million.

### 2020 Compared with 2019

The organic sales decrease of (4.0)% was primarily driven by organic sales declines in all regions primarily due to impacts of the COVID-19 pandemic.

New Equipment operating profit decreased \$(75) million, with an operating profit margin decrease of 110 basis points. Strong material productivity of \$60 million and cost containment actions were more than offset by lower volume of \$(35) million and unfavorable rate drivers of \$(90) million due to under-absorption, field inefficiencies, price and mix and higher bad debt expense. New Equipment operating profit was also impacted by foreign currency headwinds of \$(10) million, higher restructuring costs of \$(10) million and incremental public company standalone costs.

## Service

The Service segment performs maintenance and repair services for both our products and those of other manufacturers and provides modernization services to upgrade elevators and escalators. Maintenance services include inspections to ensure code compliance, preventive maintenance offerings and other customized maintenance offerings tailored to meet customer needs, as well as repair services that address equipment and component wear and tear, and breakdowns. Modernization services enhance equipment operation and improve building functionality. Modernization offerings can range from relatively simple upgrades of interior finishes and aesthetics, to complex upgrades of larger components and sub-systems. Our typical Service customers include building owners, facility managers, housing associations and government agencies that operate buildings where elevators and escalators are installed.

Summary performance for Service for the years ended December 31, 2021, 2020 and 2019 was as follows:

(dollars in millions)	2021	2020	2019	Total Increase (Decrease) Year-Over-Year for:			
				2021 compared with 2020		2020 compared with 2019	
Net sales	\$ 7,870	\$ 7,385	\$ 7,470	\$ 485	6.6 %	\$ (85)	(1.1)%
Cost of sales	4,812	4,538	4,652	274	6.0 %	(114)	(2.5)%
	3,058	2,847	2,818	211	7.4 %	29	1.0 %
Operating expenses	1,296	1,236	1,215	60	4.9 %	21	1.7 %
Operating profit	\$ 1,762	\$ 1,611	\$ 1,603	\$ 151	9.4 %	\$ 8	0.5 %
Operating profit margin	22.4 %	21.8 %	21.5 %				

Summary analysis of the Net sales change for Service for the years ended December 31, 2021 and 2020 compared with the prior years was as follows:

Components of Net sales change:	2021	2020
Organic	4.1 %	(0.7)%
Foreign currency translation	2.3 %	(0.1)%
Acquisitions/Divestitures, net	0.2 %	(0.3)%
Total % change	6.6 %	(1.1)%

### 2021 Compared with 2020

#### Net Sales

The organic sales increase of 4.1% is due to organic sales increases in maintenance and repair of 4.5% and modernization of 2.5%.

Components of Net sales change:	Maintenance and Repair	Modernization
Organic	4.5 %	2.5 %
Foreign currency translation	2.2 %	1.9 %
Acquisitions/Divestitures, net	0.3 %	0.1 %
Total % change	7.0 %	4.5 %

#### Operating profit

Service operating profit increased \$151 million, primarily due to higher volume of \$120 million, with an operating margin increase of 60 basis points. Favorable pricing and mix and lower bad debt expense were partially offset by the absence of the benefit from prior year field actions taken in response to COVID-19. Foreign exchange tailwinds of \$35 million and lower restructuring expense of \$15 million were more than offset by higher selling general and administrative costs of \$60 million, including the impact from cost containment actions taken in the prior year.

## 2020 Compared with 2019

### Net Sales

The organic sales decrease of (0.7)% is due to a sales decrease in maintenance and repair of (0.9)%, with modernization sales remaining flat.

Components of Net sales change:	Maintenance and Repair	Modernization
Organic	(0.9)%	0.1 %
Foreign currency translation	(0.1)%	0.1 %
Acquisitions/Divestitures, net	(0.2)%	(1.1)%
Total % change	(1.2)%	(0.9)%

### Operating Profit

Service operating profit increased \$8 million, with an operating profit margin increase of 30 basis points. Favorable productivity, pricing and mix, and cost containment actions more than offset the combined impact of price concessions, lower volume and higher bad debt expense. Service operating profit was also favorably impacted by foreign currency, offset by higher restructuring costs and incremental public company standalone costs.

### General Corporate Expenses and Other

(dollars in millions)	2021	2020	2019
General corporate expenses and other	\$ (113)	\$ (290)	\$ (182)

General corporate expenses and other decreased \$(177) million in 2021 compared to 2020, primarily due to the absence of a fixed asset impairment of \$(71) million and related licensing costs of \$(14) million recognized in 2020, as well as lower non-recurring Separation costs and the absence of UTC allocations of \$(108) million.

General corporate expenses and other increased \$108 million in 2020 compared to 2019, primarily driven by fixed asset impairments of \$71 million and associated license costs of approximately \$14 million, non-recurring Separation-related costs of \$119 million and incremental standalone public company costs in 2020. These were partially offset by favorable mark-to-market adjustments on foreign currency derivatives of \$46 million when compared to the prior period, the absence of losses on the sale of a business of \$19 million that occurred during 2019 and a non-recurring gain of approximately \$17 million related to an expected insurance recovery as a result of the fire in our manufacturing facility in Germany recognized in 2020.

## LIQUIDITY AND FINANCIAL CONDITION

<i>(dollars in millions)</i>	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 1,565	\$ 1,782
Total debt	7,273	5,963
Net debt (total debt less cash and cash equivalents)	5,708	4,181
Total equity	(3,144)	(3,395)
Total capitalization (total debt plus total equity)	4,129	2,568
Net capitalization (total debt plus total equity less cash and cash equivalents)	2,564	786
Total debt to total capitalization	176 %	232 %
Net debt to net capitalization	223 %	532 %

As of December 31, 2021, we had cash and cash equivalents of approximately \$1.6 billion, of which approximately 91% was held by the Company's foreign subsidiaries. We manage our worldwide cash requirements by reviewing available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. On occasion, we are required to maintain cash deposits with certain banks with respect to contractual obligations related to acquisitions and divestitures or other legal obligations. As of December 31, 2021 and 2020, the amount of such restricted cash was approximately \$1.9 billion and \$19 million, respectively, including the proceeds from the issuance of debt that is restricted in order to fund the Tender Offer. See further discussion of debt issuances below.

From time-to-time we may need to access the capital markets to obtain financing. We may incur indebtedness or issue equity as needed. Although we believe that the arrangements in place as of December 31, 2021 permit us to finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future could be impacted by many factors, including (1) our credit ratings or absence of a credit rating, (2) the liquidity of the overall capital markets and (3) the current state of the economy, including the impact of COVID-19. There can be no assurance that we will continue to have access to the capital markets on terms acceptable to us.

The following is a summary of the long-term debt issuances in 2021 and 2020:

<i>(dollars in millions)</i>		
Issuance Date	Description of Debt	Aggregate Principal Balance
November 12, 2021	0.000% notes due 2023 (€500 million principal value)	\$ 572
November 12, 2021	0.318% notes due 2026 (€600 million principal value)	687
November 12, 2021	0.934% notes due 2031 (€500 million principal value)	572
March 11, 2021	0.37% notes due 2026 (¥21,500 million principal value)	199
March 27, 2020	LIBOR plus 112.5 bps term loan due 2023 (the "Term Loan")	1,000
February 27, 2020	LIBOR plus 45 bps floating rate notes due 2023	500
February 27, 2020	2.056% notes due 2025	1,300
February 27, 2020	2.293% notes due 2027	500
February 27, 2020	2.565% notes due 2030	1,500
February 27, 2020	3.112% notes due 2040	750
February 27, 2020	3.362% notes due 2050	750

The net proceeds from the February and March 2020 debt issuances listed above, totaling \$6.3 billion, were used to distribute cash to UTC as part of the Separation in 2020. The proceeds from the March 2021 issuance of Japanese Yen notes listed above were used to repay a portion of our outstanding Euro denominated commercial paper. The proceeds from the November 2021 issuance of the Euro notes listed above are held in escrow to fund the Tender Offer, which is reflected as Restricted cash on the Consolidated Balance Sheet as of December 31, 2021.

The following is a summary of the long-term debt repayments in 2021 and 2020:

(dollars in millions)

Payment Date	Description of Debt	Total Principal Payments
11-20-2020	LIBOR plus 112.5 bps term loan due 2023	\$ 250
09-28-2020	LIBOR plus 112.5 bps term loan due 2023	\$ 750

In 2020, we repaid the \$1.0 billion term loan in full, using cash from operations and proceeds from the issuance of Euro denominated and US Dollar denominated commercial paper. In 2021, the commercial paper was repaid in full, using cash from operations and proceeds from the issuance of the Japanese Yen notes. For additional discussion of borrowings, including commercial paper activity, see "Note 10: Borrowings and Lines of Credit" in Item 8 in this Form 10-K.

Following the enactment of the TCJA, and after reassessing as part of the Separation, the Company determined that it no longer intends to reinvest certain undistributed earnings of our international subsidiaries that have been previously taxed in the U.S. For the remainder of the Company's undistributed international earnings, unless tax effective to repatriate, we will continue to permanently reinvest these earnings.

We expect to fund our ongoing operating, investing and financing requirements mainly through cash flows from operations, available liquidity through cash on hand and available bank lines of credit and access to the capital markets.

On April 27, 2020, our Board of Directors authorized a share repurchase program for up to \$1.0 billion of Common Stock, of which approximately \$725 million has been utilized as of December 31, 2021. Under this program, shares may be purchased on the open market, in privately negotiated transactions, under accelerated share repurchase programs, or under plans complying with rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. During 2021, the Company repurchased 9.7 million shares of Common Stock for approximately \$725 million. As a result of the increased debt incurred to fund the Tender Offer, we have temporarily suspended share repurchases as we focus on deleveraging.

### **Cash Flow - Operating Activities**

(dollars in millions)

	2021	2020	2019
Net cash flows provided by operating activities	\$ 1,750	\$ 1,480	\$ 1,469

### **2021 Compared with 2020**

Cash generated from operating activities in 2021 was \$270 million higher than in 2020, primarily due to higher net income of \$364 million and increased cash inflows related to current assets and current liabilities activity of \$83 million, as described below. These were partially offset by \$98 million of lower non-cash adjustments from Net income, including the absence of fixed asset impairments of \$71 million in 2020, as well as \$106 million of lower Other operating activities, net, primarily due to long-term accruals in 2020.

### **2021 Changes in Working Capital**

The 2021 cash inflows related to current assets and current liabilities operating activity were \$160 million, including the following main drivers:

- Accounts payable, which increased by \$130 million, primarily due to increased volume;
- Accrued liabilities, which increased by \$72 million, primarily due to the timing of payments, which more than offset the payments of \$56 million in foreign tax obligations pursuant to the TMA and income tax liabilities in certain jurisdictions;
- Contract assets, current and Contract liabilities, current, net change of \$53 million, driven by the timing of billings on contracts compared to the progression on current contracts; and

- Other current assets, which decreased by \$43 million, primarily due to prepaid income tax utilization and indemnification payments received pursuant to the TMA in order to pay foreign tax obligations, partially offset by advanced payments to suppliers; partially offset by
- Accounts receivable, net, which increased by \$152 million, primarily due to increased volume.

### ***2020 Compared with 2019***

Cash generated from operating activities in 2020 was \$11 million higher than in 2019, primarily due to increased cash inflows related to current assets and current liabilities of \$109 million, as described below. There were also increased Other operating activities of \$106 million compared to the same period in 2019, primarily due to increased long-term accruals. These were partially offset by lower net income of \$211 million, which includes the impact of interest expense on debt, incremental standalone public company costs and non-recurring Separation-related costs in 2020.

### ***2020 Changes in Working Capital***

The 2020 cash inflows related to current assets and current liabilities operating activity were \$77 million. These cash inflows were primarily driven by:

- Net change in Contract assets, current and Contract liabilities, current of \$282 million, driven by the timing of billings on contracts compared to the progression on current contracts; and
- Accounts payable, which increased by \$20 million, primarily due to the timing of payments to suppliers; partially offset by
- Inventories, net, which increased by \$76 million due to the impact of higher production inventory levels related to the timing of deliveries to construction sites; and
- Accounts receivable, net, which increased by \$163 million due to slower collections and increased customer financing activity.

Additionally, Other current assets decreased by \$28 million due to receipt of indemnification payments pursuant to the TMA in order to pay foreign tax obligations, partially offset by tax prepayments in certain jurisdictions, while Accrued liabilities decreased \$14 million largely due to the payment of foreign tax obligations pursuant to the TMA described above and income tax liabilities in certain jurisdictions, partially offset by accruals for interest in excess of interest payments. The receipt and payment of indemnification assets and foreign tax obligations resulted in no net cash flow for 2020. See "Note 5: Related Parties" in Item 8 in this Form 10-K for further discussion on transactions with our former parent UTC.



### Cash Flow - Investing Activities

<i>(dollars in millions)</i>	2021	2020	2019
Net cash flows used in investing activities	\$ (89)	\$ (353)	\$ (203)

Cash flows used in investing activities primarily reflect capital expenditures, investments in businesses and securities, proceeds received on the sale of fixed assets, and settlement of derivative contracts.

#### *2021 compared to 2020*

<i>(dollars in millions)</i>	2021	2020	Change
<b>Investing Activities:</b>			
Capital expenditures	\$ (156)	\$ (183)	\$ 27
Investments in businesses and intangible assets	(80)	(53)	(27)
Proceeds from sale of (investments in) equity securities	40	(51)	91
Receipts (payments) on settlements of derivative contracts	73	(69)	142
Other investing activities, net	34	3	31
<b>Net cash flows used in investing activities</b>	<u>\$ (89)</u>	<u>\$ (353)</u>	<u>\$ 264</u>

Cash flows used in investing activities in 2021 compared to 2020 decreased \$264 million, including the following main drivers:

- \$142 million higher net cash from the settlement of derivative instruments in 2021, with net cash receipts of \$73 million and payments of \$69 million in 2021 and 2020, respectively;
- \$91 million higher net cash from equity securities, including \$58 million of proceeds from the sale of equity securities in 2021, compared to \$(51) million of investments made in equity securities in 2020; and
- \$31 million higher Other investing activities, net primarily due to property damage insurance proceeds received and discussed below under "Germany Fire", as well as proceeds from the sales of fixed assets.

As discussed in Note 18, "Financial Instruments" to the Consolidated Financial Statements, we enter into derivative instruments for risk management purposes. We operate internationally and, in the normal course of business, are exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. We use derivative instruments, including forward contracts and options, to manage certain foreign currency and commodity price exposures.

#### *Germany Fire*

As previously disclosed, during 2020 there was a fire at the Company's manufacturing facility in Germany. During 2021, the Company settled the related property damage claim with the insurance company, as reflected in Other investing activities, net in the Consolidated Statements of Cash Flows. During 2021, the Company also reached a final agreement with the insurance company related to the business interruption claim to cover costs incurred as a result of the fire and received the final payments during the year. The impact to our operations or financial results from this event was not material.

## 2020 compared to 2019

(dollars in millions)

	2020	2019	Change
<b>Investing Activities:</b>			
Capital expenditures	\$ (183)	\$ (145)	\$ (38)
Investments in businesses and intangible assets	(53)	(47)	(6)
Proceeds from sale of (investments in) equity securities	(51)	—	(51)
Proceeds from sale of equity securities	—	—	—
Receipts (payments) on settlements of derivative contracts	(69)	(5)	(64)
Other investing activities, net	3	(6)	9
<b>Net cash flows provided by (used in) investing activities</b>	<b>\$ (353)</b>	<b>\$ (203)</b>	<b>\$ (150)</b>

Cash flows used in investing activities in 2020 compared to 2019 increased \$150 million, including the following drivers:

- \$64 million higher net cash payments from the settlement of derivative instruments in 2020, including \$21 million of payments associated with the hedges of foreign-denominated TMA indemnification assets;
- \$51 million of investments in 2020 related to equity securities;
- \$38 million higher capital expenditures; and
- \$6 million higher investments in business.

### Cash Flow - Financing Activities

<i>(dollars in millions)</i>	2021	2020	2019
Net cash flows provided by (used in) financing activities	\$ 58	\$ (844)	\$ (1,133)

Financing activities primarily include increases or decreases to short-term borrowings, issuance or repayment of long-term debt, dividends paid to common shareholders, repurchases of Common Stock and dividends paid to non-controlling interests. The activity in 2020 and 2019 includes transfers to and from our former parent, UTC, prior to the Separation, consisting of, among other things, cash transfers, distributions, cash investments and changes in receivables and payables. For further discussion on these transfers, see "Note 5: Related Parties" in Item 8 in this Form 10-K.

#### **2021 compared to 2020**

<i>(dollars in millions)</i>	2021	2020	Change
<b>Financing Activities:</b>			
Increase (decrease) in short-term borrowings, net	\$ (655)	\$ 647	\$ (1,302)
Proceeds from issuance of long-term debt	2,030	6,300	(4,270)
Payment of debt issuance costs	(25)	(43)	18
Repayment of long-term debt	—	(1,000)	1,000
Dividends paid on Common Stock	(393)	(260)	(133)
Repurchases of Common Stock	(725)	—	(725)
Dividends paid to noncontrolling interest	(155)	(149)	(6)
Net transfers to UTC	—	(6,330)	6,330
Other financing activities, net	(19)	(9)	(10)
<b>Net cash flows provided by (used in) financing activities</b>	<b>\$ 58</b>	<b>\$ (844)</b>	<b>\$ 902</b>

Net cash provided by financing activities was \$58 million in 2021 compared to net cash used by financing activities of \$844 million in 2020, which changed primarily due to the following:

- Net borrowings of \$1.4 billion during 2021 compared to net repayments on borrowings of \$353 million during 2020. These were comprised of the following activities:
  - Net proceeds from the issuance of long-term debt of \$2.0 billion, partially offset by net repayments of short-term borrowings of \$655 million during 2021; and
  - Repayments of long-term debt of \$1.0 billion, partially offset by net short-term borrowings of \$647 million during 2020.
- Repurchases of Common Stock of \$725 million and higher dividends paid on Common Stock of \$133 million during 2021; and
- Net transfers to UTC related to the Separation of \$6.3 billion during 2020, which were primarily funded by the net proceeds from issuance of long-term debt of \$6.3 billion during 2020.

Net borrowings in 2021 include €1.6 billion in proceeds from the issuance of Euro denominated notes, which will be used to fund the Tender Offer. For additional discussion of borrowings activity, see "Note 10: Borrowings and Lines of Credit" in Item 8 in this Form 10-K.

## 2020 compared to 2019

(dollars in millions)

	2020	2019	Change
<b>Financing Activities:</b>			
Increase (decrease) in short-term borrowings, net	\$ 647	\$ 6	\$ 641
Proceeds from issuance of long-term debt	6,300	—	6,300
Payment of debt issuance costs	(43)	—	(43)
Repayment of long-term debt	(1,000)	—	(1,000)
Dividends paid on Common Stock	(260)	—	(260)
Dividends paid to noncontrolling interest	(149)	(163)	14
Net transfers to UTC	(6,330)	(972)	(5,358)
Other financing activities, net	(9)	(4)	(5)
<b>Net cash flows provided by (used in) financing activities</b>	<b>\$ (844)</b>	<b>\$ (1,133)</b>	<b>\$ 289</b>

Net cash used in financing activities decreased \$289 million in 2020 compared to 2019 primarily due to the net proceeds from the issuance of long-term debt of \$6.3 billion in 2020, of which \$1.0 billion was repaid with \$641 million of proceeds from the issuance of short-term commercial paper in 2020 and cash from operations. These net inflows were partially offset by a \$5.4 billion increase in net transfers to UTC related to the Separation, and a \$260 million increase in dividends paid on Common Stock in 2020. See "Note 10: Borrowings and Lines of Credit" in Item 8 in this Form 10-K for further discussion on borrowings.

### **Guaranteed Securities: Summarized Financial Information**

The following information is provided in compliance with Rule 13-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended, with respect to the 2023 Euro Notes, the 2026 Euro Notes and the 2031 Euro Notes (together the "Euro Notes"), in each case issued by Highland Holdings S.à r.l. ("Highland"), a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg ("Luxembourg"). The Euro Notes are fully and unconditionally guaranteed by Otis Worldwide Corporation ("OWC") on an unsecured, unsubordinated basis. Refer to "Note 10: Borrowings and Lines of Credit" in Item 8 in this Form 10-K for additional information.

Highland is a wholly-owned, indirect consolidated subsidiary of OWC. OWC is incorporated under the laws of Delaware. As a company incorporated and existing under the laws of Luxembourg, and with its registered office in Luxembourg, Highland is subject to Luxembourg insolvency and bankruptcy laws in the event any insolvency proceedings are initiated against it. Luxembourg bankruptcy law is significantly different from, and may be less favorable to creditors than, the bankruptcy law in effect in the United States and may make it more difficult for creditors to recover the amount they could expect to recover in liquidation under U.S. insolvency and bankruptcy rules.

The Euro Notes are not guaranteed by any of OWC's or Highland's subsidiaries (all OWC subsidiaries other than Highland are referred to herein as "non-guarantor subsidiaries"). Holders of the Euro Notes will have a direct claim only against Highland, as issuer, and OWC, as guarantor.

The following tables set forth the summarized financial information as of and for the years ended December 31, 2021 and 2020 of each of OWC and Highland on a standalone basis, which does not include the consolidated impact of the assets, liabilities, and financial results of their subsidiaries except as noted on the tables below, nor does it include any impact of intercompany eliminations as there were no intercompany transactions between OWC and Highland. This summarized financial information is not intended to present the financial position or results of operations of OWC or Highland in accordance with U.S. GAAP.

<i>(dollars in millions)</i>	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b><i>OWC Statement of Operations - Standalone and Unconsolidated</i></b>		
Revenue	\$ —	\$ —
Cost of revenue	—	—
Operating expenses	13	10
Income from consolidated subsidiaries	19	4
Income (loss) from operations excluding income from consolidated subsidiaries	(18)	(2)
Net income (loss) excluding income from consolidated subsidiaries	(116)	(100)

<i>(dollars in millions)</i>	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b><i>OWC Balance Sheet - Standalone and Unconsolidated</i></b>		
Current assets (excluding intercompany receivables from non-guarantor subsidiaries)	\$ 197	\$ 307
Current assets (intercompany receivables from non-guarantor subsidiaries)	—	—
Noncurrent assets, investments in consolidated subsidiaries	1,271	1,348
Noncurrent assets (excluding investments in consolidated subsidiaries)	48	62
Current liabilities (intercompany payables to non-guarantor subsidiaries)	1,516	139
Current liabilities (excluding intercompany payables to non-guarantor subsidiaries)	73	721
Noncurrent liabilities	5,725	5,540

(dollars in millions)	Year Ended December 31,	
	2021	2020
<b>Highland Statement of Operations - Standalone and Unconsolidated</b>		
Revenue	\$ —	\$ —
Cost of revenue	—	—
Operating expenses	—	—
Income from consolidated subsidiaries	635	445
Income (loss) from operations excluding income from consolidated subsidiaries	—	—
Net income (loss) excluding income from consolidated subsidiaries	(3)	(1)

(dollars in millions)	As of December 31,	
	2021	2020
<b>Highland Balance Sheet - Standalone and Unconsolidated</b>		
Current assets (excluding intercompany receivables from non-guarantor subsidiaries)	\$ —	\$ —
Current assets (intercompany receivables from non-guarantor subsidiaries)	2	87
Noncurrent assets (investments in consolidated subsidiaries)	12,524	11,251
Noncurrent assets (excluding investments in consolidated subsidiaries)	—	—
Current liabilities (intercompany payables to non-guarantor subsidiaries)	171	318
Current liabilities (excluding intercompany payables to non-guarantor subsidiaries)	2	1
Noncurrent liabilities	1,795	—

## CRITICAL ACCOUNTING ESTIMATES

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. "Note 2: Summary of Significant Accounting Policies" in Item 8 in this Form 10-K describes the significant accounting policies used in preparation of the Consolidated Financial Statements. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. The most significant areas involving management judgments and estimates are described below. Actual results in these areas could differ from management's estimates.

### Revenue Recognition from Contracts with Customers

We recognized revenue in accordance with FASB ASC Topic 606: *Revenue from Contracts with Customers* and its related amendments, (referred to, collectively, as "ASC 606"). For new equipment and modernization contracts, equipment and installation are typically procured in a single contract providing the customer with a complete installed elevator or escalator unit. The combination of equipment and installation promises are typically a single performance obligation. For these performance obligations, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress. Contract costs are usually incurred over a period of time, which can be several years, and the estimation of these costs requires management's judgment. Contract costs included in the calculation are comprised of labor, materials, subcontractors' costs or other direct costs and indirect costs, which include indirect labor costs.

The long-term nature of the contracts, the complexity of the products and the scale of the projects can affect our ability to estimate costs precisely. We review cost estimates on significant new equipment and modernization contracts on a quarterly basis and, for others, no less frequently than annually or when circumstances change and warrant a modification to a previous estimate. We record changes in contract estimates using the cumulative catch-up method and we review changes in contract estimates for their impact on net sales or operating profit in the Consolidated Financial Statements. Modifications are recognized as a cumulative catch-up or treated as a separate accounting contract if the modification adds distinct goods or services and the modification is priced at its stand-alone selling price.

See "Note 2: Summary of Significant Accounting Policies" in Item 8 in this Form 10-K.

## Income Taxes

The future tax benefit arising from deductible temporary differences and tax carryforwards was \$647 million as of December 31, 2021 and \$642 million as of December 31, 2020. Management estimates that our earnings during the periods when the temporary differences become deductible will be generally sufficient to realize the related future income tax benefits, which may be realized over an extended period of time. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided.

In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event we were to determine that we would not be able to realize all or a portion of our deferred tax assets in the future, we would reduce such amounts through an increase to tax expense in the period in which that determination is made or when tax law changes are enacted. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through a decrease to tax expense in the period in which that determination is made.

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 Consolidated Financial Statements. See "Note 3: Earnings Per Share" and "Note 15: Accumulated Other Comprehensive Income (Loss)" in Item 8 in this Form 10-K for further discussion. Additionally, see "Note 22: Contingent Liabilities" in Item 8 in this Form 10-K for discussion of administrative review proceedings with the German Tax Office.

## Goodwill

We have generated goodwill as a result of our acquisitions. At the time of acquisition, we account for business acquisitions using the purchase method of accounting, in accordance with which assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date. The fair value of the consideration paid, including contingent consideration, is assigned to the assets acquired and liabilities assumed based on their respective fair values. Goodwill represents the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed.

We review our goodwill for impairment on an annual basis at July 1 or more frequently if events or a change in circumstances indicate that the carrying amount may not be recoverable. We test goodwill for impairment at a level within the Company referred to as the reporting unit, which is one level below the operating segment level. We have determined there to be three reporting units within each business segment.

In accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other*, we initially perform a qualitative assessment (commonly known as "step zero") to determine whether further impairment testing is necessary before performing the two-step test. The qualitative assessment requires judgments by management about economic conditions including the entity's operating environment, its industry and other market considerations, entity-specific events related to financial performance or loss of key personnel and other events that could impact the reporting unit. If management concludes, based on assessment of relevant events, facts and circumstances, that it is more likely than not that a reporting unit's fair value is greater than its carrying value, no further impairment testing is required. If we determine, based on this assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying value, we perform a quantitative goodwill impairment test by comparing the reporting unit's fair value with its carrying value. An impairment loss is recognized for the amount by which the reporting unit's carrying value exceeds its fair value, up to the total amount of goodwill allocated to the reporting unit. No impairment loss is recognized if the fair value of the reporting unit exceeds its carrying value.

We completed the annual goodwill impairment test for all of our reporting units as of July 1, 2021 and determined that no adjustment to goodwill was necessary as the fair value of each reporting unit was in excess of the carrying value of each reporting unit.

## Contingent Liabilities

Otis is party to litigation related to a number of matters as described in "Note 22: Contingent Liabilities" in Item 8 in this Form 10-K. In particular, they may include risks associated with contractual, regulatory and other matters, which may arise in the ordinary course of business. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and accrues for contingent losses that are probable and reasonably estimable. To assess the exposure to potential liability, we consult with relevant internal and external counsel. In making the decision regarding the need for loss accruals, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. See Part I, Item 1A in this Form 10-K for further discussion.

## Employee Benefit Plans

We sponsor domestic and international defined benefit pension and other postretirement plans. Major assumptions used in the accounting for these employee benefit plans include the discount rate, expected return on plan assets, rate of increase in employee compensation levels and mortality rates. Assumptions are determined based on company data and appropriate market indicators, and are evaluated each year as of December 31. A change in any of these assumptions would have an effect on net periodic pension and postretirement benefit costs reported in the Consolidated Financial Statements.

In the following table, we show the sensitivity of our pension and other postretirement benefit plan liabilities and net periodic cost to a 25 basis point change in the discount rates for benefit obligations, as of December 31, 2021:

<i>(dollars in millions)</i>	<b>Increase in Discount Rate of 25 bps</b>	<b>Decrease in Discount Rate of 25 bps</b>
<b>Pension plans</b>		
Projected benefit obligation	\$ (29)	\$ 30
Net periodic pension (benefit) cost	(2)	2

The impact on the accumulated postretirement benefit obligation and on the net periodic postretirement (benefit) cost is less than \$1 million.

Pension expense is also sensitive to changes in the expected long-term rate of asset return. An increase or decrease of 25 basis points in the expected long-term rate of asset return would have decreased or increased 2021 pension expense by approximately \$2 million.

The weighted-average discount rates used to measure pension liabilities and costs utilize each plan's specific cash flows and are then compared to high-quality bond indices for reasonableness. Global market interest rates increased in 2021 as compared with 2020, and, as a result, the weighted-average discount rate used to measure pension liabilities was 1.5% in 2021 and 1.1% in 2020.

See "Note 13: Employee Benefit Plans" in Item 8 in this Form 10-K for further discussion.



## Off-Balance Sheet Arrangements and Contractual Obligations

We extend a variety of financial guarantees to third parties in support of our business. We also have obligations arising from environmental, health and safety, tax and employment matters. Circumstances that could cause the contingent obligations and liabilities arising from these arrangements to come to fruition include changes in the underlying transaction, non-performance under a contract or deterioration in the financial condition of the guaranteed party.

Otis' contractual obligations and commitments as of December 31, 2021 are discussed below. See also "Note 13: Employee Benefit Plans" in Item 8 of this Form 10-K for further discussion of our expected pension and postretirement contributions.

### Long-term Debt

See "Note 10: Borrowings and Lines of Credit" in Item 8 of this Form 10-K for further discussion of our long-term debt principal payments as of December 31, 2021. In the following table, we show the timing of payments of interest on long-term debt as of December 31, 2021:

(dollars in millions)	Total	Payments Due by Period			
		2022	2023-2024	2025-2026	Thereafter
Long-term debt - future interest	\$ 1,705	\$ 137	\$ 267	\$ 226	\$ 1,075

### Purchase Obligations

Purchase obligations include amounts committed for the purchase of goods and services under legally enforceable contracts or purchase orders. Where it is not practically feasible to determine the legally enforceable portion of our obligation under certain of our long-term purchase agreements, we include additional expected purchase obligations beyond what may be legally enforceable. We enter into contractual purchase commitments with suppliers and service vendors to support our information technology that are either necessary to operate our business or are resulting from implementing strategic initiatives. In the following table, we show the timing of payments of total purchase obligations as of December 31, 2021:

(dollars in millions)	Total	Payments Due by Period			
		2022	2023-2024	2025-2026	Thereafter
Purchase obligations	\$ 1,192	\$ 1,134	\$ 51	\$ 6	\$ 1

### Other Long-term Liabilities

Other long-term liabilities in the table below includes obligations relate to product service and warranty policies, estimated remediation costs and contractual indemnities, and are included in Other long-term liabilities on the "Consolidated Balance Sheets" in Item 8 of this Form 10-K. The timing of expected cash flows associated with these obligations is based upon management's estimates over the terms of these agreements and is largely based upon historical experience and were as follows as of December 31, 2021:

(dollars in millions)	Total	Payments Due by Period			
		2022	2023-2024	2025-2026	Thereafter
Other long-term liabilities	\$ 341	\$ 18	\$ 115	\$ 139	\$ 69

The balance above includes \$220 million of long-term contractual payables due to RTX for reimbursement of tax payments that RTX is responsible to pay after the Separation pursuant to the TMA. Otis will reimburse RTX for those tax payments through 2027.

### Unrecognized Tax Benefits

Otis has unrecognized tax benefits of \$392 million as of December 31, 2021, the timing of which is uncertain to become payable. See "Note 16: Income Taxes" in Item 8 in this Form 10-K for additional discussion on unrecognized tax benefits.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to fluctuations in foreign currency exchange rates and commodity prices. To manage certain of those exposures, we use derivative instruments, including forward contracts. Derivative instruments utilized by us in our hedging activities are viewed as risk management tools, involve relatively little complexity and are not used for trading or speculative purposes. We diversify the counterparties used and monitor the concentration of risk to limit our counterparty exposure.

We have evaluated our exposure to changes in foreign currency exchange rates, commodity prices and interest rates in our market risk sensitive instruments, which are primarily cash, debt and derivative instruments, using a value at risk analysis. Based on a 95% confidence level and one-day holding period, as of December 31, 2021, the potential loss in fair value on our market risk sensitive instruments was not material in relation to our financial position, results of operations or cash flows. Our calculated value at risk exposure represents an estimate of reasonably possible net losses based on volatilities and correlations, and is not necessarily indicative of actual results. Additionally, any losses or gains on derivative instruments would be mostly offset by corresponding gains or losses in the remeasurement of the underlying transactions being hedged.

Refer to "Note 2: Summary of Significant Accounting Policies", "Note 10: Borrowings and Lines of Credit" and "Note 18: Financial Instruments" in Item 8 in this Form 10-K for additional discussion of foreign currency exchange, interest rates and financial instruments, including the aggregate notional amount of our outstanding foreign currency and commodity price hedges.

### *Foreign Currency Exposures*

The value of certain foreign currencies as compared to the U.S. Dollar may impact Otis' financial results. We have a high volume of foreign currency exposures that result from our international sales, purchases, investments and other international transactions. International sales were approximately \$10.6 billion, \$9.3 billion and \$9.5 billion in 2021, 2020 and 2019, respectively. We manage foreign currency exposures that are associated with committed foreign currency purchases and sales as well as foreign currency denominated assets and liabilities that are created in the ordinary course of business. More than insignificant exposures, that cannot be naturally offset, are generally hedged with foreign currency derivatives.

For our non-U.S. based entities, a substantial portion of revenues are generated and costs are incurred in local currencies. We transact business in various foreign currencies, which exposes our cash flows and earnings to changes in foreign currency exchange rates. We periodically enter into sales contracts denominated in currencies other than the functional currency of the parties to the transaction, which can create foreign exchange exposure. While the objective of the hedging program is to minimize the foreign currency exchange impact on operating results, there are typically variances between the hedging gains or losses and the translational impact due to the length of hedging contracts, changes in the sales profile, volatility in the exchange rates and other such operational considerations. Otis does not enter into hedging contracts for speculative purposes.

As discussed in "Note 18: Financial Instruments" in Item 8 in this Form 10-K, as of December 31, 2021 we have ¥21.5 billion (\$189 million) of Japanese Yen denominated long-term debt, which qualifies as a net investment hedge against our investments in Japanese businesses. As of December 31, 2021, the net investment hedge is deemed to be effective.

As discussed in "Note 10: Borrowings and Lines of Credit" in Item 8 in this Form 10-K, as of December 31, 2021 we have €1,600 million (\$1,807 million) of Euro denominated long-term debt.

### *Commodity Price Risk*

The fluctuation in prices of certain raw materials may impact Otis' financial results. We are exposed to volatility in the prices of commodities used in some of our products and component parts, such as steel, aluminum and copper, among others. When possible and appropriate, we maintain fixed price contracts on raw materials and component parts. However, we are prone to exposure as these contracts expire. When possible and appropriate, we also include price escalation linked to commodity prices in contracts with our customers and take pricing actions for future contracts. However, products and services delivered to our customers are often provided a year or more after being agreed to, and not all raw material price increases can be passed along to customers with existing contracts. Therefore, when commodity price risk is not mitigated by other methods, we may enter into hedging contracts. Otis does not enter into hedging contracts for speculative purposes.

### *Interest Rate Risk*

Our long-term debt portfolio primarily consists of fixed-rate instruments. For any variable rate debt, interest rate changes in the London Interbank Offered Rate ("LIBOR") will impact future earnings and cash flows. From time to time, we may hedge floating rates using interest rate swaps. The hedges would be designated as fair value hedges and the gains and losses on the swaps would be reported in interest expense, reflecting that portion of interest expense at a variable rate.

For information concerning market risk sensitive instruments, see discussion under the headings "Foreign Exchange Exposures" and "Derivatives and Hedging Activity" in "Note 2: Summary of Accounting Policies," as well as "Note 18: Financial Instruments" in Item 8 in this Form 10-K for additional discussion on unrecognized tax benefits.

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**(All other schedules are not required and have been omitted)**

Management has assessed the effectiveness of Otis' internal control over financial reporting as of December 31, 2021. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (2013). Management concluded that based on its assessment, Otis' internal control over financial reporting was effective as of December 31, 2021. The effectiveness of Otis' internal control over financial reporting, as of December 31, 2021, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

by: /s/ JUDITH F. MARKS  
**Judith F. Marks**  
**Chair, President and Chief Executive Officer**

by: /s/ RAHUL GHAI  
**Rahul Ghai**  
**Executive Vice President and Chief Financial Officer**

by: /s/ MICHAEL P. RYAN  
**Michael P. Ryan**  
**Vice President and Chief Accounting Officer**

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Otis Worldwide Corporation

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Otis Worldwide Corporation and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Revenue Recognition - Estimated Costs at Completion for New Equipment Contracts***

As described in Notes 2 and 23 to the consolidated financial statements, the Company recognized \$6.4 billion of revenue from new equipment contracts for the year ended December 31, 2021. For new equipment contracts, equipment and installation are typically procured in a single contract providing the customer with a complete installed elevator or escalator unit. The combination of equipment and installation promises are typically a single performance obligation. For these performance obligations, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress. As disclosed by management, contract costs are usually incurred over a period of time, which can be several years, and the estimation of these costs requires management's judgment. The long-term nature of the contracts, the complexity of the products and the scale of the projects can affect management's ability to estimate costs precisely. Management reviews cost estimates on significant new equipment contracts on a quarterly basis and, for others, no less frequently than annually or when circumstances change and warrant a modification to a previous estimate. Management records changes in contract estimates using the cumulative catch-up method and reviews changes in contract estimates for their impact on net sales or operating profit in the consolidated financial statements. Contract costs included in the calculation are comprised of labor, materials, subcontractors' costs or other direct costs and indirect costs, which include indirect labor costs.

The principal considerations for our determination that performing procedures relating to revenue recognition - estimated costs at completion for new equipment contracts is a critical audit matter are the significant judgment by management to determine the estimated costs at contract completion, which in turn led to significant auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the estimated expected labor and indirect labor costs used in the development of estimated costs at contract completion.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the determination of the estimated costs at contract completion and development of the significant assumptions related to the estimated expected labor and indirect labor costs. These procedures also included, among others, evaluating and testing management's process for developing and modifying estimated costs at contract completion for a sample of contracts, which included evaluating the reasonableness of significant assumptions related to the estimated expected labor and indirect labor costs considered by management specific to each contract. Evaluating the reasonableness of the estimated expected labor and indirect labor costs involved assessing management's ability to reasonably estimate costs at completion by (i) testing costs incurred to date and obtaining a sample of executed contracts and related change orders, (ii) performing a comparison of the margin, driven by the estimated and actual costs incurred, to that of similar completed equipment contracts, and (iii) evaluating the timely identification of circumstances that may warrant a modification to estimated total cost to complete.

/s/ PricewaterhouseCoopers LLP  
Hartford, Connecticut  
February 4, 2022

We have served as the Company's auditor since 2019.

**OTIS WORLDWIDE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

*(dollars in millions, except per share amounts)*

	2021	2020	2019
Net sales:			
Product sales	\$ 6,428	\$ 5,371	\$ 5,648
Service sales	7,870	7,385	7,470
	<u>14,298</u>	<u>12,756</u>	<u>13,118</u>
Costs and expenses:			
Cost of products sold	5,293	4,439	4,640
Cost of services sold	4,812	4,538	4,652
Research and development	159	152	163
Selling, general and administrative	1,948	1,924	1,810
	<u>12,212</u>	<u>11,053</u>	<u>11,265</u>
Other income (expense), net	22	(64)	(39)
Operating profit	<u>2,108</u>	<u>1,639</u>	<u>1,814</u>
Non-service pension cost (benefit)	11	6	(33)
Interest expense (income), net	136	122	(14)
Net income before income taxes	<u>1,961</u>	<u>1,511</u>	<u>1,861</u>
Income tax expense	541	455	594
Net income	<u>1,420</u>	<u>1,056</u>	<u>1,267</u>
Less: Noncontrolling interest in subsidiaries' earnings	174	150	151
<b>Net income attributable to Otis Worldwide Corporation</b>	<u><u>\$ 1,246</u></u>	<u><u>\$ 906</u></u>	<u><u>\$ 1,116</u></u>
<b>Earnings per share (Note 3):</b>			
Basic	\$ 2.91	\$ 2.09	\$ 2.55
Diluted	\$ 2.89	\$ 2.08	\$ 2.55
Weighted average number of shares outstanding			
Basic shares	427.7	433.2	433.1
Diluted shares	431.4	434.6	433.1

See accompanying Notes to Consolidated Financial Statements.



**OTIS WORLDWIDE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(dollars in millions)*

	2021	2020	2019
Net income	\$ 1,420	\$ 1,056	\$ 1,267
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax	(53)	8	(26)
Pension and postretirement benefit plan adjustments:			
Net actuarial gain (loss)	71	(43)	(28)
Amortization of actuarial loss and prior service credit	18	15	9
Other	13	(19)	(22)
	102	(47)	(41)
Tax benefit (expense)	(27)	11	9
Pension and postretirement benefit plan adjustments, net of tax	75	(36)	(32)
Change in unrealized cash flow hedging:			
Unrealized cash flow hedging gain (loss)	(1)	10	(3)
Adjustment for net (gain) loss realized and included in net income	4	(3)	—
Change in unrealized cash flow hedging, net of tax	3	7	(3)
Other comprehensive income (loss), net of tax	25	(21)	(61)
Comprehensive income	1,445	1,035	1,206
Less: Comprehensive income attributable to noncontrolling interest	(147)	(186)	(140)
Comprehensive income attributable to Otis Worldwide Corporation	\$ 1,298	\$ 849	\$ 1,066

See accompanying Notes to Consolidated Financial Statements.

**OTIS WORLDWIDE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

*(dollars in millions)*

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,565	\$ 1,782
Restricted cash	1,910	17
Accounts receivable (net of allowance for expected credit losses of \$175 and \$161)	3,232	3,148
Contract assets	550	458
Inventories, net	622	659
Other current assets	382	429
Total Current Assets	8,261	6,493
Future income tax benefits	335	334
Fixed assets, net	774	774
Operating lease right-of-use assets	526	542
Intangible assets, net	419	484
Goodwill	1,667	1,773
Other assets	297	310
Total Assets	\$ 12,279	\$ 10,710
<b>Liabilities and (Deficit) Equity</b>		
Short-term borrowings	\$ 24	\$ 701
Accounts payable	1,556	1,453
Accrued liabilities	1,993	1,977
Contract liabilities	2,674	2,542
Total Current Liabilities	6,247	6,673
Long-term debt	7,249	5,262
Future pension and postretirement benefit obligations	558	654
Operating lease liabilities	336	367
Future income tax obligations	267	321
Other long-term liabilities	606	634
Total Liabilities	15,263	13,911
Commitments and contingent liabilities (Note 22)		
Redeemable noncontrolling interest	160	194
Shareholders' (Deficit) Equity:		
Common Stock and additional paid-in-capital	119	59
Treasury Stock	(725)	—
Accumulated deficit	(2,256)	(3,106)
Accumulated other comprehensive income (loss)	(763)	(815)
Total Shareholders' (Deficit) Equity	(3,625)	(3,862)
Noncontrolling interest	481	467
Total (Deficit) Equity	(3,144)	(3,395)
Total Liabilities and (Deficit) Equity	\$ 12,279	\$ 10,710

See accompanying Notes to Consolidated Financial Statements.

**OTIS WORLDWIDE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

<i>(dollars in millions, except per share amounts)</i>	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	UTC Net Investment (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' (Deficit) Equity	Noncontrolling Interest	Total (Deficit) Equity	Redeemable Noncontrolling Interest
Balance as of January 1, 2019	\$ —	\$ —	\$ —	\$ 2,262	\$ (708)	\$ 1,554	\$ 458	\$ 2,012	\$ 203
Net transfers (to) from UTC	—	—	—	(935)	—	(935)	—	(935)	—
Net income	—	—	—	1,116	—	1,116	147	1,263	4
Other comprehensive income (loss), net of tax	—	—	—	—	(50)	(50)	(9)	(59)	(2)
Dividends attributable to noncontrolling interest	—	—	—	—	—	—	(146)	(146)	(17)
Acquisitions, disposals and other changes	—	—	—	(13)	—	(13)	6	(7)	10
<b>Balance as of December 31, 2019</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,430</b>	<b>\$ (758)</b>	<b>\$ 1,672</b>	<b>\$ 456</b>	<b>\$ 2,128</b>	<b>\$ 198</b>
Adoption of credit loss standard, net of tax (Note 2)	—	—	—	(25)	—	(25)	—	(25)	—
Net transfers (to) from UTC and Separation-related transactions	—	—	—	(6,150)	—	(6,150)	—	(6,150)	—
Issuance of Common Stock and reclassification of deficit	4	—	(3,584)	3,580	—	—	—	—	—
Net income	—	—	741	165	—	906	138	1,044	12
Other comprehensive income (loss), net of tax	—	—	—	—	(57)	(57)	34	(23)	2
Stock-based compensation and Common Stock issued under employer plans	55	—	—	—	—	55	—	55	—
Cash dividends declared (\$0.60 per Common Share)	—	—	(260)	—	—	(260)	—	(260)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	—	(138)	(138)	(9)
Acquisitions, disposals and other changes	—	—	(3)	—	—	(3)	(23)	(26)	(9)
<b>Balance as of December 31, 2020</b>	<b>\$ 59</b>	<b>\$ —</b>	<b>\$ (3,106)</b>	<b>\$ —</b>	<b>\$ (815)</b>	<b>\$ (3,862)</b>	<b>\$ 467</b>	<b>\$ (3,395)</b>	<b>\$ 194</b>
Net income	—	—	1,246	—	—	1,246	163	1,409	11
Other comprehensive income (loss), net of tax	—	—	—	—	52	52	(15)	37	(12)
Stock-based compensation and Common Stock issued under employer plans	62	—	(2)	—	—	60	—	60	—
Cash dividends declared (\$0.92 per Common Share)	—	—	(393)	—	—	(393)	—	(393)	—
Repurchase of Common Shares	—	(725)	—	—	—	(725)	—	(725)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	—	(145)	(145)	(11)
Acquisitions, disposals and other changes	(2)	—	(1)	—	—	(3)	11	8	(22)
<b>Balance as of December 31, 2021</b>	<b>\$ 119</b>	<b>\$ (725)</b>	<b>\$ (2,256)</b>	<b>\$ —</b>	<b>\$ (763)</b>	<b>\$ (3,625)</b>	<b>\$ 481</b>	<b>\$ (3,144)</b>	<b>\$ 160</b>

See accompanying Notes to Consolidated Financial Statements.

**OTIS WORLDWIDE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(dollars in millions)</i>	2021	2020	2019
<b>Operating Activities:</b>			
Net income	\$ 1,420	\$ 1,056	\$ 1,267
Adjustments to reconcile net income to net cash flows provided by operating activities, net of acquisitions:			
Depreciation and amortization	203	191	180
Deferred income tax expense (benefit)	(92)	(51)	(8)
Stock compensation cost	65	63	37
Losses on fixed asset impairment or disposal of business	—	71	26
Change in:			
Accounts receivable, net	(152)	(163)	(191)
Contract assets and liabilities, current	53	282	97
Inventories, net	14	(76)	60
Other current assets	43	28	30
Accounts payable	130	20	6
Accrued liabilities	72	(14)	(34)
Pension contributions	(37)	(64)	(32)
Other operating activities, net	31	137	31
Net cash flows provided by operating activities	1,750	1,480	1,469
<b>Investing Activities:</b>			
Capital expenditures	(156)	(183)	(145)
Investments in businesses and intangible assets, net of cash acquired (Note 9)	(80)	(53)	(47)
Proceeds from sale of (investments in) equity securities	40	(51)	—
Receipts (payments) on settlements of derivative contracts	73	(69)	(5)
Other investing activities, net	34	3	(6)
Net cash flows used in investing activities	(89)	(353)	(203)
<b>Financing Activities:</b>			
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	(304)	647	6
Proceeds from borrowings (maturities longer than 90 days)	152	—	—
Repayments of borrowings (maturities longer than 90 days)	(503)	—	—
Proceeds from issuance of long-term debt	2,030	6,300	—
Payment of debt issuance costs	(25)	(43)	—
Repayment of long-term debt	—	(1,000)	—
Dividends paid on Common Stock	(393)	(260)	—
Repurchases of Common Stock	(725)	—	—
Dividends paid to noncontrolling interest	(155)	(149)	(163)
Net transfers to UTC	—	(6,330)	(972)
Other financing activities, net	(19)	(9)	(4)
Net cash flows provided by (used in) financing activities	58	(844)	(1,133)
Effect of foreign exchange rate changes on cash and cash equivalents	(43)	59	(20)
Net increase in cash and cash equivalents	1,676	342	113
Cash, cash equivalents and restricted cash, beginning of year	1,801	1,459	1,346
Cash, cash equivalents and restricted cash, end of year	3,477	1,801	1,459
Less: Restricted cash	1,912	19	13
Cash and cash equivalents, end of period	\$ 1,565	\$ 1,782	\$ 1,446
<b>Supplemental cash flow information:</b>			
Interest paid (including related party interest of \$0, \$0 and \$18)	\$ 129	\$ 81	\$ 18
Income taxes paid, net of (refunds) (including related party of \$0, \$(15) and \$255)	552	561	632

See accompanying Notes to Consolidated Financial Statements.

**Note 1: Business Overview**

Otis (as defined below) is the world's largest elevator and escalator manufacturing, installation and service company. Our operations are classified into two segments: New Equipment and Service. Through the New Equipment segment, we design, manufacture, sell and install a wide range of passenger and freight elevators, as well as escalators and moving walkways, for residential and commercial building and infrastructure projects. The Service segment provides maintenance and repair services for both our products and those of other manufacturers, and provides modernization services to upgrade elevators and escalators.

On November 26, 2018, United Technologies Corporation, subsequently renamed to Raytheon Technologies Corporation on April 3, 2020 ("UTC" or "RTX", as applicable), announced its intention to spin-off its Otis reportable segment and its Carrier reportable segment into two separate publicly-traded companies (the "Separation"). On April 3, 2020, the Company became an independent publicly-traded company through a pro-rata distribution of 0.5 shares of Common Stock for every share of UTC common stock held at the close of business on the record date of March 19, 2020 ("Distribution"). Otis began to trade as a separate public company (New York Stock Exchange ("NYSE"): OTIS) on April 3, 2020.

Unless the context otherwise requires, references to "Otis", "we", "us", "our" and "the Company" refer to (i) Otis Worldwide Corporation's business prior to the Separation and (ii) Otis Worldwide Corporation and its subsidiaries following the Separation, as applicable. References to "UTC" relate to pre-Separation matters, and references to "RTX" relate to post-Separation matters.

The Separation was completed pursuant to a Separation and Distribution Agreement ("Separation Agreement") and other agreements with our former parent, UTC, related to the Separation, including but not limited to a transition services agreement (the "Transition Services Agreement" or "TSA"), a tax matters agreement (the "Tax Matters Agreement" or "TMA"), an employee matters agreement (the "Employee Matters Agreement" or "EMA") and an intellectual property agreement (the "Intellectual Property Agreement"). For further discussion on these agreements, see Note 5, "Related Parties".

*Zardoya Otis Tender Offer*

In September 2021, the Company announced a tender offer, subject to the terms and conditions thereof, to acquire all of the issued and outstanding shares of Zardoya Otis, S.A. ("Zardoya Otis") not owned by the Company at a price of €7.00 per share in cash (the "Tender Offer"), subject to adjustment for dividends and other distributions declared and paid by Zardoya Otis after the announcement, and its intention to delist the shares of Zardoya Otis from the Spanish stock exchanges subsequent to the Tender Offer. The price per share of the Tender Offer was first adjusted to €6.93 for the dividend paid on October 11, 2021. On December 21, 2021, the Company announced it reached an agreement for Euro Syns S.A. (a non-controlling equity owner in Zardoya Otis) to irrevocably tender its shares in the Tender Offer at an offer price of €7.14 per share in cash (€7.07 per share after adjusting for dividends paid by Zardoya Otis on January 10, 2022). As a result of this agreement, the Company increased the tender price to all shareholders to €7.07 per share in cash after adjusting for the dividends paid. The Tender Offer is subject to approval by the CNMV, which is still pending as of February 4, 2022. The value of the issued and outstanding shares of Zardoya Otis not owned by the Company is €1.66 billion based on the adjusted tender price of €7.07.

The Company owned a controlling interest and had operational control of Zardoya Otis as of and for the years ended December 31, 2021, 2020 and 2019, and therefore its financial results are included in our Consolidated Financial Statements. As of December 31, 2021, the Company owned 50.02% of Zardoya Otis. See Note 10, "Borrowings and Lines of Credit" and Note 20, "Guarantees" for additional information regarding financing and guarantee agreements entered into by the Company and its subsidiaries in connection with the Tender Offer.

**Note 2: Summary of Significant Accounting Policies**

**Principles of Consolidation and Basis of Presentation.** Prior to the Separation on April 3, 2020, our historical financial statements were prepared on a standalone combined basis and were derived from the consolidated financial statements and accounting records of our former parent, UTC. For the period subsequent to April 3, 2020, our financial statements are presented on a consolidated basis as the Company became a standalone public company (collectively, the financial statements for all periods presented, including the historical results of the Company prior to April 3, 2020, are now referred to as "Consolidated Financial Statements" to reflect this change). They have been prepared in accordance with the instructions to Form 10-K.

Prior to the Separation on April 3, 2020, the Consolidated Statements of Operations included all revenues and costs directly attributable to Otis, including costs for facilities, functions and services used by Otis. Costs for certain functions and services performed by centralized UTC organizations were directly charged to Otis based on specific identification when possible or based on a reasonable allocation driver such as net sales, headcount, usage or other allocation methods. All charges and allocations for facilities, functions and services performed by UTC organizations have been deemed settled in cash by Otis to UTC in the period in which the cost was recorded on the Consolidated Statements of Operations. Current and deferred income taxes were determined based on the standalone results of Otis. However, because the Company was included in our former parent UTC's tax group in certain jurisdictions, the Company's actual tax balances may differ from those reported. The Company's portion of its domestic income taxes and certain income taxes for jurisdictions outside the U.S. are deemed to have been settled in the period the related tax expense was recorded prior to the Separation.

The Consolidated Financial Statements include the accounts of Otis and its controlled subsidiaries, as well as entities where Otis has a variable interest and is the primary beneficiary as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, *Consolidation*. The factors we use to determine the primary beneficiary of a variable interest entity ("VIE") may include decision authority, control over management of day-to-day operations and the amount of our equity investment in relation to others' investments.

All significant intracompany accounts and transactions within the Company have been eliminated in the preparation of the Consolidated Financial Statements.

Certain amounts for prior years have been reclassified to conform to the current year presentation, which are immaterial.

**Use of Estimates.** The preparation of the Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. In addition, estimates and assumptions may impact the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We assessed certain accounting matters that generally require consideration of forecasted financial information in the context of the information reasonably available to us and the unknown future impacts of coronavirus ("COVID-19") as of December 31, 2021 and 2020, and through the date of this report. The accounting matters assessed included, but were not limited to, our allowance for credit losses, the carrying value of our goodwill and other long-lived assets, financial assets and revenue recognition. While there was not a material impact to our Consolidated Financial Statements as of and for the years ended December 31, 2021 and 2020 resulting from our assessments of these matters, future assessment of our current expectations at that time of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to our Consolidated Financial Statements in future reporting periods.

**Risks and Uncertainties.** As the global COVID-19 pandemic continues and the economic recovery is ongoing, the Company continues to closely monitor and manage the impact of the COVID-19 pandemic on its business globally. It is difficult to estimate at this time the duration and extent of the continued impact of the pandemic and ongoing economic recovery on the Company's business, financial position, cash flow and results of operations. The results of our operations and overall financial performance were impacted during the years ended December 31, 2021 and 2020, including impacts to customer demand for our new equipment, maintenance and repair and modernization businesses, cancellations or delays of customer orders, customer liquidity constraints and related credit reserves, and supplier and raw material capacity constraints, delays and related costs. Primarily in 2020, there were also temporary closures and reduced capacity of our operations, limited new equipment job site closures and challenges in accessing units to provide maintenance and repair services that also impacted our results.

Due to existing conditions and uncertainty, COVID-19 and ongoing economic recovery could have an impact on our business, cash flow and results of operations into 2022. The extent of the impact will depend largely on future developments, which are highly uncertain, including the severity of the outbreak and variants of COVID-19, efficacy, availability and distribution of vaccines, actions taken by government authorities to further contain the outbreak or address its impact and its longer-term impacts on the global economy, among other factors.

**Cash and Cash Equivalents.** Cash and cash equivalents includes cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less.

**Restricted Cash.** In certain circumstances we are required to maintain cash deposits with certain banks with respect to contractual or other legal obligations, and therefore the use of these cash deposits for general operational purposes is restricted. Restricted cash as of December 31, 2021 is primarily cash of \$1.9 billion required to be held in escrow to fund the Tender

Offer, which is expected to be completed in 2022. The non-current portion of restricted cash is \$2 million as of December 31, 2021 and 2020, and is included in Other assets on the Consolidated Balance Sheets.

**Accounts Receivable.** The Company records accounts receivables when the right to consideration becomes unconditional. We regularly evaluate the collectability of our accounts receivable and maintain reserves for expected credit losses. See Note 6, "Accounts Receivable, Net" for additional information on the Company's policy for evaluation of expected credit losses. We do not believe that accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographic areas.

*Retainage and Unbilled Receivables.* Current and long-term accounts receivable as of December 31, 2021 and 2020 include retainage of \$75 million and \$61 million, respectively, and unbilled receivables of \$109 million and \$104 million, respectively. Retainage represents amounts that, pursuant to the applicable contract, are not due until after project completion and acceptance by the customer. Unbilled receivables represent revenues that are earned but may not be currently billable to the customer under the terms of the contract. These items are expected to be billed and collected in the ordinary course of business. Unbilled receivables where we have an unconditional right to payment are included in Accounts receivable, net as of December 31, 2021 and 2020.

*Customer Financing Notes Receivable.* Through financing arrangements with our customers, we extend payment terms, which are generally not more than one year in duration.

*Factoring.* The Company may sell certain trade accounts and notes receivable to lending institutions to manage credit risk. Financial assets sold under these arrangements are excluded from Accounts receivable, net in the Company's Consolidated Balance Sheets at the time of sale if the Company has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company's continuing involvement with the assets transferred. Gains and losses stemming from transfers reported as sales are included in Interest expense (income), net in the accompanying Consolidated Statements of Operations.

**Contract Assets and Liabilities.** Contract assets and liabilities represent the difference in the timing of revenue recognition from receipt of cash from our customers and billings.

Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing. Performance obligations partially satisfied in advance of customer billings are included in Contract assets, current. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts. See Note 4, "Contract Assets and Liabilities" for further discussion of contract assets and liabilities.

**Inventories.** Inventories are stated at the lower of cost or estimated realizable value and are primarily based on a first-in, first-out ("FIFO") method. Valuation reserves for excess, obsolete and slow-moving inventory are estimated by comparing the inventory levels of individual parts to both future sales forecasts or production requirements and historical usage rates in order to identify inventory where the resale value or replacement value is less than inventoriable cost. See Note 7, "Inventories, Net" for further details of the inventories by classification.

**Fixed Assets.** Fixed assets, including software capitalized for internal-use, are recorded at cost. Depreciation of fixed assets is computed over the fixed assets' useful lives on a straight-line basis, unless another systematic and rational basis is more representative of the fixed asset's pattern of use. See Note 8, "Fixed Assets" for further details of useful lives.

*Internal-use software.* The Company capitalizes direct costs of services used in the development of, and external software acquired for use as, internal-use software. Amounts capitalized are amortized over a period ranging from three to five years, on a straight-line basis, unless another systematic and rational basis is more representative of the software's use. Amounts are reported as a component of Machinery and equipment.

*Asset Retirement Obligations.* The Company records the fair value of legal obligations associated with the retirement of tangible long-lived assets in the period in which the legal obligations are determined to exist. Upon initial recognition of a liability, the Company capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is adjusted for changes in its present value and the capitalized cost is depreciated over the useful life of the related asset.

**Fair Value of Financial Instruments.** The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level I – Quoted prices for identical instruments in active markets.

Level II – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level III – Instruments whose significant value drivers are unobservable.

The carrying amount of current trade receivables, accounts payable and accrued expenses approximates fair value due to the short maturity (less than one year) of the instruments.

**Equity Method Investments.** Entities in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are included in Other assets on the Consolidated Balance Sheets. Under this method of accounting, our share of the net earnings or losses of the investee entity is included in Other income (expense), net in the Consolidated Statements of Operations since the activities of the investee entity are closely aligned with the operations of the Company. We evaluate our equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

**Business Combinations.** We account for transactions that are classified as business combinations in accordance with the FASB ASC Topic 805: *Business Combinations*. Once a business is acquired, the fair values of the identifiable assets acquired and liabilities assumed are determined with the excess cost recorded to goodwill. As required, preliminary fair values are determined once a business is acquired, with the final determination of the fair values being completed within the one-year measurement period from the date of acquisition.

**Goodwill, Intangible Assets and Long-Lived Assets.** Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Intangible assets consist of service portfolios, patents, trademarks/trade names, customer relationships and other intangible assets. Acquired intangible assets are recognized at fair value during acquisition accounting and then amortized to Cost of products and services sold and Selling, general and administrative over the applicable useful lives.

*Goodwill and Indefinite-Lived Intangible Assets.* Goodwill and intangible assets deemed to have indefinite lives are not amortized. Goodwill and indefinite-lived intangible assets are subject to impairment testing annually or when a triggering event occurs using the guidance and criteria described in FASB ASC Topic 350: *Intangibles – Goodwill and Other*. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value.

We test goodwill for impairment at a level within the Company referred to as the reporting unit, which is one level below the operating segment level. When testing goodwill for impairment, the Company may first assess qualitative factors. If an initial qualitative assessment identified that it is more likely than not that the fair value of a reporting unit is less than its carrying value, additional quantitative testing is performed. The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. If the quantitative testing indicates that goodwill is impaired, an impairment charge is recognized based on the difference between the reporting unit's carrying value and its fair value. When it is determined that a quantitative analysis is required, the Company primarily utilizes a discounted cash flow methodology to calculate the fair value of its reporting units. The Company completed its most recent annual impairment testing as of July 1, 2021, and determined in the qualitative assessment that quantitative testing is not necessary. There were no triggering events since the annual impairment test.



**Finite-Lived Intangible Assets and Long-Lived Assets.** Useful lives of finite-lived intangible assets are estimated based upon the nature of the intangible asset. These intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are consumed or if straight-line amortization approximates the pattern of economic benefit, a straight-line amortization method may be used. The range of estimated useful lives is as follows:

Purchased service portfolios	5 to 25 years
Patents, trademarks/trade names	4 to 40 years
Customer relationships and other	1 to 20 years

The Company evaluates the potential impairment of long-lived assets, including finite-lived intangible assets whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. If the carrying value of other long-lived assets held and used exceeds the sum of the undiscounted expected future cash flows, the carrying value is written down to fair value. See Note 8, "Fixed Assets" and Note 9, "Business Acquisitions, Goodwill and Intangible Assets" for additional information regarding intangible assets and other long-lived assets.

**Income Taxes.** 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 expense has also been recognized. We recognize accrued interest related to unrecognized tax benefits in Interest expense (income), net. Penalties, if incurred, would be recognized as a component of Income tax expense.

The U.S. Tax Cuts and Jobs Act ("TCJA") subjects the Company to a tax on Global Intangible Low-Taxed Income ("GILTI"). GILTI is a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. We account for GILTI as a period cost as incurred.

Income taxes as presented in the Consolidated Financial Statements of the Company for periods prior to the Separation attribute current and deferred income taxes of our former parent, UTC, to the Company's stand-alone financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed by FASB ASC Topic 740: *Income Taxes* ("ASC 740"). Accordingly, the Company's income tax provision for periods prior to the Separation was prepared following the separate return method. The separate return method applies ASC 740 to the stand-alone financial statements of each member of the consolidated group as if the group members were a separate taxpayer and a stand-alone enterprise. The calculation of our income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. As a result, actual transactions included in the consolidated financial statements of UTC may not be included in the Consolidated Financial Statements of the Company. Similarly, the tax treatment of certain items reflected in the Consolidated Financial Statements of the Company may not be reflected in the consolidated financial statements and tax returns of UTC. Therefore, such items as net operating losses, credit carry-forwards and valuation allowances may exist in the stand-alone financial statements that may or may not exist in UTC's consolidated financial statements. As such, the income taxes of the Company as presented in the Consolidated Financial Statements prior to the Separation may not be indicative of the income taxes that the Company will report in the future.

See Note 5, "Related Parties" and Note 16, "Income Taxes" for additional information.

**Revenue Recognition.** We recognized revenue in accordance with FASB ASC Topic 606: *Revenue from Contracts with Customers* and its related amendments, (referred to, collectively, as "ASC 606"). The Company's revenue streams include new equipment, maintenance and repair, and modernization. New equipment, modernization and repair services revenue are recognized over time as we are enhancing an asset the customer controls. Maintenance revenue is recognized on a straight-line basis over the life of the maintenance contract.

**New Equipment, Modernization and Repair services.** For new equipment and modernization transactions, equipment and installation are typically procured in a single contract providing the customer with a complete installed elevator or escalator unit. The combination of equipment and installation promises are typically a single performance obligation. For repair services, the customer typically contracts for specific short-term services which form a single performance obligation.

For these performance obligations, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which corresponds with and best depicts transfer of control or the enhancement of the customer's assets. Contract costs included in the calculation are comprised of labor, materials, subcontractors' costs or other direct costs and indirect costs, which include indirect labor costs. Specific to new equipment and modernization arrangements, the Company, based on project progression, reviews cost estimates on significant contracts on a quarterly basis, and for others, no less frequently than annually or when circumstances change and warrant a modification to a previous estimate. These estimates form the basis for the amount of revenue to be recognized and include the latest updated total transaction price, costs and risks for each contract. These estimates for our ongoing contracts may materially change due to the change and completions of the contract scopes, cost estimates and customers' plans, among other factors.

For performance obligations recognized under the cost to cost method, we record changes in contract estimates using the cumulative catch-up method. Modifications are recognized as a cumulative catch-up or treated as a separate accounting contract if the modification adds distinct goods or services and the modification is priced at its stand-alone selling price.

**Maintenance.** Our customers purchase maintenance contracts which include services such as required periodic maintenance procedures, preventive services and stand ready obligations to remediate issues with the elevator/escalator when and if they arise. Given the continuous nature of these services throughout the year, we recognize revenue on maintenance contracts on a straight-line basis which aligns with the cost profile of these services. Contractual changes are typically recognized prospectively as most modifications are extensions of the existing arrangement.

**Transaction Price Considerations.** Our contracts typically include fixed payments which are generally received as we progress under our contracts. As a result, we have not identified any significant financing elements in our contract, and our contracts do not have significant estimates related to variable consideration except in the case of a project having an underlying performance issue, which is rare. In situations where multiple performance obligations in a single contract (e.g., new equipment and maintenance) exist, the transaction price is allocated to each performance obligation in proportion to their stand-alone selling prices. Estimates are made to account for changes in transaction prices attributable to pricing disputes that occur subsequent to the inception of contracts, based upon historical experience and the status of contracts.

**Certain costs to obtain or fulfill contracts.** Certain costs to obtain or fulfill a contract with a customer must be capitalized, to the extent recoverable from the associated contract margin, and subsequently amortized as the products or services are delivered to the customer. Sales commissions related to new equipment, modernization and maintenance contracts, excluding renewals, are capitalized as contract fulfillment costs and are amortized consistent with the pattern of transfer of the goods or services. Customer contract costs, which do not qualify for capitalization as contract fulfillment costs, are expensed as incurred.

**Loss Contracts.** Loss provisions on contracts are recognized to the extent that estimated contract costs exceed the estimated consideration from the products contemplated under the contractual arrangement. For new commitments, we generally record loss provisions at contract inception. For existing commitments, anticipated losses on contractual arrangements are recognized in the period in which losses become probable.

**Remaining Performance Obligations ("RPO").** RPO represents the aggregate amount of total contract transaction price that is unsatisfied or partially unsatisfied. As of December 31, 2021, our total RPO was approximately \$17.1 billion. Of the total RPO as of December 31, 2021, we expect approximately 89% will be recognized as sales over the following 24 months.

Additional disclosure required by ASC 606 is provided in Note 23, "Segment Financial Data", including disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

**Self-Insurance.** The Company is primarily self-insured for a number of risks including, but not limited to, workers' compensation, general liability, automobile liability and employee-related healthcare benefits. The Company has obtained insurance coverage for amounts exceeding individual and aggregate loss limits. The Company accrues for known future claims and incurred but not reported losses within Accrued liabilities and Other long-term liabilities on the Consolidated Balance Sheets, totaling \$287 million and \$299 million as of December 31, 2021 and 2020, respectively.

**Derivatives and Hedging Activity.** We have used derivative instruments, principally forward contracts, to help manage certain foreign currency and commodity price exposures. Derivative instruments are viewed as risk management tools by us and are not used for trading or speculative purposes. By their nature, all financial instruments involve market and credit risks. We enter into derivative and other financial instruments with major investment grade financial institutions and have policies to monitor

the credit risk of those counterparties. We limit counterparty exposure and concentration of risk by diversifying counterparties. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties.

**Designated Derivative Instruments.** Derivatives used for hedging purposes may be designated and effective as a hedge of the identified risk exposure at the inception of the contract. All derivative instruments are recorded on the Consolidated Balance Sheets at fair value. Derivatives used to hedge foreign currency denominated balance sheet items and commodity prices for materials recognized in cost of sales, and are reported directly in earnings along with offsetting transaction gains and losses on the items being hedged. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases may be accounted for as cash flow hedges, as deemed appropriate. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income (loss), net of tax and reclassified to earnings as a component of product sales or expenses, as applicable, when the hedged transaction occurs. Gains and losses on derivatives designated as cash flow hedges are recorded in Other operating activities, net within the Consolidated Statement of Cash Flows. To the extent that a previously designated hedging transaction is no longer an effective hedge, any ineffectiveness measured in the hedging relationship is recorded currently in earnings in the period it occurs.

Additional information pertaining to net investment hedging is included in Note 18, "Financial Instruments".

**Non-designated Derivative Instruments.** To the extent the hedge accounting criteria are not applied, the foreign currency forward contracts and commodity price contracts are utilized as economic hedges and changes in the fair value of these contracts are recorded currently in earnings in the period in which they occur. Additional information pertaining to these contracts is included in Note 18, "Financial Instruments".

In addition, the Company periodically enters into sales contracts denominated in currencies other than the functional currency of the parties to the transaction. The Company accounts for these transactions separately valuing the embedded derivative component of these contracts. The changes in the fair value of these embedded derivatives are recorded in Other income (expense), net in the Consolidated Statements of Operations. For the years ended December 31, 2021, 2020 and 2019, we recognized a gain of \$1 million, a loss of \$3 million and a loss of \$27 million, respectively, due to the changes in fair value of embedded derivatives.

**Environmental.** Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including current laws, regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. Liabilities with fixed or reliably determinable future cash payments are discounted. Accrued environmental liabilities are not reduced by potential insurance reimbursements. See Note 22, "Contingent Liabilities" for additional details on the environmental remediation activities.

**Research and Development.** These costs are expensed in the period incurred and are shown on a separate line of the Consolidated Statements of Operations. Research and development expenses, covering research and the advancement of potential new and improved products and their uses, primarily include salaries and other employment costs.

**Other Income (Expense), Net.** Other income (expense), net includes the impact of changes in the fair value and settlement of derivatives, gains or losses on sale of businesses and fixed assets, earnings from equity method investments, fair value changes on equity securities, impairments, non-recurring Separation-related expenses, gains on insurance recoveries and certain other infrequent operating income and expense items.

**Foreign Exchange.** We conduct business in many different currencies and, accordingly, are subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of our foreign subsidiaries are measured using the local currency as the functional currency. Foreign currency denominated assets and liabilities are translated into U.S. Dollars at the exchange rates existing at the respective balance sheet dates, and income and expense items are translated at the average exchange rates during the respective periods. The aggregate effects of translating the balance sheets of these subsidiaries are deferred within Accumulated other comprehensive income (loss).

**Pension and Postretirement Obligations.** Guidance under FASB ASC Topic 715: *Compensation – Retirement Benefits* requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under this guidance, actuarial gains and losses, prior service costs or credits and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in other comprehensive income (loss), net of tax effects, until they are amortized as a component of net periodic benefit cost. Pension and postretirement obligation balances

and related costs reflected within the Consolidated Financial Statements include both costs directly attributable to plans dedicated to Otis, as well as an allocation of costs for Otis employees' participation in our former parent, UTC's plans prior to Separation. See Note 13, "Employee Benefit Plans" for additional information.

**Additional Paid-in Capital.** Additional paid-in capital includes the value of stock-based award activity, as well as the difference between the cost of acquiring the Noncontrolling interest in consolidated subsidiaries and Otis' carrying value of the Noncontrolling interest associated with those subsidiaries.

In 2021, the Company recorded in Additional paid-in capital \$2 million for transaction costs associated with the anticipated acquisition of shares of Zardoya Otis not owned by the Company. Refer to Note 1, "Business Overview" for additional information on the Tender Offer.

**Noncontrolling Interest.** Ownership interest in the Company's consolidated subsidiaries held by parties other than the Company are presented separately from Shareholders' (Deficit) Equity as "Noncontrolling interest" within equity on the Consolidated Balance Sheets. The amount of net income attributable to Otis Worldwide Corporation and the noncontrolling interest are both presented on the Consolidated Statements of Operations.

All noncontrolling interest with redemption features, such as put options or other contractual obligations to acquire the noncontrolling interest, that are not solely within our control are redeemable noncontrolling interest. Redeemable noncontrolling interest are reported in the mezzanine section of the Consolidated Balance Sheets, between Liabilities and equity (deficit), at the greater of redemption value or initial carrying value.

In 2021, the Company identified a misclassification between noncontrolling interest and redeemable noncontrolling interest. The impact of the correction of the misclassification to the Consolidated Balance Sheets as of January 1, 2019 was an increase to redeemable noncontrolling interest of \$94 million, a decrease to noncontrolling interest of \$79 million and a decrease to UTC Net Investment of \$15 million. The impact of the correction of the misclassification to the Consolidated Balance Sheets as of December 31, 2019 was an increase to redeemable noncontrolling interest of \$103 million, a decrease to noncontrolling interest of \$75 million and a decrease to UTC Net Investment of \$28 million. The impact of the correction of the misclassification to the Consolidated Balance Sheets as of December 31, 2020 was an increase to redeemable noncontrolling interest of \$111 million, a decrease to noncontrolling interest of \$81 million and a decrease to Accumulated Deficit of \$30 million. Additionally, the impact of redeemable noncontrolling interest to net income attributable to common shareholders was a reduction of \$0.03 to basic and diluted earnings per share of Common Stock in 2019. There was no impact to basic or diluted earnings per share of Common Stock in 2020.

The activity attributable to noncontrolling interest and redeemable noncontrolling interest for the years ended December 31, 2021, 2020 and 2019 are presented in the Consolidated Statements of Changes in Equity.

**UTC Net Investment.** For periods prior to the Separation, UTC's Net Investment in the Company was presented as "UTC Net Investment (Deficit)" on the Consolidated Balance Sheets. The Consolidated Statements of Changes in Equity includes activity in UTC Net Investment (Deficit) for corporate allocations, net cash transfers and other property transfers between our former parent, UTC, and the Company, as well as related party receivables, payables and long-term debt between the Company and other UTC affiliates that were settled on a current basis. Prior to the Separation, UTC performed cash management and other treasury-related functions on a centralized basis for nearly all of its legal entities, which included the Company, and, consequently, the net cash generated by the Company in legal entities that participated in UTC's centralized cash management and financing programs was transferred to UTC through the related party accounts. See Note 5, "Related Parties" for additional information.

## Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. This ASU and its related amendments (collectively, the "Credit Loss Standard") modifies the impairment model to utilize an expected loss methodology in place of the incurred loss methodology for financial instruments including trade receivables, contract assets, long term receivables and off-balance sheet credit exposures. The Credit Loss Standard requires consideration of a broader range of information to estimate expected credit losses, including historical information and current conditions through a reasonable forecast period. The Credit Loss Standard requires that the income statement reflect the measurement of credit losses for newly recognized financial assets as well as the expected increase or decrease of expected credit losses that have taken place during the period, which may result in earlier recognition of certain losses. We adopted this standard effective January 1, 2020 utilizing a modified retrospective approach. A cumulative-effect non-cash after-tax adjustment to retained earnings as of January 1, 2020 of \$25 million was recorded.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The new standard removes the disclosure requirements for the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. The provisions of this ASU were effective for years beginning after December 15, 2019, with early adoption permitted. The Company adopted this standard effective January 1, 2020. The adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The new standard provides updated guidance surrounding implementation costs associated with cloud computing arrangements that are service contracts. The provisions of this ASU were effective for years beginning after December 15, 2019. The Company adopted this standard prospectively effective January 1, 2020. The adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220). The new standard allows companies to reclassify to retained earnings the stranded tax effects in Accumulated other comprehensive income from the then-newly-enacted TCJA. The new standard was effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company adopted the standard and elected to reclassify the income tax effects of the TCJA from Accumulated other comprehensive (loss) to UTC Net Investment effective January 1, 2019. The adoption of this standard did not have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans - *General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. The new standard includes updates to the disclosure requirements for defined benefit plans including several additions, deletions and modifications to the disclosure requirements. The provisions of this ASU were effective for years ending after December 15, 2020, with early adoption permitted. The Company adopted this standard effective January 1, 2020. The adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*. The amendments in this update remove certain exceptions of Topic 740 including: exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or gain from other items; exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. There are also additional areas of guidance in regards to: franchise and other taxes partially based on income and the interim recognition of enactment of tax laws and rate changes. The provisions of this ASU were effective for years beginning after December 15, 2020, with early adoption permitted. The Company adopted this standard effective January 1, 2021. The adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

### Future Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions

affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 may be adopted and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. We are currently evaluating the impact of adopting this standard but do not expect it to have a material impact on our Consolidated Financial Statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, with early application permitted. We are currently evaluating the impact of adopting this standard, however we do not expect it to have a material impact on our Consolidated Financial Statements.

### Note 3: Earnings per Share

On April 3, 2020, the date of consummation of the Separation, 433,079,455 shares of the Common Stock, par value \$0.01 per share, were distributed to UTC shareholders of record as of March 19, 2020. This share amount is being utilized for the calculation of basic and diluted earnings per share for all periods presented prior to the Separation as all shares were owned by UTC prior to the Separation. For the 2019 calculations, these shares are treated as issued and outstanding at January 1, 2019 for purposes of calculating historical basic and diluted earnings per share.

<i>(dollars in millions, except per share amounts; shares in millions)</i>	2021	2020	2019
Net income attributable to Otis Worldwide Corporation	\$ 1,246	\$ 906	\$ 1,116
Impact of redeemable noncontrolling interest	—	—	(13)
Net income attributable to common shareholders	\$ 1,246	\$ 906	\$ 1,103
Basic weighted average number of shares outstanding	427.7	433.2	433.1
Stock awards and equity units (share equivalent)	3.7	1.4	—
<b>Diluted weighted average number of shares outstanding</b>	<b>431.4</b>	<b>434.6</b>	<b>433.1</b>
<b>Earnings Per Share of Common Stock:</b>			
Basic	\$ 2.91	\$ 2.09	\$ 2.55
Diluted	\$ 2.89	\$ 2.08	\$ 2.55

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 because the effect would be anti-dilutive. In addition, the computation of diluted earnings per share excludes the effect of the potential exercise of stock awards when the awards' assumed proceeds exceed the average market price of the common shares during the period. There were 0.1 million and 4.6 million of anti-dilutive stock awards excluded from the computation for 2021 and 2020, respectively.

Prior to the Separation, Otis employees participated in UTC's equity incentive plans, pursuant to which they were granted stock options, stock appreciation rights, restricted stock units, and performance-based restricted stock units. All awards granted under these plans were related to UTC common shares. Upon Separation, outstanding awards held by Otis employees under UTC's equity incentive plans were converted in accordance with the EMA using the conversion ratios set forth in the EMA. Depending on whether the awards held on the Separation date were in an unvested or vested status, Otis employees either received converted awards solely in Otis based shares (unvested status) or a combination of Otis, UTC and Carrier share based awards (vested status). Former Otis employees, and current and former legacy UTC and Carrier employees, who on the Separation date were holding outstanding UTC awards in a vested status also received a combination of Otis, UTC and Carrier awards post-spin. The conversion methodology used was calculated in accordance with the EMA and with the purpose of maintaining the aggregate intrinsic value of the award immediately after the Separation when compared to the aggregate intrinsic value immediately prior to the Separation. See Note 13, "Employee Benefit Plans" for further detail.



For the purpose of the above diluted earnings per share computation, we only included the units associated with the converted Otis share-based awards. These awards were assumed to be outstanding beginning from the Separation date.

#### Note 4: Contract Assets and Liabilities

Contract assets reflect revenue recognized in advance of customer billing. Contract liabilities are recognized when a customer pays consideration, or we have a right to receive an amount of unconditional consideration, in advance of the satisfaction of performance obligations under the contract. We typically receive progress payments from our customers as we perform our work over time.

Total Contract assets and Contract liabilities as of December 31, 2021 and 2020 are as follows:

<i>(dollars in millions)</i>	2021	2020
Contract assets, current	\$ 550	\$ 458
Total contract assets	550	458
Contract liabilities, current	2,674	2,542
Contract liabilities, noncurrent (included within Other long-term liabilities)	52	44
Total contract liabilities	2,726	2,586
Net contract liabilities	\$ 2,176	\$ 2,128

Contract assets increased by \$92 million during the year ended December 31, 2021 as a result of the progression of current contracts and timing of billing on customer contracts. Contract liabilities increased by \$140 million during the year ended December 31, 2021 primarily due to contract billings in excess of revenue earned. During the years ended December 31, 2021 and 2020, we recognized revenue of \$2.0 billion and \$1.6 billion related to the contract liabilities as of January 1, 2021 and as of January 1, 2020, respectively.

#### Note 5: Related Parties

In connection with the Separation as further described in Note 1, "Business Overview", the Company entered into several agreements with our former parent, UTC, and Carrier. These agreements include a separation and distribution agreement that sets forth certain agreements with UTC and Carrier regarding the principal actions to be taken in connection with the Separation, including identifying the assets transferred, the liabilities assumed and the contracts transferred to each of UTC, Carrier and Otis as part of the Separation.

Under the TSA, which is substantially completed as of December 31, 2021, RTX provided the Company certain services and we provided certain services to RTX. The EMA allocates among Otis, UTC and Carrier the liabilities and responsibilities relating to employment matters, employee compensation and benefit plans, benefit programs and other related matters.

We entered into the TMA with our former parent UTC and Carrier that governs the parties' respective rights, responsibilities and obligations with respect to tax matters (including responsibility for taxes, entitlement to refunds, allocation of tax attributes, preparation of tax returns, control of tax contests and other tax matters). Subject to certain exceptions set forth in the TMA, Otis generally is responsible for federal, state and foreign taxes imposed on a separate return basis on Otis (or any of its subsidiaries) with respect to taxable periods (or portions thereof) that ended on or prior to the date of the Distribution. The TMA provides special rules that allocate responsibility for tax liabilities arising from a failure of the Separation transactions to qualify for tax-free treatment based on the reasons for such failure. The TMA also imposes restrictions on Otis during the two-year period following the Distribution that are intended to prevent certain transactions from failing to qualify as transactions that are generally tax-free.

**Net Transfers from (to) UTC and Separation Transactions.** In connection with the Separation, certain assets and liabilities were contributed to the Company by our former parent, UTC, leading up to and at the time of the Separation. During 2020 prior to the Separation, net liabilities of \$43 million were contributed to the Company by our former parent, UTC, primarily consisting of deferred tax assets and liabilities and fixed assets. Prior to the Separation, these non-cash contributions were recorded as Net transfers (to) from UTC on the Consolidated Statements of Changes in Equity through UTC Net Investment.

Upon Separation, the following were recorded as Net transfers (to) from UTC and Separation-related transactions on the Consolidated Statements of Changes in Equity through UTC Net Investment:

<i>(dollars in millions)</i>	
Cash and cash equivalents	\$ 220
Taxes and other	187
<b>Total</b>	<b>\$ 407</b>

Prior to the Separation, our former parent, UTC, paid Otis Cash and cash equivalents of \$190 million in connection with the Separation Agreement, and \$30 million as settlement of related party receivables due from UTC to Otis as a result of a cash overdraft as of March 31, 2020.

Additionally, the TCJA imposed a non-recurring toll charge, paid in installments over an 8-year period on deemed repatriated earnings of foreign subsidiaries as of December 31, 2017. Under the terms of the TMA, Otis will indemnify RTX for a percentage of the toll charge installment payments due after April 3, 2020. As a result, a portion of Otis' balance of Future income tax obligations corresponding to the toll charge was reclassified as a contractual indemnity obligation within Other long-term liabilities on the Consolidated Balance Sheets. The TMA also provides for RTX to indemnify Otis for certain foreign tax obligations as a result of Otis' inclusion in certain foreign consolidated tax returns prior to the Separation. As a result, Otis reflected this contractual indemnification asset within Other current assets and the related tax obligations within Accrued liabilities on the Consolidated Balance Sheets. As a result of the Separation and the provisions of the TMA, Otis' total net tax-related liabilities on April 3, 2020 were reduced by \$191 million, comprising the following impacts to the Consolidated Balance Sheets:

<i>(dollars in millions)</i>		Increase (Decrease)
<b>Assets</b>		
Other current assets	\$	167
Total Current Assets		167
Future income tax benefits		(4)
<b>Total Assets</b>	<b>\$</b>	<b>163</b>
<b>Liabilities and (Deficit) Equity</b>		
Accrued liabilities	\$	110
Total Current Liabilities		110
Future income tax obligations		(377)
Other long-term liabilities		239
<b>Total Liabilities</b>		<b>(28)</b>
Total Shareholders' (Deficit) Equity		191
<b>Total (Deficit) Equity</b>		<b>191</b>
<b>Total Liabilities and (Deficit) Equity</b>	<b>\$</b>	<b>163</b>

There were also \$4 million of Other long-term liabilities recorded upon Separation on the Consolidated Balance Sheet.

In addition to Income taxes paid, net of (refunds) on the Consolidated Statements of Cash Flows, as a result of the TMA, the Company made payments of \$56 million and \$86 million in 2021 and 2020, respectively, for foreign tax obligations that were reimbursed by RTX.

**Shared Costs.** The Consolidated Financial Statements have been prepared on a standalone basis for the periods prior to the Separation on April 3, 2020, and for those periods are derived from the consolidated financial statements and accounting records of our former parent, UTC. Prior to the Separation, the Company had been managed and operated in the normal course of business with other affiliates of UTC, and UTC incurred corporate costs such as treasury, tax, accounting, human resources, audit, legal, purchasing, information technology and other such services. The costs associated with these services generally included all payroll and benefit costs, as well as overhead costs related to certain functions. All such amounts have been



deemed to have been incurred and settled by the Company in the period in which the costs were recorded.

Accordingly, prior to the Separation, shared costs of \$16 million and \$80 million were allocated to the Company for 2020 and 2019, respectively, primarily reflected in Selling, general and administrative expense on the Consolidated Statements of Operations. There were no allocated centralized costs for the periods after the Separation.

**Separation Costs.** We have incurred non-recurring Separation costs as follows:

<i>(dollars in millions)</i>	2021	2020	2019
Separation costs	\$ 27	\$ 119	\$ 43

Separation-related costs prior to the Separation primarily consisted of employee-related costs, costs to establish certain standalone functions and information technology systems, professional services fees, costs to exit from certain services previously provided under the TSA and other transaction-related costs to transition to being a standalone public company. Costs after the Separation primarily consist of costs to exit from certain services previously provided under the TSA and other transaction-related costs to transition to being a standalone public company. Separation costs of \$16 million, \$106 million and \$43 million, in 2021, 2020 and 2019, respectively, are recorded in Selling, general and administrative expense on the Consolidated Statements of Operations. Additional Separation-related items, which are recorded in Other income (expense), net, include adjustments to indemnification assets due from RTX related to the finalization of tax settlements in accordance with the TMA and other Separation-related costs.

Separation costs in 2021, 2020 and 2019 are partially offset by income tax benefits of \$15 million, \$20 million and \$6 million, respectively.

**Cash Management and Financing.** Prior to the Separation, the Company participated in UTC's centralized cash management and financing programs. Disbursements were made through centralized accounts payable systems which were operated by our former parent, UTC. Cash receipts were transferred to centralized accounts, which were also maintained by UTC. As cash was received and disbursed by UTC, it was accounted for by the Company through UTC Net Investment. All short and long-term debt was financed by UTC prior to the issuance of the notes and the term loan in connection with the Separation, and the financing decisions for wholly and majority owned subsidiaries were determined by UTC. The cash reflected on the Consolidated Statements of Cash Flows as of December 31, 2019 represents cash on hand at certain foreign entities that did not participate in the centralized cash management program and were specifically identifiable to the Company.

**Long-Term Debt, Accounts Receivable and Accounts Payable.** Certain related party transactions between the Company and our former parent, UTC, have been included within UTC Net Investment on the Consolidated Balance Sheets in the historical periods presented prior to the Separation. The UTC Net Investment includes related party receivables due from UTC and its affiliates of \$7.7 billion as of December 31, 2019. The UTC Net Investment includes related party payables due to UTC and its affiliates of \$750 million as of December 31, 2019, which primarily related to centralized cash management and financing programs. The UTC Net Investment includes related party debt due to UTC and its affiliates of \$100 million as of December 31, 2019. The interest income and interest expense related to the activity with UTC that was included in Otis' results is presented on a net basis in the Consolidated Statements of Operations as this is settled in cash. Interest income and interest expense on the activity with our former parent UTC in 2019 was \$23 million and \$18 million, respectively. There was no interest income or interest expense activity with our former parent, UTC, in 2021 or 2020. The total effect of the settlement of these related party transactions is reflected as a financing activity on the Consolidated Statements of Cash Flows for the historical periods presented.

**Note 6: Accounts Receivable, Net**

Accounts receivable, net consisted of the following as of December 31:

<i>(dollars in millions)</i>	2021	2020
Trade receivables	\$ 3,117	\$ 2,987
Unbilled receivables	109	104
Customer financing notes receivable	93	130
Miscellaneous receivables	88	88
	<u>3,407</u>	<u>3,309</u>
Less: allowance for expected credit losses	175	161
Balance	<u>\$ 3,232</u>	<u>\$ 3,148</u>

**Credit Losses.** We are exposed to credit losses primarily through our net sales of products and services to our customers which are recorded as Accounts Receivable, net on the Consolidated Balance Sheets. We evaluate each customer's ability to pay through assessing customer creditworthiness, historical experience and current economic conditions through a reasonable forecast period. Factors considered in our evaluation of assessing collectability and risk include: underlying value of any collateral or security interests, significant past due balances, historical losses and existing economic conditions including country and political risk. There can be no assurance that actual results will not differ from estimates or that consideration of these factors in the future will not result in an increase or decrease to the allowance for credit losses. We may require collateral or prepayment to mitigate credit risk.

We estimate expected credit losses of financial assets with similar risk characteristics. We determine an asset is impaired when our assessment identifies there is a risk that we will be unable to collect amounts due according to the contractual terms of the agreement. We monitor our ongoing credit exposure through reviews of customer balances against contract terms and due dates, current economic conditions and dispute resolution. Estimated credit losses are written off in the period in which the financial asset is no longer collectible.

The changes in allowance for credit losses related to Accounts receivable, net for the years ended December 31, 2021 and 2020 are as follows:

<i>(dollars in millions)</i>	2021	2020
Balance as of January 1	\$ 161	\$ 83
Impact of credit standard adoption	—	28
Provision for expected credit losses	37	40
Write-offs charged against the allowance for expected credit losses	(15)	(20)
Foreign exchange and other	(8)	30
<b>Balance as of December 31</b>	<u>\$ 175</u>	<u>\$ 161</u>

During 2020, there was approximately \$26 million of previously reserved balances reclassified to allowance for credit losses. As a result, there was no impact to the Consolidated Statements of Operations for 2020.

**Note 7: Inventories, Net**

<i>(dollars in millions)</i>	2021	2020
Raw materials and work-in-process	\$ 140	\$ 113
Finished goods	482	546
<b>Total</b>	<u>\$ 622</u>	<u>\$ 659</u>

Raw materials and work-in-process and Finished goods are net of valuation reserves of \$99 million and \$112 million as of December 31, 2021 and 2020, respectively.

## Note 8: Fixed Assets

<i>(dollars in millions)</i>	Estimated Useful Lives	2021	2020
Land		\$ 43	\$ 48
Buildings and improvements	20 - 40 Years	596	616
Machinery and equipment	3 - 12 Years	1,166	1,175
Assets under construction		125	132
		1,930	1,971
Less: Accumulated depreciation		(1,156)	(1,197)
		\$ 774	\$ 774

Depreciation expense was \$116 million, \$100 million and \$85 million in 2021, 2020 and 2019, respectively.

In 2020, as a result of reviewing our technology strategies following the Separation, the Company recorded a pre-tax loss for the write-off of Assets under construction of approximately \$71 million within Other income (expense), net in the Consolidated Statements of Operations.

Fixed assets acquired during the year that are accrued within Accounts payable at year end is considered to be a non-cash investing activity and is excluded from cash used for capital expenditures in the Consolidated Statements of Cash Flows. Capital expenditures of \$2 million, \$15 million and \$8 million were accrued within Accounts payable in the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively.

## Note 9: Business Acquisitions, Goodwill and Intangible Assets

**Business Acquisitions.** Our investments in businesses and intangible assets, net of cash acquired, totaled \$80 million, \$55 million (including debt assumed) and \$47 million in 2021, 2020 and 2019, respectively. The acquisitions and investments consisted of a number of acquisitions primarily in our Service segment. Transaction costs incurred were not considered significant.

In 2019, the Company recorded a pre-tax loss on the sale of a business of \$19 million within Other income (expense), net on the Consolidated Statement of Operations. There were no significant disposals of businesses for the years ended December 31, 2021 or 2020.

**Goodwill.** Changes in our Goodwill balances in 2021 were as follows:

<i>(dollars in millions)</i>	Balance as of January 1, 2021	Goodwill Resulting From Business Combinations	Foreign Currency Translation and Other	Balance as of December 31, 2021
New Equipment	\$ 357	\$ —	\$ (21)	\$ 336
Service	1,416	2	(87)	1,331
Total	\$ 1,773	\$ 2	\$ (108)	\$ 1,667

Changes in our Goodwill balances in 2020 were as follows:

<i>(dollars in millions)</i>	Balance as of January 1, 2020	Goodwill Resulting From Business Combinations	Foreign Currency Translation and Other	Balance as of December 31, 2020
New Equipment	\$ 337	\$ —	\$ 20	\$ 357
Service	1,310	30	76	1,416
Total	\$ 1,647	\$ 30	\$ 96	\$ 1,773

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

(dollars in millions)	2021		2020	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized:				
Purchased service portfolios	\$ 2,025	\$ (1,638)	\$ 2,123	\$ (1,661)
Patents, trademarks/trade names	21	(17)	22	(16)
Customer relationships and other	64	(43)	54	(45)
	2,110	(1,698)	2,199	(1,722)
Unamortized:				
Trademarks and other	7	—	7	—
Total	\$ 2,117	\$ (1,698)	\$ 2,206	\$ (1,722)

Fully amortized service portfolios of \$117 million were written off during 2020.

Amortization of intangible assets was \$87 million, \$91 million and \$95 million in 2021, 2020 and 2019, respectively. Excluding the impact of currency translation adjustments, there were no other significant changes in our Intangible Assets during 2021, 2020 and 2019.

The estimated future amortization of intangible assets is as follows:

(dollars in millions)	2022	2023	2024	2025	2026
Future amortization	\$ 81	\$ 69	\$ 61	\$ 54	\$ 40

#### Note 10: Borrowings and Lines of Credit

(dollars in millions)	2021	2020
Commercial paper	\$ —	\$ 664
Other borrowings	24	37
Total short-term borrowings	\$ 24	\$ 701

**Commercial Paper.** As of December 31, 2021, we had an aggregate \$1.5 billion unsecured, unsubordinated commercial paper programs in place, and no borrowings outstanding under such programs. We use our commercial paper borrowings for general corporate purposes including to finance acquisitions, pay dividends and for debt refinancing. The need for commercial paper borrowings may arise if the use of domestic cash for general corporate purposes exceeds the sum of domestic cash generation and foreign cash repatriated to the U.S.

In September 2020, we issued €420 million of Euro denominated commercial paper. The Euro denominated commercial paper, while outstanding, qualified as a net investment hedge against our investments in European businesses. During 2021, we fully repaid the Euro denominated commercial paper and there is no longer a related net investment hedge as of December 31, 2021. Refer to Note 18, "Financial Instruments" for further details on net investment hedges.

We also issued \$150 million of U.S. Dollar commercial paper in November 2020, which was fully repaid during 2021. The commercial paper issued in 2020 was used to pay down the term loan described further below under "Long-term debt".

**Long-term debt.** As of December 31, 2021, we have a credit agreement, as amended, with various banks providing for a \$1.5 billion unsecured, unsubordinated 5-year revolving credit facility, effective as of April 3, 2020, with an interest rate of LIBOR plus 125 basis points and a commitment fee rate of 12.5 basis points. As of December 31, 2021, there were no borrowings under the revolving credit facility. The undrawn portion of the revolving credit facility serves as a backstop for the issuance of commercial paper.

On February 10, 2020, we entered into a term loan credit agreement, as amended, providing for a \$1.0 billion unsecured, unsubordinated 3-year term loan credit facility (the "term loan"). The Company drew on the full amount of the term loan on March 27, 2020 and then prepaid the full amount during 2020, resulting in the termination of the term loan credit agreement. Additionally, on February 27, 2020, we issued \$5.3 billion unsecured, unsubordinated notes. The net proceeds of the term loan and the notes of approximately \$6.3 billion were distributed to our former parent, UTC, prior to the Separation.

On March 11, 2021, we issued ¥21.5 billion Japanese Yen denominated (\$199 million), unsecured, unsubordinated 5-year notes due March 2026 (the "Yen Notes"). The net proceeds of the Yen Notes were used to repay a portion of our outstanding Euro denominated commercial paper. The Yen Notes qualify as a net investment hedge against our investments in Japanese businesses. As of December 31, 2021, the net investment hedge is deemed to be effective. Refer to Note 18, "Financial Instruments" for further details on net investment hedges.

On September 22, 2021, we entered into a €1.65 billion bridge loan credit agreement (the "Bridge Credit Facility") and related guarantees in connection with the Tender Offer, which was intended to be drawn only to the extent we did not obtain permanent debt financing prior to the settlement date of the Tender Offer. On November 12, 2021, we issued €1.6 billion Euro denominated (\$1.8 billion), unsecured, unsubordinated notes (the "Euro Notes"). The net proceeds of the Euro Notes will be used to fund the Tender Offer. Upon issuing the Euro Notes, the Bridge Credit Facility and related guarantees were terminated.

The revolving credit agreement and indentures contain affirmative and negative covenants customary for financings of these types that, among other things, limit the Company's and its subsidiaries' ability to incur additional liens, to make certain fundamental changes and to enter into sale and leaseback transactions. In addition, the revolving credit agreement requires that we maintain a maximum consolidated leverage ratio, as defined in the agreement. The revolving credit agreement and indentures also contain events of default customary for financings of these types. The Company is in compliance with all covenants in the revolving credit agreement and the indentures governing all notes as of December 31, 2021.

Long-term debt consisted of the following as of December 31:

<i>(dollars in millions)</i>	2021	2020
LIBOR plus 45 bps floating rate notes due 2023 <sup>1,2</sup>	\$ 500	\$ 500
0.000% notes due 2023 (€500 million principal value) <sup>2</sup>	565	—
2.056% notes due 2025 <sup>2</sup>	1,300	1,300
0.37% notes due 2026 ( ¥21.5 billion principal value) <sup>2</sup>	189	—
0.318% notes due 2026 (€600 million principal value) <sup>2</sup>	677	—
2.293% notes due 2027 <sup>2</sup>	500	500
2.565% notes due 2030 <sup>2</sup>	1,500	1,500
0.934% notes due 2031 (€500 million principal value) <sup>2</sup>	565	—
3.112% notes due 2040 <sup>2</sup>	750	750
3.362% notes due 2050 <sup>2</sup>	750	750
Other (including finance leases)	4	5
Total principal long-term debt	\$ 7,300	\$ 5,305
Other (premiums, discounts and debt issuance costs)	(51)	(43)
Total long-term debt	7,249	5,262
Less: current portion	—	—
Long-term debt, net of current portion	\$ 7,249	\$ 5,262

<sup>1</sup> The three-month LIBOR rate as of December 31, 2021 was approximately 0.21%.

<sup>2</sup> We may redeem these notes at our option pursuant to certain terms.

Debt issuance costs are presented as a reduction of debt on the Consolidated Balance Sheets and are amortized as a component of interest expense over the term of the related debt using the effective interest method. The Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019 reflects the following:

<i>(dollars in millions)</i>	2021	2020	2019
Debt issuance costs amortization	\$ 6	\$ 5	\$ —
Total interest expense on debt (including debt issuance costs amortization)	136	124	—

The unamortized debt issuance costs as of December 31, 2021 and 2020 were \$51 million and \$43 million, respectively. In addition to interest on debt, Interest expense (income), net on the Consolidated Statements of Operations in 2021 includes the write-off of \$11 million in financing costs associated with the Bridge Credit Facility and related guarantees that were terminated.

The average maturity of our long-term debt as of December 31, 2021 is approximately 8.9 years. The average interest expense rate on our borrowings as of December 31, 2021 and 2020 was as follows:

	December 31,	
	2021	2020
Short-term borrowings	— %	(0.2)%
Total long-term debt	1.9 %	2.4 %

The average interest expense rate on our borrowings for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Short-term borrowings	(0.3)%	(0.2)%
Total long-term debt	2.3 %	2.3 %

The schedule of principal payments required on long-term debt for the next five years and thereafter is:

<i>(dollars in millions)</i>	Principal Payments
2022	\$ —
2023	1,066
2024	1
2025	1,301
2026	867
Thereafter	4,065
Total	\$ 7,300

#### Note 11: Accrued Liabilities

<i>(dollars in millions)</i>	2021	2020
Accrued salaries, wages and employee benefits	\$ 603	\$ 556
Accrued interest	221	223
Operating lease liabilities	181	167
Accrued income taxes payable	142	182
VAT and other non-income tax payables	97	102
Other liabilities	749	747
Total	\$ 1,993	\$ 1,977

Accrued interest primarily consists of interest accrued for uncertain tax positions and the German tax litigation as described in Note 22, "Contingent Liabilities", as well as \$46 million and \$45 million of interest accrued for borrowings as of December 31, 2021 and 2020, respectively, as described in Note 10, "Borrowings and Lines of Credit".

**Note 12: Other Long-term Liabilities**

<i>(dollars in millions)</i>	2021	2020
Contractual indemnity obligation	\$ 220	\$ 239
General, product and auto liability	154	152
Employee benefits	105	113
Other liabilities	127	130
Total	<u>\$ 606</u>	<u>\$ 634</u>

The Contractual indemnity obligation consists of a payable to RTX, resulting from the TMA. See Note 5, "Related Parties" for further details.

**Note 13: Employee Benefit Plans**

The Company sponsors numerous single-employer domestic and international employee benefit plans and, prior to the Separation, certain of our employees participated in employee benefit plans ("Shared Plans") sponsored by our former parent, UTC, that included participants of the other UTC businesses. We have accounted for our participation in the Shared Plans prior to the Separation as multiemployer benefit plans, as discussed below.

**Employee Savings Plans.** We sponsor various employee savings plans. Prior to the Separation, our former parent, UTC, also sponsored and contributed to defined contribution employee savings plans in which certain Otis employees participated. Our contributions to employer-sponsored defined contribution plans were \$62 million, \$54 million and \$41 million for 2021, 2020, and 2019, respectively.

**Pension Plans.** We sponsor both funded and unfunded domestic and international defined benefit pension plans that cover a large number of our employees. While we sponsor domestic pension plans that provide retirement benefits to certain employees, they are not a material component of the projected benefit obligation. Our plans use a December 31 measurement date consistent with our fiscal year.

<i>(dollars in millions)</i>	2021	2020
Change in benefit obligation:		
Beginning balance	\$ 1,225	\$ 1,092
Service cost	43	40
Interest cost	13	16
Actuarial (gain) loss	(50)	40
Benefits paid	(24)	(28)
Net settlement, curtailment and special termination benefits	(31)	(26)
Other	(50)	91
Ending balance	<u>\$ 1,126</u>	<u>\$ 1,225</u>
Change in plan assets:		
Beginning balance	\$ 703	\$ 622
Actual return on plan assets	43	24
Employer contributions	37	64
Benefits paid	(24)	(28)
Settlements	(31)	(26)
Other	(38)	47
Ending balance	<u>\$ 690</u>	<u>\$ 703</u>
Funded status:		
Fair value of plan assets	\$ 690	\$ 703
Benefit obligations	(1,126)	(1,225)
Funded status of plan	<u>\$ (436)</u>	<u>\$ (522)</u>
Amounts recognized in the Consolidated Balance Sheets consist of:		
Noncurrent assets	\$ 106	\$ 87
Current liability	(23)	(21)
Noncurrent liability	(519)	(588)
Net amount recognized	<u>\$ (436)</u>	<u>\$ (522)</u>
Amounts recognized in Accumulated other comprehensive loss consist of:		
Net actuarial loss	\$ 176	\$ 280
Prior service credit	2	(1)
Net amount recognized	<u>\$ 178</u>	<u>\$ 279</u>

The amounts included in "actuarial (gain) loss" in the above table primarily are due to changes in discount rate assumptions driven by changes in corporate bond yields. The amounts included in "Other" in the above table primarily reflect the impact of foreign exchange translation, primarily for plans in Australia, Canada, Germany, Japan, Spain, South Korea and Switzerland.

In 2021, 2020 and 2019 we made cash contributions to our defined benefit pension plans of \$37 million, \$64 million and \$32 million, respectively.



Information for pension plans with accumulated benefit obligations in excess of plan assets:

<i>(dollars in millions)</i>	2021	2020
Projected benefit obligation	\$ 567	\$ 787
Accumulated benefit obligation	499	685
Fair value of plan assets	49	205

Information for pension plans with projected benefit obligations in excess of plan assets:

<i>(dollars in millions)</i>	2021	2020
Projected benefit obligation	\$ 806	\$ 991
Accumulated benefit obligation	694	846
Fair value of plan assets	263	383

The accumulated benefit obligation for all defined benefit pension plans was \$1.0 billion and \$1.1 billion as of December 31, 2021, and 2020, respectively.

The components of the net periodic pension cost are as follows:

<i>(dollars in millions)</i>	2021	2020	2019
Service cost	\$ 43	\$ 40	\$ 33
Interest cost	13	16	21
Expected return on plan assets	(23)	(25)	(24)
Amortization of prior service credit	—	(1)	(1)
Recognized actuarial net loss	18	16	10
Net settlement, curtailment and special termination benefits loss (gain)	2	5	2
Net periodic pension cost – employer	\$ 53	\$ 51	\$ 41

Other changes in plan assets and benefit obligations recognized in other comprehensive loss are as follows:

<i>(dollars in millions)</i>	2021	2020	2019
Current year actuarial (gain) loss	\$ (70)	\$ 41	\$ 28
Amortization of actuarial loss	(18)	(16)	(10)
Amortization of prior service credit	—	1	1
Net settlement and curtailment (loss) gain	(2)	(5)	(2)
Other	(11)	24	27
Total recognized in other comprehensive (income) loss	\$ (101)	\$ 45	\$ 44
Net recognized in net periodic pension cost and other comprehensive (income) loss	\$ (48)	\$ 96	\$ 85

The amounts included in “Other” in the above table primarily reflect the impact of foreign exchange translation, primarily for plans in Australia, France, Germany, Canada and Switzerland.

Major assumptions used in determining the benefit obligation and net cost for pension plans are presented in the following table as weighted-averages:

	Benefit Obligation		Net Cost		
	2021	2020	2021	2020	2019
Discount rate:					
Projected benefit obligation	1.5 %	1.1 %	1.1 %	1.5 %	2.5 %
Salary scale	3.0 %	3.0 %	3.0 %	3.1 %	3.3 %
Expected return on plan assets	—	—	3.6 %	4.5 %	5.2 %
Interest crediting rate	1.0 %	0.6 %	0.6 %	0.7 %	1.5 %

The weighted-average discount rates used to measure pension benefit obligations and net costs are set by reference to specific analyses using each plan's specific cash flows and are then comparing them to high-quality bond indices for reasonableness.

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes, and economic and other indicators of future performance. In addition, we may consult with, and consider the opinions of, financial and other professionals in developing appropriate capital market assumptions. Return projections are also validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

The plans' investment management objectives include providing the liquidity and asset levels needed to meet current and future benefit payments, while maintaining a prudent degree of portfolio diversification considering interest rate risk and market volatility. Globally, investment strategies target a mix of approximately 50% of growth-seeking assets and 50% of income-generating and hedging assets using a wide diversification of asset types, fund strategies and investment managers. The growth seeking allocation consists of global public equities in developed and emerging countries, and alternative-asset class strategies. Within the income-generating assets, the fixed income portfolio consists of mainly government and broadly diversified high-quality corporate bonds.

The fair values of pension plan assets as of December 31, 2021 and 2020 by asset category are as follows:

<i>(dollars in millions)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling	Total
Asset category					
Public equities:					
Global Equity Commingled Funds <sup>(1)</sup>	\$ 70	\$ 2	\$ —	\$ —	\$ 72
Global Equity Funds at net asset value <sup>(5)</sup>	—	—	—	196	196
Fixed income securities:					
Governments	19	—	—	—	19
Corporate Bonds	42	1	—	—	43
Fixed income securities at net asset value <sup>(5)</sup>	—	—	—	117	117
Real estate <sup>(2) (5)</sup>	11	14	—	11	36
Other <sup>(3) (5)</sup>	4	126	—	24	154
Cash and cash equivalents <sup>(4) (5)</sup>	4	1	—	44	49
Total	\$ 150	\$ 144	\$ —	\$ 392	686
Other assets and liabilities <sup>(6)</sup>					4
<b>Total as of December 31, 2021</b>					<b>\$ 690</b>

<i>(dollars in millions)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling	Total
Asset category					
Public equities:					
Global Equity Commingled Funds <sup>(1)</sup>	\$ 52	\$ 39	\$ —	\$ —	\$ 91
Global Equity Funds at net asset value <sup>(5)</sup>	—	—	—	154	154
Fixed income securities:					
Governments	20	41	—	—	61
Corporate Bonds	49	4	—	—	53
Fixed income securities at net asset value <sup>(5)</sup>	—	—	—	90	90
Real estate <sup>(2) (5)</sup>	12	6	—	12	30
Other <sup>(3) (5)</sup>	2	129	—	25	156
Cash and cash equivalents <sup>(4) (5)</sup>	6	1	—	41	48
Total	\$ 141	\$ 220	\$ —	\$ 322	\$ 683
Other assets and liabilities <sup>(6)</sup>					20
<b>Total as of December 31, 2020</b>					<b>\$ 703</b>

<sup>(1)</sup> Represents investments in mutual funds and investments in commingled funds that invest primarily in common stocks.

<sup>(2)</sup> Represents investments in real estate including commingled funds.

<sup>(3)</sup> Represents insurance contracts and global-balanced-risk commingled funds consisting mainly of equity, bonds and some commodities.

<sup>(4)</sup> Represents short-term commercial paper, bonds and other cash or cash-like instruments.

<sup>(5)</sup> In accordance with FASB ASU 2015-07, Fair Value Measurement (Topic 820), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension benefits plan assets.

<sup>(6)</sup> Represents trust receivables and payables that are not leveled.

Quoted market prices are used to value investments when available. Investments in securities traded on exchanges, including listed futures and options, are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Fixed income securities are primarily measured using a market approach pricing methodology, where observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit ratings. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, generally broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

We expect to make total contributions of approximately \$34 million to our global defined benefit pension plans in 2022, including benefit payments to be paid directly from corporate assets.

Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: \$60 million in 2022, \$65 million in 2023, \$62 million in 2024, \$66 million in 2025, \$66 million in 2026, and \$339 million from 2027 through 2031.

**Postretirement Benefit Plans.** We sponsor postretirement benefit plans that provide health benefits to eligible retirees. The postretirement plans are unfunded. The benefit obligation was \$10 million and \$11 million as of December 31, 2021, and 2020, respectively. The net periodic cost was \$1 million for 2021, 2020 and 2019, respectively. Other comprehensive gain of \$1 million was recognized during 2021 and other comprehensive loss of \$2 million was recognized during 2020, related to changes in benefit obligations.

The projected benefit obligation discount rate was 5.0% and 4.3% as of December 31, 2021 and 2020, respectively. The Net Cost discount rate was 4.3%, 4.7% and 5.3% for 2021, 2020 and 2019, respectively.

Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: \$1 million each year from 2022 through 2026, and \$3 million from 2027 through 2031.

**Multiemployer Benefit Plans.** We contribute to various domestic and international multiemployer defined benefit pension plans. The risks of participating in these multiemployer plans are different from single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Lastly, if we choose to stop participating in some of our multiemployer plans, we may be required to pay those plans a withdrawal liability based on the underfunded status of the plan.

Our participation in these plans for the annual periods ended December 31 is outlined in the table below. Unless otherwise noted, the most recent Pension Protection Act (“PPA”) zone status available in 2021 and 2020 is for the plan’s year-end at June 30, 2020 and June 30, 2019, respectively. The zone status is based on information that we received from the plan and is certified by the plan’s actuary. Our significant plan is in the green zone which represents a plan that is at least 80% funded and does not require a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”). An extended amortization provision of ten years was utilized to recognize investment gains or losses for our significant plan through June 30, 2019.

<i>(dollars in millions)</i>		PPA Zone Status		FIP/RP Status	Contributions			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
Pension Fund	EIN/Pension Plan Number	2021	2020	Pending/Implemented	2021	2020	2019		
National Elevator Industry Pension Plan	23-2694291	Green	Green	No	\$ 128	\$ 131	\$ 127	No	7/8/2022
Other funds					8	7	9		
					<u>\$ 136</u>	<u>\$ 138</u>	<u>\$ 136</u>		

For the plan years ended June 30, 2020 and 2019, respectively, we were listed in the National Elevator Industry Pension Plan’s Forms 5500 as providing more than 5% of the total contributions for the plan. At the date these financial statements were

issued, the Form 5500 was not available for the plan year ending June 30, 2021.

In addition, we participate in multiemployer arrangements that provide postretirement benefits other than pensions, with the National Elevator Industry Health Benefit Plan being the most significant. These arrangements generally provide medical and life benefits for eligible active employees and retirees and their dependents. Contributions to multiemployer plans that provide postretirement benefits other than pensions were \$20 million, \$20 million and \$21 million for 2021, 2020 and 2019, respectively.

**UTC Sponsored Defined Benefit Plans.** Defined benefit pension and postretirement benefit plans were sponsored by our former parent, UTC, and have been accounted for as multi-employer plans in these Consolidated Financial Statements, in accordance with FASB ASC Topic 715-30: *Defined Benefit Plans – Pension* and FASB ASC Topic 715-60: *Defined Benefit Plans – Other Postretirement*. The Company's participation in the defined pension and postretirement benefit plans sponsored by our former parent, UTC, concluded upon the completion of the Separation. The amounts for pension and postretirement expenses for Service cost and Non-service pension benefit were \$1 million and \$5 million, respectively, in 2020, and \$15 million and \$42 million, respectively, in 2019.

**Stock-based Compensation.** In connection with the Separation, the Company adopted the 2020 Long-Term Incentive Plan (the "Plan"). The Plan became effective on April 3, 2020. A total of 45 million shares of common stock are authorized under the Plan. The Plan provides for the grant of various types of awards including restricted share unit awards, stock appreciation rights, stock options, and performance-based awards. Under the Plan, the exercise price of awards, if any, is set on the grant date and may not be less than the fair market value per share on that date. Generally, stock appreciation rights and stock options have a term of ten years and a three-year vesting period, subject to limited exceptions. In the event of retirement, annual stock appreciation rights, stock options, and restricted share units held for more than one year may become vested and exercisable (if applicable), subject to certain terms and conditions. Awards with performance-based vesting generally have a minimum three-year vesting period and vest based on actual performance against pre-established metrics. In the event of retirement, performance-based awards held for more than one year remain eligible to vest based on actual performance relative to target metrics. All other restricted awards generally have a three-year vesting period. We currently intend to issue new shares for share option exercises and conversions under our equity compensation arrangements, and will continue to evaluate this policy in connection with our share repurchase program. As of December 31, 2021, approximately 26 million shares remain available for awards under the 2020 Plan.

In connection with the Separation, and in accordance with the EMA, the Company's employees with outstanding former UTC stock-based awards received replacement stock-based awards under the Plan at Separation. The value of the replaced stock-based awards was designed to preserve the aggregate intrinsic value of the award immediately after the Separation when compared to the aggregate intrinsic value of the award immediately prior to Separation. The incremental expense incurred by the Company was not material.

Prior to the Separation, certain of the Company's employees participated in stock-based compensation plans sponsored by our former parent, UTC. The UTC stock-based compensation plans included various types of market and performance-based incentive awards, including stock options, stock appreciation rights, restricted stock units, and performance-based share units. All awards granted under the plans were based on UTC common shares, and only the activity attributable to Otis employees from these awards, as converted at the Separation, is reflected in the accompanying Consolidated Financial Statements for the years ended December 31, 2021 and 2020.

#### *Stock-based Compensation Expense*

We measure the cost of all share-based payments, including stock options, at fair value on the grant date and recognize this cost in the Consolidated Statements of Operations. A forfeiture rate assumption is applied on grant date to adjust the expense recognition for awards that are not expected to vest.

Stock-based compensation expense and the resulting tax benefits were as follows:

(dollars in millions)	Year Ended		
	2021	2020	2019
Stock-based compensation expense (Share-based)	\$ 65	\$ 63	\$ 37
Stock-based compensation expense (Cash-based)	2	(4)	10
Total gross stock-based compensation expense	67	59	47
Less: future tax benefit	8	7	5
Stock-based compensation expense, net of tax	\$ 59	\$ 52	\$ 42

For periods prior to the Separation, stock-based compensation expense includes expense attributable to Otis, and the fair value assumptions are based on the awards and terms previously granted under the UTC incentive compensation plan to Otis employees. Accordingly, the amounts presented for the years ended December 31, 2020 and 2019 are not necessarily indicative of future awards and do not necessarily reflect the results that Otis would have experienced as an independent publicly-traded company.

For the years ended December 31, 2021, 2020 and 2019, the amount of cash received from the exercise of stock options was \$4 million, \$3 million and \$10 million, respectively, with an associated tax benefit realized of \$4 million, \$2 million and \$6 million, respectively. In addition, for the years ended December 31, 2021, 2020 and 2019, the associated tax benefit realized from the vesting of performance share units and other restricted awards was \$4 million, \$1 million and \$4 million, respectively. The 2021 and 2020 amounts were computed using current U.S. federal and state tax rates.

As of December 31, 2021, there was approximately \$57 million of total unrecognized compensation cost related to non-vested equity awards granted under the Plan. This cost is expected to be recognized ratably over a weighted-average period of 2.0 years.

A summary of the transactions under Otis' plans for the year ended December 31, 2021 follows:

(shares in thousands)	Stock Appreciation Rights		Restricted Share Units		Performance Share Units		Stock Options	
	Shares	Average Price*	Shares	Average Price**	Shares	Average Price**	Shares	Average Price*
Outstanding at:								
December 31, 2020	12,177	\$ 60.63	1,710	\$ 63.94	—	\$ —	454	\$ 55.31
Granted <sup>(1)</sup>	1,344	64.81	483	68.67	334	67.58	19	71.93
Exercised / Earned <sup>(1)</sup>	(2,269)	51.67	(458)	68.31	—	—	(96)	46.41
Cancelled	(537)	66.72	(83)	67.60	(4)	67.71	(1)	80.97
December 31, 2021	10,715	\$ 62.74	1,652	\$ 63.91	330	\$ 67.58	376	\$ 58.31

\* Weighted-average grant price

\*\* Weighted-average grant fair value

<sup>(1)</sup> Includes annual retainer awards issued to the Board of Directors

The weighted-average grant date fair value of stock options and stock appreciation rights granted by Otis and our former parent, UTC, during 2021, 2020 and 2019 was \$14.83, \$10.38 and \$20.92, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, and other restricted stock awards granted by Otis and UTC during 2021, 2020 and 2019 was \$68.22, \$54.29 and \$109.17, respectively. The total intrinsic value (which is the amount by which the stock price exceeded the exercise price on the date of exercise) of stock options and stock appreciation rights exercised during 2021, 2020 and 2019 was \$74 million, \$13 million and \$53 million, respectively. The total fair value (which is the stock price at vesting) of performance share units and other restricted awards vested was \$32 million, \$10 million and \$33 million during the years ended December 31, 2021, 2020 and 2019, respectively.

The following table summarizes information about equity awards outstanding that are vested and expected to vest and equity awards outstanding that are exercisable as of December 31, 2021:

(shares in thousands; aggregate intrinsic value in millions)	Equity Awards Vested and Expected to Vest				Equity Awards That Are Exercisable			
	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**
Stock Options/Stock Appreciation Rights	11,027	\$ 62.53	\$ 271	5.4 years	6,846	\$ 57.62	\$ 202	3.9 years
Performance Share Units/Restricted Stock	1,921	—	\$ 167	1.4 years				

\* Weighted-average grant price per share

\*\* Weighted-average contractual remaining term in years

The fair value of each option award is estimated on the date of grant using a binomial lattice model. The following table indicates the assumptions used in estimating fair value for the years ended December 31, 2021, 2020 and 2019. For periods prior to the Separation, these assumptions represent those utilized by our former parent, UTC, and are not necessarily indicative of assumptions that would be used by Otis as a standalone company. Lattice-based option models incorporate ranges of assumptions for inputs; those ranges are as follows:

	2021	2020	2019
Expected volatility	26.9%	25.5%	18.8% - 19.7%
Weighted-average volatility	26.9%	25.5%	19.5%
Expected term (in years)	6.3	6.8	6.5 - 6.6
Expected dividend yield	1.3%	1.8%	2.4%
Risk-free rate	0.7%	0.5%	2.3% - 2.7%

Due to the lack of trading history of Otis' stock at the time of valuation efforts, the expected volatility for Otis was calculated based on the average of the volatility of the peer group within the industry. UTC's historical data for Otis employees was used to estimate equity award exercise and employee termination behavior within the valuation model. The expected term represents an estimate of the period of time equity awards are expected to remain outstanding. The risk-free rate is based on the term structure of interest rates at the time of equity award grant.

The Company uses a Monte Carlo simulation approach based on a three-year measurement period to determine fair value of performance share units. This approach includes the use of assumptions regarding the future performance of the Company's stock and those of a peer group. Those assumptions include expected volatility, risk-free interest rates, correlations and dividend yield.

#### Note 14: Stock

**Preferred Stock.** There are 125 million shares of \$0.01 par value authorized Preferred Stock, of which none were issued or outstanding as of December 31, 2021 or 2020.

**Common Stock.** There are 2 billion shares of \$0.01 par value Common Stock authorized. As of December 31, 2021, 434.7 million shares of Common Stock were issued, which includes 9.7 million shares of treasury stock. As of December 31, 2020, 433.4 million shares of Common Stock were issued and outstanding.

**Share Repurchase Program.** As of December 31, 2021, the Company was authorized by the Board of Directors to purchase up to \$1 billion of Common Stock under a share repurchase program, of which \$725 million had been utilized. During 2021, the Company repurchased 9.7 million shares of Common Stock for approximately \$725 million. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under this program, shares may be purchased on the open market, in privately negotiated transactions, under accelerated share repurchase programs or under plans complying with rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As a result of the increased debt incurred to fund the Tender Offer, we have temporarily suspended our share repurchases as we focus on deleveraging.

**Note 15: Accumulated Other Comprehensive Income (Loss)**

A summary of the changes in each component of Accumulated other comprehensive income (loss), net of tax for the years ended December 31, 2021, 2020 and 2019 is provided below:

<i>(dollars in millions)</i>	Foreign Currency Translation	Defined Benefit Pension and Postretirement Plans	Unrealized Hedging Gains (Losses)	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2018	\$ (573)	\$ (135)	\$ —	\$ (708)
Other comprehensive income (loss) before reclassifications, net	(15)	(50)	(3)	(68)
Amounts reclassified, pre-tax	—	9	—	9
Tax expense (benefit) reclassified	—	9	—	9
Balance as of December 31, 2019	\$ (588)	\$ (167)	\$ (3)	\$ (758)
Other comprehensive income (loss) before reclassifications, net	(28)	(47)	10	(65)
Amounts reclassified, pre-tax	—	15	(3)	12
Tax expense (benefit) reclassified	—	(4)	—	(4)
Balance as of December 31, 2020	\$ (616)	\$ (203)	\$ 4	\$ (815)
Other comprehensive income (loss) before reclassifications, net	(26)	62	(1)	35
Amounts reclassified, pre-tax	—	18	4	22
Tax expense (benefit) reclassified	—	(5)	—	(5)
<b>Balance as of December 31, 2021</b>	<b>\$ (642)</b>	<b>\$ (128)</b>	<b>\$ 7</b>	<b>\$ (763)</b>

Amounts reclassified that relate to defined benefit pension and postretirement plans include amortization of prior service costs and actuarial net losses recognized during each period presented. These costs are recorded as components of net periodic pension cost for each period presented. See Note 13, "Employee Benefit Plans" for additional information.

**Note 16: Income Taxes**

**Income Before Income Taxes.** The sources of income from operations before income taxes are:

<i>(dollars in millions)</i>	2021	2020	2019
United States	\$ 420	\$ 105	\$ 470
Foreign	1,541	1,406	1,391
	<b>\$ 1,961</b>	<b>\$ 1,511</b>	<b>\$ 1,861</b>

Following enactment of the TCJA, and as part of the historical UTC assertion, the Company determined that it no longer intends to reinvest certain undistributed earnings of its international subsidiaries that have been previously taxed in the U.S. As such, in 2018 Otis recorded the international taxes associated with the future remittance of these earnings. As part of the Separation process, the Company re-assessed this position as a standalone company. The Company no longer intends to reinvest certain undistributed earnings of its international subsidiaries that have been previously taxed in the U.S. The international taxes recorded relative to this assertion differ from those recorded in 2018. As a result of the change in assertion and changes in planned debt repayments and in estimates related to Otis' pre-Separation tax attributes, the Company recognized two benefits: one of \$10 million during the year ended December 31, 2020, and one of \$16 million during the year ended December 31, 2021. For the remainder of the Company's undistributed international earnings, unless tax effective to repatriate, Otis will continue to permanently reinvest these earnings. As of December 31, 2021, such undistributed earnings were approximately \$5.1 billion, excluding other comprehensive income amounts. It is not practicable to estimate the amount of tax that might be payable on the remaining amounts.



**Provision for Income Taxes.** The income tax expense (benefit) for the years ended December 31, 2021, 2020 and 2019 consisted of the following components:

<i>(dollars in millions)</i>	2021	2020	2019
Current:			
United States:			
Federal	\$ 77	\$ 42	\$ 103
State	32	26	38
Foreign	524	438	461
	633	506	602
Future:			
United States:			
Federal	(13)	8	11
State	(6)	(8)	—
Foreign	(73)	(51)	(19)
	(92)	(51)	(8)
Income tax expense	\$ 541	\$ 455	\$ 594
Attributable to items (charged) credited to (deficit) equity	\$ (25)	\$ (6)	\$ (14)

**Reconciliation of Effective Income Tax Rate.** Differences between effective income tax rates and the statutory U.S. federal income tax rate are as follows:

	2021	2020	2019
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes	0.8 %	0.9 %	1.7 %
Tax on international activities	4.7 %	4.4 %	6.5 %
U.S. tax effect of foreign earnings	0.5 %	3.4 %	2.9 %
Other	0.6 %	0.4 %	(0.2)%
Effective income tax rate	27.6 %	30.1 %	31.9 %

The 2021, 2020, and 2019 effective tax rates are higher than the statutory U.S. rate primarily due to higher international tax rates as compared to the lower U.S. federal statutory rate and foreign earnings subject to U.S. tax under the provisions of the TCJA.

The 2021 effective tax rate is lower than the 2020 effective tax rate primarily due to a \$16 million tax benefit related to the repatriation of foreign earnings as a result of changes to planned debt repayments and in estimates related to Otis' pre-Separation tax attributes and a decrease of \$16 million in U.S. tax related to base erosion and anti-abuse tax in 2021. In addition, the lower effective tax rate is due to the absence of the tax cost resulting from Separation-related expenses and fixed asset impairment in 2020, and the net impact of income tax settlements related to the Separation, as discussed in Note 5, "Related Parties".

The 2020 effective tax rate is lower than the 2019 effective tax rate primarily due to a \$10 million tax benefit related to our change in assertion of no longer intending to reinvest certain undistributed earnings of our international subsidiaries made during 2020 as compared to the liability previously recorded by UTC, a decrease as a result of tax regulations related to the TCJA that were enacted during 2020, as well as a recognition of a Separation-related foreign tax loss, all partially offset by incremental withholding taxes in 2020.

**Deferred Tax Assets and Liabilities.** Future income taxes represent the tax effects of transactions which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets and tax carryforwards. Future income tax benefits and payables within the same tax paying component of a particular jurisdiction are offset for presentation in the Consolidated Balance Sheets.

The tax effects of temporary differences and tax carryforwards which gave rise to future income tax benefits and payables as of December 31, 2021 and 2020 are as follows:

<i>(dollars in millions)</i>	2021	2020
Future income tax benefits:		
Insurance and employee benefits	\$ 185	\$ 201
Other asset basis differences	143	149
Other liability basis differences	320	299
Tax loss carryforwards	200	197
Tax credit carryforwards	46	38
Valuation allowances	(247)	(242)
	<u>\$ 647</u>	<u>\$ 642</u>
Future income taxes payable:		
Intangible assets	\$ 168	\$ 182
Other assets basis differences	284	335
	<u>\$ 452</u>	<u>\$ 517</u>

Valuation allowances have been established primarily for tax credit carryforwards, tax loss carryforwards, and certain foreign temporary differences to reduce the future income tax benefits to expected realizable amounts.

**Tax Credit and Loss Carryforwards.** As of December 31, 2021, tax credit carryforwards, principally state and foreign, and tax loss carryforwards, principally state and foreign, were as follows:

<i>(dollars in millions)</i>	Tax Credit Carryforwards	Tax Loss Carryforwards
Expiration period:		
2022-2026	\$ 1	\$ 53
2027-2031	14	20
2032-2041	1	71
Indefinite	30	668
	<u>\$ 46</u>	<u>\$ 812</u>

**Unrecognized Tax Benefits.** As of December 31, 2021, the Company had gross tax-effected unrecognized tax benefits of \$392 million, all of which, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and interest expense related to unrecognized tax benefits for the years ended December 31, 2021, 2020 and 2019 is as follows:

<i>(dollars in millions)</i>	2021	2020	2019
Balance at January 1	\$ 397	\$ 379	\$ 380
Additions for tax positions related to the current year	23	16	18
Additions for tax positions of prior years	1	41	15
Reductions for tax positions of prior years	(22)	(31)	(15)
Settlements	(7)	(8)	(19)
Balance at December 31	<u>\$ 392</u>	<u>\$ 397</u>	<u>\$ 379</u>
Gross interest expense related to unrecognized tax benefits	\$ 2	\$ 10	\$ 8
Total accrued interest balance at December 31	<u>\$ 152</u>	<u>\$ 153</u>	<u>\$ 141</u>

Otis conducts business globally and, as a result, Otis or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions.

In the ordinary course of business, Otis could be subject to examination by taxing authorities throughout the world, including such major jurisdictions as Austria, Belgium, Brazil, Canada, China, France, Germany, Hong Kong, India, Italy, Japan, Mexico, Netherlands, Portugal, Russia, South Korea, Spain, Switzerland, the United Kingdom and the U.S. With few exceptions, Otis is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2010.

A subsidiary of Otis engaged in litigation in Belgium received a favorable appellate court decision in 2018. The Belgian Tax Authorities appealed the decision to the Court of Cassation (the equivalent of Supreme Court in Belgium). On December 4, 2020, the Court of Cassation overturned the decision of the appellate court and remanded the case to the appellate court for reconsideration. It is not known how much time will elapse prior to the issuance of the appellate court's decision. The associated tax and interest have been fully reserved.

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. It is reasonably possible that a range of a \$20 million increase to a \$360 million reduction of unrecognized tax benefits and a range of a \$5 million increase to a \$150 million reduction in associated interest may occur within the next 12 months as a result of additional worldwide uncertain tax positions, the closure of tax statutes, or the revaluation of current uncertain tax positions arising from the issuance of legislation, regulatory or other guidance or developments in examinations, in appeals or in the courts.

See Note 22, "Contingent Liabilities" for discussion regarding uncertain tax positions, included in the above range, related to pending litigation with respect to certain deductions claimed in Germany.

#### Note 17: Restructuring Costs

We initiate restructuring actions to keep our cost structure competitive. Charges generally arise from severance related to workforce reductions, and to a lesser degree, facility exit and lease termination costs associated with the consolidation of office and manufacturing operations.

During the years ended December 31, 2021, 2020 and 2019, we recorded pre-tax restructuring costs totaling \$56 million, \$77 million and \$54 million, respectively, for new and ongoing restructuring actions. We recorded restructuring charges in our operating segments as follows:

<i>(dollars in millions)</i>	2021	2020	2019
New Equipment	\$ 23	\$ 30	\$ 19
Service	33	47	35
Total	<u>\$ 56</u>	<u>\$ 77</u>	<u>\$ 54</u>

Restructuring charges incurred in the years ended December 31, 2021, 2020 and 2019 primarily relate to actions initiated during 2021, 2020 and 2019, and were recorded as follows:

<i>(dollars in millions)</i>	2021	2020	2019
Cost of products and services sold	\$ 22	\$ 22	\$ 19
Selling, general and administrative	34	55	35
Total	<u>\$ 56</u>	<u>\$ 77</u>	<u>\$ 54</u>

**Restructuring Actions.** During 2021, we recorded restructuring costs of \$41 million for restructuring actions initiated in 2021, consisting of \$13 million in Cost of products and services sold and \$28 million in Selling, general and administrative expenses. During 2021, we recorded restructuring costs totaling \$13 million for restructuring actions initiated in 2020, consisting of \$9 million in Cost of products and services sold and \$4 million in Selling, general and administrative expenses. During 2021, we also recorded restructuring costs totaling \$2 million for restructuring actions initiated in 2019 and prior.

We are targeting to complete in 2022 the majority of remaining restructuring actions initiated in 2021 and 2020.

The following table summarizes the accrual balance and utilization for the 2021 and 2020 restructuring actions, which are primarily for severance costs:

<i>(dollars in millions)</i>	2021 Actions	2020 Actions
Restructuring accruals as of December 31, 2020	\$ —	\$ 42
Restructuring costs	41	13
Utilization, foreign exchange and other costs	(19)	(30)
<b>Balance as of December 31, 2021</b>	<b>\$ 22</b>	<b>\$ 25</b>

The following table summarizes expected, incurred and remaining costs for the 2021 and 2020 restructuring actions by segment:

<i>(dollars in millions)</i>	Expected Costs	Cost Incurred During 2020	Costs Incurred During 2021	Remaining Costs as of December 31, 2021
New Equipment	\$ 15	\$ —	\$ (14)	\$ 1
Service	33	—	(27)	6
<b>Total 2021 Actions</b>	<b>\$ 48</b>	<b>\$ —</b>	<b>\$ (41)</b>	<b>\$ 7</b>
New Equipment	\$ 36	\$ (29)	\$ (7)	\$ —
Service	48	(42)	(6)	—
<b>Total 2020 Actions</b>	<b>\$ 84</b>	<b>\$ (71)</b>	<b>\$ (13)</b>	<b>\$ —</b>

#### Note 18: Financial Instruments

We enter into derivative instruments primarily for risk management purposes, including derivatives designated as hedging instruments under ASC 820, *Fair Value Measurement*. We operate internationally and, in the normal course of business, are exposed to fluctuations in interest rates, commodity prices and foreign exchange rates. These fluctuations can increase the costs of financing, investing in and operating the business. We may use derivative instruments, including swaps, forward contracts and options, to manage certain foreign currency, commodity price and interest rate exposures.

The average of the notional amount of foreign exchange contracts hedging foreign currency transactions was \$3.3 billion and \$3.0 billion as of December 31, 2021 and 2020, respectively. The average of the notional amount of contracts hedging commodity purchases was \$16 million and \$0 million as of December 31, 2021 and 2020, respectively

The following table summarizes the fair value and presentation on the Consolidated Balance Sheets for derivative instruments as of December 31:

<i>(dollars in millions)</i>	Balance Sheet Classification	2021	2020
<b>Derivatives designated as Cash flow hedging instruments:</b>			
	<u>Asset Derivatives:</u>		
Foreign exchange contracts	Other current assets	\$ 7	\$ 9
Foreign exchange contracts	Other assets	1	4
	Total asset derivatives	<u>\$ 8</u>	<u>\$ 13</u>
	<u>Liability Derivatives:</u>		
Foreign exchange contracts	Accrued liabilities	\$ (3)	\$ (7)
Foreign exchange contracts	Other long-term liabilities	—	(4)
	Total liability derivatives	<u>\$ (3)</u>	<u>\$ (11)</u>
<b>Derivatives not designated as Cash flow hedging instruments:</b>			
	<u>Asset Derivatives:</u>		
Foreign exchange contracts	Other current assets	\$ 23	\$ 23
Foreign exchange contracts	Other assets	5	10
	Total asset derivatives	<u>\$ 28</u>	<u>\$ 33</u>
	<u>Liability Derivatives:</u>		
Foreign exchange contracts	Accrued liabilities	\$ (11)	\$ (24)
Foreign exchange contracts	Other long-term liabilities	(2)	(8)
	Total liability derivatives	<u>\$ (13)</u>	<u>\$ (32)</u>

#### *Derivatives designated as Cash flow hedging instruments*

The amount of gain or (loss) attributable to foreign exchange contract activity reclassified from Accumulated other comprehensive income (loss) was immaterial for the years ended December 31, 2021, 2020 and 2019, respectively.

The effect of cash flow hedging relationships on Accumulated other comprehensive income (loss) as of December 31, 2021 and 2020 are presented in the table below.

<i>(dollars in millions)</i>	December 31,	
	2021	2020
Gain (loss) recorded in Accumulated other comprehensive income (loss)	\$ 7	\$ 4

The Company utilizes the critical terms match method in assessing firm commitment derivatives for hedge effectiveness. Accordingly, the hedged items and derivatives designated as hedging instruments are highly effective.

Assuming current market conditions continue, a pre-tax gain of \$4 million is expected to be reclassified from Accumulated other comprehensive income (loss) into Cost of product sold to reflect the fixed prices obtained from foreign exchange hedging within the next 12 months. All derivative contracts accounted for as cash flow hedges as of December 31, 2021 will mature by December 2024.

### Net Investment Hedges

We have foreign-denominated long-term debt balances that qualify as net investment hedges. Changes in the value of these net investment hedges due to foreign currency gains or losses are deferred as foreign currency translation adjustments in Other comprehensive income (loss) on the Consolidated Statements of Comprehensive Income, and will remain in Accumulated other comprehensive income (loss) until the hedged investment is sold or substantially liquidated. We evaluate the effectiveness of the net investment hedges each quarter.

In September 2020, we issued €420 million of Euro denominated commercial paper. The Euro denominated commercial paper while outstanding qualified as a net investment hedge against our investments in European businesses and was deemed to be effective as of December 31, 2020. During 2021, we fully repaid the Euro denominated commercial paper and there is no longer a net investment hedge as of December 31, 2021. During 2021 and 2020, we recognized \$16 million of gains and \$18 million of losses, respectively, associated with this net investment hedge in Other comprehensive income (loss).

We have ¥21.5 billion of Japanese Yen denominated long-term debt, which qualifies as a net investment hedge against our investments in Japanese businesses. As of December 31, 2021, the net investment hedge is deemed to be effective. During 2021, we recognized \$10 million of gains associated with this net investment hedge in Other comprehensive income (loss).

### Derivatives not designated as Cash flow hedging instruments

The net effect of derivatives not designated as Cash flow hedging instruments within Other income (expense) net, on the Consolidated Statements of Operations was as follows:

(dollars in millions)	Year Ended December 31,		
	2021	2020	2019
Foreign exchange contracts	\$ 9	\$ (4)	\$ (9)

### Note 19: Fair Value Measurements

In accordance with the provisions of ASC 820: *Fair Value Measurements*, the following tables provide the valuation hierarchy classification of assets and liabilities that are carried at fair value and measured on a recurring and non-recurring basis in our Consolidated Balance Sheets as of December 31, 2021 and 2020:

(dollars in millions)	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<b>Recurring fair value measurements:</b>				
Equity securities	\$ 25	\$ 25	\$ —	\$ —
Derivative assets	36	—	36	—
Derivative liabilities	(16)	—	(16)	—

(dollars in millions)	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<b>Recurring fair value measurements:</b>				
Equity securities	\$ 59	\$ 59	\$ —	\$ —
Derivative assets	46	—	46	—
Derivative liabilities	(43)	—	(43)	—

**Valuation Techniques.** Our equity securities include equity investments that are traded in active markets, either domestically or internationally, and are measured at fair value using closing stock prices from active markets. The fair value gains or losses related to our equity securities are recorded through net income. Our derivative assets and liabilities include foreign exchange and commodity contracts that are measured at fair value using internal models based on observable market inputs such as forward rates, interest rates, our own credit risk and our counterparties' credit risks.

As of December 31, 2021, there has not been any significant impact to the fair value of our derivative liabilities due to our own credit risk. Similarly, there has not been any significant adverse impact to our derivative assets based on our evaluation of our counterparties' credit risks.

The fair values of the current portion of the Company's financial instruments not carried at fair value approximated their carrying values because of the short-term nature of the current portion. The fair value of receivables, including customer financing notes receivable, net, that were issued long-term are based on the discounted values of their related cash flows at interest rates reflecting the attributes of the counterparties, including geographic location. Customer-specific risk, including credit risk, is already considered in the carrying value of those receivables. Our long-term debt, as described in Note 10, "Borrowings and Lines of Credit", are measured at fair value using closing bond prices from active markets.

The following table provides carrying amounts and fair values of financial instruments that are not carried at fair value in our Consolidated Balance Sheets as of December 31, 2021 and 2020:

<i>(dollars in millions)</i>	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term receivables, net	\$ 65	\$ 63	\$ 65	\$ 62
Customer financing notes receivable, net	77	76	128	126
Short-term borrowings	(24)	(24)	(701)	(701)
Long-term debt (excluding leases and other)	(7,296)	(7,420)	(5,300)	(5,717)
Long-term liabilities (including current portion)	(253)	(240)	(263)	(234)

Long-term liabilities (including current portion) as of December 31, 2021 includes \$239 million of payables to RTX for reimbursement of tax payments that RTX is responsible to pay after the Separation as a result of the TMA.

The following tables provide the valuation hierarchy classification of assets and liabilities that are not carried at fair value in the Consolidated Balance Sheets as of December 31, 2021 and 2020:

<i>(dollars in millions)</i>	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Long-term receivables, net	\$ 63	\$ —	\$ 63	\$ —
Customer financing notes receivable, net	76	—	76	—
Short-term borrowings	(24)	—	(24)	—
Long-term debt (excluding leases and other)	(7,420)	—	(7,420)	—
Long-term liabilities (including current portion)	(240)	—	(240)	—

<i>(dollars in millions)</i>	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Long-term receivables, net	\$ 62	\$ —	\$ 62	\$ —
Customer financing notes receivable, net	126	—	126	—
Short-term borrowings	(701)	—	(701)	—
Long-term debt (excluding leases and other)	\$ (5,717)	—	(5,717)	—
Long-term liabilities (including current portion)	(234)	—	(234)	—

## Note 20: Guarantees

The Company provides service and warranty on its products beyond normal service and warranty policies. The changes in the carrying amount of service and product guarantees for the years ended December 31, 2021 and 2020 are as follows:

<i>(dollars in millions)</i>	2021	2020
Balance as of January 1	\$ 25	\$ 27
Warranties	3	12
Settlements made	(9)	(14)
Other	1	—
Balance as of December 31	<u>\$ 20</u>	<u>\$ 25</u>

The Company provides certain financial guarantees to third parties. As of December 31, 2021, Otis has stand-by letters of credit with maximum potential payment totaling \$154 million. We accrue costs associated with guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts, and where no amount within a range of estimates is more likely, the minimum is accrued. In accordance with the FASB ASC Topic 460: *Guarantees*, we record these liabilities at fair value. As of December 31, 2021, Otis has determined there are no estimated costs probable under these guarantees.

In connection with the Tender Offer, the Company entered into certain arrangements whereby third party banks agreed to provide financial guarantees to the CNMV in an amount equal to the original total price of the Tender Offer of €1.63 billion, as required by the Spanish takeover code. On November 12, 2021, the financial guarantees to the CNMV were terminated upon deposit into escrow of an amount equal to the total price of the Tender Offer. See Note 10, "Borrowings and Lines of Credit" for additional discussion of the Euro Notes issued to fund the Tender Offer.

## Note 21: Leases

ASU 2016-02, *Leases (Topic 842)* and its related amendments (collectively, "Lease Accounting Standard") establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the Consolidated Balance Sheets for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition on the Consolidated Statements of Operations.

We enter into lease agreements for the use of real estate space, vehicles and certain other equipment under operating and finance leases. We determine if an arrangement contains a lease at inception. Operating leases are included in Operating lease ROU assets, Accrued liabilities, and Operating lease liabilities in our Consolidated Balance Sheets. Finance leases are not considered significant to our Consolidated Balance Sheets or Consolidated Statements of Operations. We apply the practical expedient for short-term leases, whereby a lease ROU asset and liability is not recognized and the expense is recognized in a straight-line basis over the lease term.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments, and use the implicit rate when readily determinable. We determine our incremental borrowing rate through market sources including relevant industry rates. Our lease ROU assets also include any lease pre-payments and exclude lease incentives. Certain of our leases include variable payments, which may vary based upon changes in facts or circumstances after the start of the lease. We exclude variable payments from lease ROU assets and lease liabilities, to the extent not considered fixed, and instead, expense variable payments as incurred. Variable lease expense and lease expense for short duration contracts is not a material component of lease expense. Our leases generally have remaining lease terms of 1 to 20 years, some of which include options to extend leases. The majority of our leases with options to extend are up to five years with the ability to terminate the lease within one year. The exercise of lease renewal options is at our sole discretion and our lease ROU assets and liabilities reflect only the options we are reasonably certain that we will exercise. Lease expense is recognized on a straight-line basis over the lease term.



Operating lease expense for the years ended December 31, 2021, 2020 and 2019 as \$147 million, \$148 million and \$152 million, respectively. The Company made immaterial adjustments to the prior year footnote disclosure of operating lease expense in 2020 and 2019, which did not impact the amounts recorded in the Consolidated Statements of Operations for the years ended December 31, 2020 and 2019.

Supplemental cash flow information related to operating leases for the years ended December 31, 2021, 2020 and 2019 were as follows:

<i>(dollars in millions)</i>	2021	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities:			
Operating cash outflows from operating leases	\$ (154)	\$ (162)	\$ (134)
Non-cash operating lease activity:			
ROU assets obtained in exchange for operating lease liabilities	135	126	157

Operating lease ROU assets and liabilities are reflected on our Consolidated Balance Sheets as follows:

<i>(dollars in millions)</i>	December 31,	
	2021	2020
Operating lease ROU assets	\$ 526	\$ 542
Accrued liabilities	\$ 181	\$ 167
Operating lease liabilities	336	367
Total operating lease liabilities	\$ 517	\$ 534

Supplemental information related to operating leases was as follows:

	December 31,	
	2021	2020
Weighted Average Remaining Lease Term (in years)	4.4	5.0
Weighted Average Discount Rate	2.6 %	2.9 %

Undiscounted maturities of operating lease liabilities, including options to extend lease terms that are reasonably certain of being exercised, as of December 31, 2021 are as follows:

<i>(dollars in millions)</i>	Total
2022	\$ 171
2023	136
2024	102
2025	52
2026	32
Thereafter	52
Total undiscounted lease payments	545
Less: imputed interest	(28)
Total discounted lease payments	\$ 517

## Note 22: Contingent Liabilities

Except as otherwise noted, while we are unable to predict the final outcome, based on information currently available, we do not believe that resolution of any of the following matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition. In addition to the specific amounts noted below, where we have recorded loss contingency accruals for other matters described below, the amounts in aggregate are not material. Legal costs generally are expensed when incurred.

**Environmental.** As previously disclosed, the Company's operations are subject to environmental regulation by authorities with jurisdiction over its operations. The Company has accrued for the costs of environmental remediation activities, including, but not limited to, investigatory, remediation, operating and maintenance costs and performance guarantees, and periodically reassesses these amounts. Management believes that the likelihood of incurring losses materially in excess of amounts accrued is remote. The outstanding liability for environmental obligations was \$12 million as of December 31, 2021 and December 31, 2020, and is principally included in Other long-term liabilities on the Consolidated Balance Sheets.

### Legal Proceedings.

#### *German Tax Litigation*

As previously disclosed, we have been involved in administrative review proceedings with the German Tax Office, which concern approximately €215 million (approximately \$243 million as of December 31, 2021) of tax benefits that we have claimed related to a 1998 reorganization of the corporate structure of our operations in Germany. Upon audit, these tax benefits were disallowed by the German Tax Office. We estimate interest associated with the aforementioned tax benefits is an additional approximately €118 million (approximately \$134 million as of December 31, 2021).

On August 3, 2012, a suit was filed in the local German Tax Court (Berlin-Brandenburg). In 2015, our former parent UTC made tax and interest payments to German tax authorities of €275 million (approximately \$300 million) in order to avoid additional interest accruals pending final resolution of this matter. In March 2016, the local German Tax Court dismissed the suit, and we appealed this decision to the German Federal Tax Court. Following a hearing on July 24, 2018, the German Federal Tax Court remanded the matter to the local German Tax Court for further proceedings. On December 7, 2020, the local Tax Court ruled against the Company. We have filed an appeal with the Federal Tax Court and expect a decision on our appeal in the first quarter of 2022. There is no assurance, however, that the German Federal Tax Court will agree to hear the appeal or, if it does, rule in the Company's favor, and the decision of the German Tax Office ultimately could be sustained.

Pursuant to the TMA, the Company retains the liability associated with the remaining interest, and has recorded an interest accrual of €45 million (approximately \$50 million as of December 31, 2021), net of payments and other deductions, included within Accrued liabilities on the Consolidated Balance Sheets as of December 31, 2021. In the event that RTX and the Company prevail in this matter, any recoveries would be allocated between RTX and the Company pursuant to the terms of the TMA.

#### *Asbestos Matters*

As previously disclosed, we have been named as defendants in lawsuits alleging personal injury as a result of exposure to asbestos. While we have never manufactured any asbestos-containing component parts, and no longer incorporate asbestos in any current products, certain of our historical products have contained components manufactured by third parties incorporating asbestos. A substantial majority of these asbestos-related claims have been dismissed without payment or were covered in full or in part by insurance or other forms of indemnity. Additional cases were litigated and settled without any insurance reimbursement. The amounts involved in asbestos related claims were not material individually or in the aggregate as of, and for the years ended, December 31, 2021 and December 31, 2020.

The estimated range of total liabilities to resolve all pending and unasserted potential future asbestos claims through 2059 is \$22 million to \$45 million as of December 31, 2021, and \$23 million to \$45 million as of December 31, 2020. Because no amount within the range of estimates is more likely to occur than any other, we recorded the minimum amount of \$22 million and \$23 million as of December 31, 2021 and 2020, respectively, which is principally recorded in Other long-term liabilities on our Consolidated Balance Sheets. Amounts are on a pre-tax basis, not discounted, and excludes the Company's legal fees to defend the asbestos claims (which will continue to be expensed as they are incurred). In addition, the Company has an insurance recovery receivable for probable asbestos related recoveries of approximately \$5 million, which is principally recorded in Other assets on our Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020.

#### *Putative Class Action Lawsuit*

On August 12, 2020, a putative class action lawsuit, (Geraud Darnis et al. v. Raytheon Technologies Corporation et al.), was filed in the United States District Court for the District of Connecticut against Otis, Raytheon Technologies Corporation ("RTX"), Carrier, each of their directors, and various incentive and deferred compensation plans. On September 13, 2021, plaintiffs filed an amended complaint against the three company defendants only. The named plaintiffs are former employees of UTC and its current and former subsidiaries, including Otis and Carrier. They seek to recover monetary damages, as well as related declaratory and equitable relief, based on claimed decreases in the value of long-term incentive awards and deferred compensation under nonqualified deferred compensation plans allegedly caused by the formula used to calculate the adjustments to such awards and deferred compensation from RTX, Carrier, and Otis following the spin-offs of Carrier and Otis and the subsequent combination of UTC and Raytheon Company. Otis believes that the claims against the Company are without merit. At this time, Otis is unable to predict the outcome, or reasonably estimate the possible loss or range of loss, if any, which could result from this action.

**Other.** As previously disclosed, we have commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising out of the normal course of business. We accrue contingencies based on a range of possible outcomes. If no amount within this range is a better estimate than any other, we accrue the minimum amount. While it is not possible to determine the ultimate disposition of each of these claims and whether they will be resolved consistent with our beliefs, we expect that the outcome of such claims, individually or in the aggregate, will not have a material adverse effect on our business, financial condition, cash flows or results of operations.

As previously disclosed, in certain European countries, claims for overcharges on elevators and escalators related to civil cartel cases have been made, which we have accrued for based on our evaluation of the claims. While it is not possible to determine the ultimate disposition of each of these claims and whether they will be resolved consistent with our beliefs, historical settlement experience of these cases have not been material to the business, financial condition, cash flows or results of operations, however the future outcome of these cases cannot be determined.

As previously disclosed, in the ordinary course of business, the Company is also routinely a defendant in, party to or otherwise subject to many pending and threatened legal actions, claims, disputes and proceedings. These matters are often based on alleged violations of contract, product liability, warranty, regulatory, environmental, health and safety, employment, intellectual property, tax and other laws. In some of these proceedings, claims for substantial monetary damages are asserted against the Company and its subsidiaries and could result in fines, penalties, compensatory or treble damages or non-monetary relief. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

#### **Note 23: Segment Financial Data**

Our operations are classified into two operating segments: New Equipment and Service. Through the New Equipment segment, we design, manufacture, sell and install a wide range of passenger and freight elevators as well as escalators and moving walkways to customers in the residential and commercial building and infrastructure projects. The Service segment provides maintenance and repair services for both our products and those of other manufacturers, and provides modernization services to upgrade elevators and escalators. The operating segments are generally based on the management structure of the Company, how management allocates resources, assesses performance and makes strategic and operational decisions.

**Segment Information.** Segment information for the years ended December 31 are as follows:

(dollars in millions)	Net Sales			Operating Profit		
	2021	2020	2019	2021	2020	2019
New Equipment	\$ 6,428	\$ 5,371	\$ 5,648	\$ 459	\$ 318	\$ 393
Service	7,870	7,385	7,470	1,762	1,611	1,603
Total segments	14,298	12,756	13,118	2,221	1,929	1,996
General corporate expenses and other <sup>(1)</sup>	—	—	—	(113)	(290)	(182)
Total	\$ 14,298	\$ 12,756	\$ 13,118	\$ 2,108	\$ 1,639	\$ 1,814

<sup>(1)</sup> The decrease in General corporate expenses and other during 2021 compared to 2020 is primarily driven by fixed asset impairment charges of \$71 million and associated license costs of \$14 million in 2020, as well as lower non-recurring Separation-related and shared costs of \$106 million in 2021 compared with 2020.

Total assets are not presented for each segment as they are not presented to, or reviewed by, the Chief Operating Decision Maker.

**Geographic External Sales.** Geographic Net sales are attributed to the geographic regions based on their location of origin. With the exception of the U.S. and China, there were no individually significant countries with sales exceeding 10% of Net sales during the years ended December 31, 2021, 2020 and 2019.

(dollars in millions)	External Net Sales			Long Lived Assets		
	2021	2020	2019	2021	2020	2019
United States Operations	\$ 3,700	\$ 3,462	\$ 3,594	\$ 336	\$ 309	\$ 295
International Operations						
China	2,877	2,135	2,113	111	113	105
Other	7,721	7,159	7,411	327	352	321
Total	\$ 14,298	\$ 12,756	\$ 13,118	\$ 774	\$ 774	\$ 721

Segment Net sales disaggregated by product and service type for the years ended December 31, 2021, 2020 and 2019 are as follows:

(dollars in millions)	2021	2020	2019
<b>Disaggregated Net sales by type</b>			
New Equipment	\$ 6,428	\$ 5,371	\$ 5,648
Maintenance and Repair	6,472	6,047	6,120
Modernization	1,398	1,338	1,350
Total Service	7,870	7,385	7,470
Total	\$ 14,298	\$ 12,756	\$ 13,118

**Major Customers.** There were no customers that individually accounted for 10% or more of the Company's consolidated Net sales for the years ended December 31, 2021, 2020 and 2019.

#### Note 24: Subsequent Events

On January 14, 2022, the Company redeemed its \$500 million floating rate notes due in 2023, at par, using cash on hand and commercial paper borrowings. See Note 10, "Borrowings and Lines of Credit" for details of the long-term debt.

OTIS WORLDWIDE CORPORATION  
SCHEDULE II - Valuation and Qualifying Accounts  
Three years ended December 31, 2021  
(Dollars in millions)

**Allowance for Doubtful Accounts and Expected Credit Losses:**

Balance, December 31, 2018	\$ 84
Provision charged to income	26
Doubtful accounts written off	(19)
Other	(8)
Balance, December 31, 2019	83
Impact of credit standard adoption	28
Provision for expected credit losses	40
Write-offs charged against the allowance for expected credit losses	(20)
Other	30
Balance, December 31, 2020	161
<b>Provision for expected credit losses</b>	<b>37</b>
<b>Write-offs charged against the allowance for expected credit losses</b>	<b>(15)</b>
<b>Other</b>	<b>(8)</b>
<b>Balance, December 31, 2021</b>	<b>\$ 175</b>

**Future Income Tax Benefits - Valuation Allowance**

Balance, December 31, 2018	\$ 29
Additions charged to income tax expense	28
Reductions credited to income tax expense	—
Other adjustments	(2)
Balance, December 31, 2019	55
Additions charged to income tax expense	63
Reductions credited to income tax expense	(13)
Other adjustments	137
Balance, December 31, 2020	242
<b>Additions charged to income tax expense</b>	<b>30</b>
<b>Reductions credited to income tax expense</b>	<b>(10)</b>
<b>Other adjustments</b>	<b>(15)</b>
<b>Balance, December 31, 2021</b>	<b>\$ 247</b>

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15(e) under the Exchange Act, we carried out an evaluation under the supervision and with the participation of our management, including the President and Chief Executive Officer ("CEO"), the Executive Vice President and Chief Financial Officer ("CFO") and the Vice President and Chief Accounting Officer ("CAO"), of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our CEO, our CFO and our CAO have concluded that, as of December 31, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our CEO, our CFO and our CAO, as appropriate, to allow timely decisions regarding required disclosure.

### **Management Report on Internal Control over Financial Reporting**

The information required by Item 9A relating to Management's Annual Report on Internal Control Over Financial Reporting and Attestation Report of the Registered Public Accounting Firm is found in Item 8. Financial Statements and Supplementary Data of this Form 10-K and incorporated herein by reference.

### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2021, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. Other Information**

None.

## **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not Applicable.

## **PART III**

## **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors and audit committee financial experts is incorporated herein by reference to the section of our Proxy Statement for the 2022 Annual Meeting of Shareholders titled "Corporate governance" (under the subheadings "Proposal 1: Election of directors", "Our Board leadership structure", "Board committees" and "Our board nominees").

## Information about our Executive Officers

The following persons are executive officers of Otis Worldwide Corporation:

Name	Position	Other Business Experience Since 1/1/2017	Age as of 2/4/2022
Bernardo Calleja Fernandez	President, Otis EMEA (since November 2020)	President of Otis South Europe & Africa, Otis; President, Otis South Europe & Turkey, Otis	59
James F. Cramer	President, Otis Americas (since June 2020)	Regional Vice President, U.S. Western Region, Otis	57
Rahul Ghai	Executive Vice President and Chief Financial Officer (since April 2020)	Vice President and Chief Financial Officer, Otis; Senior Vice President and Chief Financial Officer, Harris Corporation	50
Nora E. LaFreniere	Executive Vice President and General Counsel (since July 2021)	Executive Vice President, Chief General Counsel and Corporate Secretary, Vice President, General Counsel, Otis	50
Abbe Luersman	Executive Vice President and Chief People Officer (since July 2021)	Chief Human Resource Officer, Ahold Delhaize	54
Judith F. Marks	Chair, President and Chief Executive Officer (since February 2022)	President and Chief Executive Officer; President, Otis; Chief Executive Officer, Siemens USA and Dresser-Rand (a Siemens company); Executive Vice President, New Equipment Solutions, Dresser-Rand	58
Stephane de Montlivault	President, Otis Asia Pacific (since April 2020)	President, Otis Asia Pacific; President, Otis Northeast Asia, Otis President, Northeast Asia and President of Nippon Otis Elevator Company	62
Michael P. Ryan	Vice President and Chief Accounting Officer (since April 2020)	Vice President and Assistant Controller, UTC; and Executive Director, Corporate Accounting and Controls, UTC	52
Peiming Zheng (Perry)	President, Otis China and Chief Customer Product Officer (since December 2021)	President, Otis China; President, Business & Industrial Systems China, Otis	54

All of the officers serve at the pleasure of the Board of Directors of Otis Worldwide Corporation.

Information concerning Section 16(a) compliance is incorporated herein by reference to the section of our Proxy Statement for the 2022 Annual Meeting of Shareholders titled "Other important information" under the subheading "Delinquent section 16(a) reports." We have adopted a code of ethics, the Otis Absolutes, that applies to all our directors, officers, employees and representatives. This code is publicly available on our website at <http://www.otis.com/How-We-Work/Ethics-And-Compliance/Pages/Default.aspx>. Amendments to the code of ethics and any grant of a waiver from a provision of the code requiring disclosure under applicable SEC rules will be disclosed on our website. Our Corporate Governance Guidelines and the charters of our Board of Directors' Audit Committee, Compensation Committee and Nominations and Governance Committee are available on our website at <http://www.otis.com/Who-We-Are/Corporate-Governance/Pages/default.aspx>. These materials may also be requested in print free of charge by writing to our Investor Relations Department at Otis Worldwide Corporation, One Carrier Place, Investor Relations, Farmington, CT 06032.

## Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2022 Annual Meeting of Shareholders titled "Executive compensation", "Compensation of directors" and "Report of the compensation committee".

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the section of our Proxy Statement for the 2022 Annual Meeting of Shareholders titled "Other important information" under the subheading "Stock ownership" ("Beneficial stock ownership of directors and executive officers" and "Certain beneficial owners").

### Equity Compensation Plan Information

The following table provides information as of December 31, 2021 concerning Common Stock issuable under Otis' equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c))
Equity compensation plans approved by shareholders	5,221,275 (1)	\$52.97	25,645,407 (2)
Equity compensation plans not approved by shareholders	-	-	-

(1) Consists of the following issuable shares of Common Stock awarded under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan ("LTIP"): (i) shares of Common Stock issuable upon the exercise of outstanding non-qualified stock options; (ii) shares of Common Stock issuable upon the exercise of outstanding Stock Appreciation Rights ("SARs"); (iii) shares of Common Stock issuable pursuant to outstanding restricted stock unit and performance share unit awards, assuming performance at the target level (up to an additional 330,204 shares of Common Stock could be issued if performance goals are achieved above target); and (iv) shares of Common Stock issuable upon the settlement of outstanding deferred stock units and restricted stock units under the Otis Worldwide Corporation Board of Directors Stock Unit Plan. Under the LTIP, each SAR is exercisable for a number of shares of Common Stock having a value equal to the increase in the market price of a share of such stock from the date the SAR was granted. For purposes of determining the total number of shares to be issued in respect of outstanding SARs, we have used the New York Stock Exchange ("NYSE") closing price for a share of Common Stock on December 31, 2021 of \$87.07. The weighted-average exercise price shown in the column above takes into account only the shares identified in clauses (i) and (ii).

(2) Represents the maximum number of shares of Common Stock available to be awarded under the LTIP as of December 31, 2021. Performance share units, deferred stock units and restricted stock units ("Full Share Awards") will result in a reduction in the number of shares of Common Stock available for delivery under the LTIP in an amount equal to twice the number of shares to which the award corresponds under the terms of the LTIP. Stock options and SARs do not constitute Full Share Awards and will result in a reduction in the number of shares of Common Stock available for delivery under the 2020 LTIP on a one-for-one basis.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated herein by reference to the sections of our Proxy Statement for the 2022 Annual Meeting of Shareholders titled "Corporate governance" under the subheading "Our board nominees" (including under the subheading "Director independence") and "Other important information" (under the subheading "Transactions with related persons").



#### **Item 14. Principal Accounting Fees and Services**

The information required by Item 14 is incorporated by reference to the section of our Proxy Statement for the 2022 Annual Meeting of Shareholders titled "Proposal 3: Appoint an independent auditor for 2022", including the information provided in that section with regard to "Audit Fees", "Audit-Related Fees", "Tax Fees" and "All Other Fees".

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Form 10-K:

- (1) Financial Statements. The financial statements are set forth in Item 8. "Financial Statements and Supplementary Data" in this Form 10-K.
- (2) Financial Statement Schedules. The following financial statement schedule is set forth in Item 8. "Financial Statements and Supplementary Data" in this Form 10-K. All other schedules have been omitted because they are not required, are not applicable or the required information is shown in the financial statements or the notes thereto.
  - Schedule II — Valuation and Qualifying Accounts
- (3) Exhibits. The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings.

Exhibit Number	Exhibit Description
2.1	<a href="#">Separation and Distribution Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation, incorporated by reference to Exhibit 2.1 of the Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Otis Worldwide Corporation, incorporated by reference to Exhibit 3.1(b) of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
3.2	<a href="#">Amended and Restated Bylaws of Otis Worldwide Corporation, incorporated by reference to Exhibit 3.2 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
4.1	<a href="#">Indenture, dated February 27, 2020, between Otis Worldwide Corporation and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 to Otis' Amendment No. 1 to Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on March 11, 2020.</a>
4.2	<a href="#">Supplemental Indenture No. 1, dated February 27, 2020, between Otis Worldwide Corporation and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.2 to Otis' Amendment No. 1 to Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on March 11, 2020.</a>
4.3	<a href="#">Supplemental Indenture No. 2, dated as of March 11, 2021, between Otis Worldwide Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on March 11, 2021.</a>
4.4	<a href="#">Indenture, dated as of November 12, 2021, among Otis Worldwide Corporation, Highland Holdings S.à r.l. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on November 12, 2021.</a>
4.5	<a href="#">Supplemental Indenture No. 1, dated as of November 12, 2021, among Otis Worldwide Corporation, Highland Holdings S.à r.l. and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.2 of Otis' Current Report on 8-K (Commission file number 001-39221) filed with the SEC on November 12, 2021).</a>
4.6	<a href="#">Description of Securities*</a>
10.1	<a href="#">Transition Services Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation, incorporated by reference to Exhibit 10.1 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.2	<a href="#">Tax Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation incorporated by reference to Exhibit 10.2 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>

Exhibit Number	Exhibit Description
10.3	<a href="#">Employee Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation incorporated by reference to Exhibit 10.3 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.4	<a href="#">Intellectual Property Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation, incorporated by reference to Exhibit 10.4 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.5	<a href="#">Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.5 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.6	<a href="#">Otis Worldwide Corporation Change in Control Severance Plan, incorporated by reference to Exhibit 10.6 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.7	<a href="#">Otis Worldwide Corporation Executive Annual Bonus Plan incorporated by reference to Exhibit 10.7 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020;</a> <a href="#">Amendment No. 1 to Otis Worldwide Corporation Executive Annual Bonus Plan, incorporated by reference to Exhibit 10.3 to Otis' Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (Commission file number 001-39221) filed with the SEC on July 28, 2021.</a>
10.8	<a href="#">Otis Worldwide Corporation Pension Preservation Plan, incorporated by reference to Exhibit 10.8 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.9	<a href="#">Otis Worldwide Corporation Retirement Plan for Third Country National Employees, incorporated by reference to Exhibit 10.9 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.10	<a href="#">Otis Worldwide Corporation Board of Directors Deferred Stock Unit Plan, incorporated by reference to Exhibit 10.10 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020;</a> <a href="#">Otis Worldwide Corporation Board of Directors Deferred Stock Unit Plan (Amended and Restated effective as of February 4, 2021), incorporated by reference to Exhibit 10.4 to Otis' Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (Commission file number 001-39221) filed with the SEC on July 28, 2021.</a>
10.11	<a href="#">French Sub-Plan for Restricted Stock Units Granted Under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.11 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on April 3, 2020.</a>
10.12	<a href="#">Schedule of Terms for Restricted Stock Unit Awards granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.8 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</a>
10.13	<a href="#">Schedule of Terms for Restricted Stock Unit Awards (Off-Cycle) granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.9 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</a>
10.14	<a href="#">Schedule of Terms for Stock Appreciation Right Awards granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.10 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</a>
10.15	<a href="#">Schedule of Terms for Stock Appreciation Right Awards (Off-Cycle) granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.11 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</a>
10.16	<a href="#">Schedule of Terms for Performance Share Unit Awards granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.12 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</a>
10.17	<a href="#">Otis Worldwide Corporation Deferred Compensation Plan, incorporated by reference to Exhibit 10.14 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020;</a> <a href="#">Amendment No. 1 to the Otis Worldwide Corporation Deferred Compensation Plan.*</a>

Exhibit Number	Exhibit Description
10.18	<a href="#"><u>Otis Worldwide Corporation Amended and Restated Savings Restoration Plan, incorporated by reference to Exhibit 10.15 to Otis' Amendment No. 1 to Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on March 11, 2020;</u></a> <a href="#"><u>Amendment No. 1 to Otis Worldwide Corporation Amended and Restated Savings Restoration Plan, incorporated by reference to Exhibit 10.1 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021;</u></a> <a href="#"><u>Amendment No. 2 to the Otis Worldwide Corporation Amended and Restated Savings Restoration Plan.*</u></a>
10.19	<a href="#"><u>Otis Worldwide Corporation Company Automatic Contribution Excess Plan, incorporated by reference to Exhibit 10.16 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020;</u></a> <a href="#"><u>Amendment No. 1 to the Otis Worldwide Corporation Company Automatic Contribution Excess Plan.*</u></a>
10.20	<a href="#"><u>Otis Worldwide Corporation LTIP Performance Share Unit Deferral Plan, incorporated by reference to Exhibit 10.17 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020;</u></a> <a href="#"><u>Amendment No. 1 to the Otis Worldwide Corporation LTIP Performance Share Unit Deferral Plan.*</u></a>
10.21	<a href="#"><u>Legacy United Technologies Corporation Executive Leadership Group Agreements, incorporated by reference to Exhibit 10.19 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</u></a>
10.22	<a href="#"><u>Legacy Schedule of Terms for United Technologies Corporation Executive Leadership Group Restricted Stock Unit Retention Awards, incorporated by reference to Exhibit 10.20 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</u></a>
10.23	<a href="#"><u>Offer Letter with Rahul Ghai, dated June 27, 2019, incorporated by reference to Exhibit 10.24 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</u></a>
10.24	<a href="#"><u>Letter of Assignment with Stephane de Montlivault, dated December 18, 2019, incorporated by reference to Exhibit 10.25 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020;</u></a> <a href="#"><u>Letter of Assignment Extension with Stephane de Montlivault dated October 1, 2021.*</u></a>
10.25	<a href="#"><u>Letter of Appointment/Employment with Stephane de Montlivault, dated December 18, 2019, incorporated by reference to Exhibit 10.26 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</u></a>
10.26	<a href="#"><u>Letter Agreement with Judith F. Marks regarding LTIP award amendment, dated February 3, 2020, incorporated by reference to Exhibit 10.29 to Otis' Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on February 7, 2020.</u></a>
10.27	<a href="#"><u>Summary of Compensation and Benefits for Non-Employee Directors.*</u></a>
10.28	<a href="#"><u>Otis Worldwide Corporation Executive Leadership Group Severance Plan, incorporated by reference to Exhibit 10.1 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on September 18, 2020.</u></a>
10.29	<a href="#"><u>Letter of Assignment for Peiming (Perry) Zheng, effective January 1, 2021, incorporated by reference to Exhibit 10.33 of Otis' Annual Report on Form 10-K for the year ended December 31, 2020 (Commission file number 001-39221) filed with the SEC on February 5, 2021.</u></a>
10.30	<a href="#"><u>Employment Contract (Foreign National or Hong Kong, Macao or Taiwan Resident) for Peiming (Perry) Zheng, effective January 1, 2021, incorporated by reference to Exhibit 10.34 of Otis' Annual Report on Form 10-K for the year ended December 31, 2020 (Commission file number 001-39221) filed with the SEC on February 5, 2021.</u></a>

Exhibit Number	Exhibit Description
10.31	<p><a href="#">Revolving Credit Agreement, dated February 10, 2020, among Otis Worldwide Corporation, the subsidiary borrowers party thereto, the lenders and other parties party thereto and JPMorgan Chase Bank, N.A., incorporated by reference to Exhibit 10.30 to Otis' Amendment No. 1 to Registration Statement on Form 10 (Commission file number 001-39221) filed with the SEC on March 11, 2020;</a></p> <p><a href="#">First Amendment dated as of September 4, 2020, to Revolving Credit Agreement, dated February 10, 2020, among Otis Worldwide Corporation, the subsidiary borrowers party thereto, the lenders and other parties party thereto and JPMorgan Chase Bank, N.A., incorporated by reference to Exhibit 10.1 to Otis' Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (Commission file number 001-39221) filed with the SEC on October 28, 2020;</a></p> <p><a href="#">Suspension of Rights Agreement to the Revolving Credit Agreement, incorporated by reference to Exhibit 10.4 to Otis' Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (Commission file number 001-39221) filed with the SEC on October 26, 2021.</a></p>
10.32	<p><a href="#">Employment Contract between Otis Elevator Worldwide SRL and Bernardo Calleja Fernández, dated January 29, 2021, incorporated by reference to Exhibit 10.2 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021;</a></p> <p><a href="#">Termination of Employment Contract between Otis Elevator Worldwide SRL and Bernardo Calleja Fernández, dated November 14, 2021.*</a></p>
10.33	<p><a href="#">Service Agreement between Zardoya Otis S.A and Bernardo Calleja Fernández, dated January 26, 2021, incorporated by reference to Exhibit 10.3 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021;</a></p> <p><a href="#">Amendment Agreement to the Service Agreement between Zardoya Otis S.A and Bernardo Calleja Fernández, dated February 23, 2021, incorporated by reference to Exhibit 10.4 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021;</a></p> <p><a href="#">Letter of Amendment to Service Agreement between Zardoya Otis S.A and Bernardo Calleja Fernández, dated May 19, 2021, incorporated by reference to Exhibit 10.2 to Otis' Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (Commission file number 001-39221) filed with the SEC on July 28, 2021;</a></p>
10.34	<a href="#">Employment Contract between Otis International Sàrl and Bernardo Calleja Fernández, effective November 15, 2021.*</a>
10.35	<a href="#">Schedule of Terms for Restricted Stock Unit Awards (February 5, 2021) granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.5 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021.</a>
10.36	<a href="#">Schedule of Terms for Stock Appreciation Right Awards (February 5, 2021) granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.6 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021.</a>
10.37	<a href="#">Schedule of Terms for Performance Share Unit Awards (February 5, 2021) granted under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.7 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021.</a>
10.38	<a href="#">Form of Executive Award Statement under the Otis Worldwide Corporation 2020 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.8 to Otis' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (Commission file number 001-39221) filed with the SEC on April 28, 2021.</a>
10.39	<a href="#">CNMV Guarantees Issuance Agreement, dated 22 September 2021, among Opal Spanish Holdings, S.A.U., Morgan Stanley Bank AG, as CNMV guarantee provider, Morgan Stanley Bank Senior Funding, Inc., as administrative agent, and the other financial institutions from time to time party thereto, incorporated by reference to Exhibit 10.1 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on September 23, 2021.</a>
10.40	<a href="#">Company Guarantee Agreement, dated September 22, 2021, between Otis Worldwide Corporation and Morgan Stanley Senior Funding, Inc., as administrative agent, incorporated by reference to Exhibit 10.2 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on September 23, 2021.</a>

Exhibit Number	Exhibit Description
10.41	<a href="#">Bridge Loan Credit Agreement, dated September 22, 2021, among Opal Spanish Holdings, S.A.U., Otis Worldwide Corporation, the lenders from time to time party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent, incorporated by reference to Exhibit 10.3 of Otis' Current Report on Form 8-K (Commission file number 001-39221) filed with the SEC on September 23, 2021.</a>
10.42	<a href="#">Offer Letter between Otis Worldwide Corporation and Abbe L. Luersman, dated March 27, 2021, incorporated by reference to Exhibit 10.5 to Otis' Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (Commission file number 001-39221) filed with the SEC on October 26, 2021.</a>
14	The Otis Absolutes. The Otis Absolutes may be accessed via Otis' website at <a href="https://www.otisinvestors.com/static-files/d4712262-a281-4b8b-8430-a35803762de3">https://www.otisinvestors.com/static-files/d4712262-a281-4b8b-8430-a35803762de3</a>
21	<a href="#">Subsidiaries of the Registrant.*</a>
23	<a href="#">Consent of PricewaterhouseCoopers LLP.*</a>
24	<a href="#">Powers of Attorney of Jeffrey H. Black, Kathy Hopinkah Hannan, Shailesh G. Jejurikar, Christopher J. Kearney, Judith F. Marks, Harold W. McGraw III, Margaret M.V. Preston, Shelley Stewart, Jr. and John H. Walker.*</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification.*</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification.*</a>
31.3	<a href="#">Rule 13a-14(a)/15d-14(a) Certification.*</a>
32	<a href="#">Section 1350 Certifications.*</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

#### Notes to Exhibits List:

\* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations for the three years ended December 31, 2021, (ii) Consolidated Statements of Comprehensive Income for the three years ended December 31, 2021, (iii) Consolidated Balance Sheets as of December 31, 2021 and 2020, (iv) Consolidated Statements of Cash Flows for the three years ended December 31, 2021, (v) Consolidated Statements of Changes in Equity for the three years ended December 31, 2021, (vi) Notes to Consolidated Financial Statements, and (vii) Financial Schedule of Valuation and Qualifying Accounts.

#### Item 16. Form 10-K Summary

Not applicable.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**OTIS WORLDWIDE CORPORATION  
(Registrant)**

Dated: February 4, 2022

by: /s/ RAHUL GHAI  
**Rahul Ghai**  
**Executive Vice President and Chief Financial Officer**  
(on behalf of the Registrant and as the Registrant's Principal Financial Officer)

Dated: February 4, 2022

by: /s/ MICHAEL P. RYAN  
**Michael P. Ryan**  
**Vice President and Chief Accounting Officer**  
(on behalf of the Registrant and as the Registrant's Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ JUDITH F. MARKS</u> <b>Judith F. Marks</b>	Director, Chair, President and Chief Executive Officer	<b>February 4, 2022</b>
<u>/s/ RAHUL GHAI</u> <b>Rahul Ghai</b>	Executive Vice President and Chief Financial Officer	<b>February 4, 2022</b>
<u>/s/ MICHAEL P. RYAN</u> <b>Michael P. Ryan</b>	Vice President and Chief Accounting Officer	<b>February 4, 2022</b>
<u>/s/ JEFFREY H. BLACK*</u> <b>Jeffrey H. Black</b>	Director	
<u>/s/ KATHY HOPINKAH HANNAN*</u> <b>Kathy Hopinkah Hannan</b>	Director	
<u>/s/ SHAILESH G. JEJURIKAR*</u> <b>Shailesh G. Jejuri</b>	Director	
<u>/s/ CHRISTOPHER J. KEARNEY*</u> <b>Christopher J. Kearney</b>	Director	
<u>/s/ HAROLD W. MCGRAW III*</u> <b>Harold W. McGraw III</b>	Director	
<u>/s/ MARGARET M.V. PRESTON*</u> <b>Margaret M.V. Preston</b>	Director	
<u>/s/ SHELLEY STEWART, JR.*</u> <b>Shelley Stewart, Jr.</b>	Director	
<u>/s/ JOHN H. WALKER*</u> <b>John H. Walker</b>	Director	

\*By: /s/ NORA E. LAFRENIERE  
Executive Vice President and General Counsel, as Attorney-in-fact

Date: February 4, 2022



## DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of the date of the Annual Report on Form 10-K of which this exhibit is a part, Otis Worldwide Corporation (the "Company," "Otis," "we," "us," and "our") has four classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our common stock, par value \$0.01 per share; (2) our 0.000% Notes due 2023 (the "2023 Notes"); (3) our 0.318% Notes due 2026 (the "2026 Notes") and (4) our 0.934% Notes due 2031 (the "2031 Notes", and together with the 2023 Notes and the 2026 Notes, the "Notes").

### Common Stock

*The following briefly summarizes certain terms of Otis' common stock. This summary does not describe every aspect of our common stock and is subject, and is qualified in its entirety by reference, to all the provisions of our amended and restated certificate of incorporation and our amended and restated bylaws.*

Otis' common stock is listed on the New York Stock Exchange under the symbol "OTIS."

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of shareholders.

Holders of common stock are entitled to share equally in the dividends, if any, that may be declared by Otis' board of directors out of funds that are legally available to pay dividends, but only after payment of any dividends required to be paid on outstanding preferred stock. Upon any voluntary or involuntary liquidation, dissolution or winding up of Otis, the holders of common stock will be entitled to share ratably in all assets of Otis remaining after we pay:

- all of our debts and other liabilities and
- any amounts we may owe to the holders of our preferred stock.

Holders of common stock do not have any preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any series of preferred stock that we may designate and issue.

Delaware law and our amended and restated bylaws permit us to issue uncertificated shares of common stock.

The rights, preferences and privileges of common shareholders may be affected by the rights, preferences and privileges granted to holders of preferred stock. The Otis board of directors has the authority, without further action by the shareholders, to issue shares of preferred stock in one or more series, and to fix the rights, preferences and privileges (including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences) of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any additional series of preferred stock upon the rights of common shareholders until the board of directors determines the specific rights of the holders of that series. However, the effects might include, among other things (1) restricting dividends on the common stock, (2) diluting the voting power of the common stock, (3) impairing the liquidation rights of the common stock or (4) delaying or preventing a change in control of Otis without further action by the shareholders.

At each annual meeting of shareholders, the entire Otis board of directors is elected for a term of one year. Otis' amended and restated bylaws provide that the board of directors may, from time to time, designate the number of directors; however, the number may not be less than five nor more than fourteen. Vacancies on the board (except in an instance where a director is removed by holders of common stock and the resulting vacancy is filled by holders of common stock) may be filled by a vote of the majority of the directors then in office, even if less than a quorum.

Otis' amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election of directors, other than nominations made by or at the direction of Otis' board of directors. Eligible shareholders will be permitted to include their own director nominees in Otis' proxy materials under the circumstances set forth in the amended and restated bylaws. Generally, a stockholder or a group of up to 20 shareholders, who has maintained continuous qualifying ownership of at least 3% of Otis' outstanding common stock for at least three years, will be permitted to include director nominees constituting up to 20% of the board of directors in the proxy materials for an annual meeting of shareholders if such stockholder or group of shareholders complies with the other requirements set forth in the proxy access provision.

Otis' amended and restated bylaws include an exclusive forum provision. This provision provides that, unless Otis consents in writing to the selection of an alternative forum, the sole and exclusive forum for various types of suits will be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware). Such suits include (1) any derivative action or proceeding brought on behalf of Otis, (2) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of Otis to the company or to Otis' shareholders, (3) any action asserting a claim against Otis or any director or officer or other employee of Otis arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL") or Otis' amended and restated certificate of incorporation or amended and restated bylaws (as either may be amended from time to time), (4) any action asserting a claim against Otis or any director or officer or other employee of Otis governed by the internal affairs doctrine or (5) any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL. Under Otis' amended and restated bylaws, to the fullest extent permitted by law, this exclusive forum provision applies to state and federal law claims, including claims under the federal securities laws, including the Exchange Act, although Otis shareholders will not be deemed to have waived Otis' compliance with the federal securities laws and the rules and regulations thereunder. The enforceability of exclusive forum provisions in other companies' organizational documents has been challenged in legal proceedings, and it is possible that, in connection with claims subject to exclusive federal jurisdiction, a court could find the exclusive forum provision contained in Otis' amended and restated bylaws to be inapplicable or unenforceable.

Otis' amended and restated certificate of incorporation and amended and restated bylaws provide that any action permitted to be taken at an annual or special meeting of shareholders may be effected by the written consent of shareholders if shareholders representing 25 percent of the outstanding voting power of Otis capital stock have requested a record date for such action and certain other conditions are satisfied in accordance with Otis' amended and restated certificate of incorporation and amended and restated bylaws.

Otis' amended and restated certificate of incorporation and amended and restated bylaws provide that special meetings of shareholders may be called only by the board of directors, the chairman of the board of directors, or the Chief Executive Officer. The Secretary may also call a special meeting of shareholders in response to a written request of a stockholder or a group of shareholders who has maintained continuous qualifying ownership of at least 15% of Otis'

outstanding common stock for at least one year, subject to the provisions and conditions set forth in Otis' amended and restated certificate of incorporation and amended and restated bylaws.

Under Delaware law, the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage.

Certain of the provisions of Otis' amended and restated certificate of incorporation and amended and restated bylaws discussed above and below could discourage a proxy contest or the acquisition of control of a substantial block of our stock. These provisions could also have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of Otis, even though an attempt to obtain control of Otis might be beneficial to Otis and its shareholders.

Otis' amended and restated certificate of incorporation includes provisions eliminating the personal liability of our directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by Delaware law. The amended and restated bylaws include provisions indemnifying our directors and officers to the fullest extent permitted by Delaware law, including under circumstances in which indemnification is otherwise discretionary. The amended and restated bylaws additionally include provisions permitting the Chief Executive Officer or the General Counsel and the Chief Financial Officer acting together to reimburse the expenses of our current and former employees, agents and fiduciaries in advance of the final disposition of any such proceeding.

Section 203 of the DGCL, under certain circumstances, may make it more difficult for a person who is an "Interested Stockholder," as defined in Section 203, to effect various business combinations with a corporation for a three-year period. Under Delaware law, a corporation's certificate of incorporation or bylaws may exclude a corporation from the restrictions imposed by Section 203. However, Otis' amended and restated certificate of incorporation and amended and restated bylaws do not exclude us from these restrictions, and these restrictions apply to us.

## **Description of Debt Securities**

The Notes were issued under that certain Indenture, dated November 12, 2021, among Highland Holdings S.à r.l., as issuer (“Issuer”), Otis, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by that certain Supplemental Indenture No. 1, dated November 12, 2021 (the Indenture, as so supplemented, the “Indenture”). The following summary of certain provisions of the Indenture and the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture and the Notes. In this “Description of Debt Securities” section, when we refer to the “Issuer,” “Highland,” “we,” “our,” or “us,” we refer to Highland Holdings S.à r.l. and any successor obligor and not to Otis or any of its other subsidiaries. In this “Description of Debt Securities” section, when we refer to “Otis,” we refer to Otis Worldwide Corporation and any successor obligor and not to any subsidiaries of Otis.

The Indenture was filed with the SEC on November 12, 2021. The Indenture is qualified under the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”) and you should refer to the Trust Indenture Act for provisions that apply to the Notes and the Parent Guarantees.

### **General**

On November 12, 2021, we issued €500,000,000 in aggregate principal amount of the 2023 Notes. The 2023 Notes mature on November 12, 2023, and bear interest at a rate of 0.000% per annum.

On November 12, 2021, we issued €600,000,000 in aggregate principal amount of the 2026 Notes. The 2026 Notes mature on December 15, 2026, and bear interest at a rate of 0.318% per annum.

On November 12, 2021, we issued €500,000,000 in aggregate principal amount of the 2031 Notes. The 2031 Notes mature on December 15, 2031, and bear interest at a rate of 0.934% per annum.

Each of the 2023 Notes, the 2026 Notes and the 2031 Notes constitute separate series under the Indenture.

The Notes were issued in fully registered form, without coupons, in minimum denominations of €100,000 and any integral multiple of €1,000 in excess thereof. Each series of Notes was issued in the form of one or more Global Notes (as defined in “Book-Entry, Delivery and Form”) registered in the name of a nominee of, and deposited with, a common depositary for Clearstream and Euroclear. See “Book-Entry, Delivery and Form.”

The Notes are not subject to any sinking fund or mandatory redemption provisions.

The place of payment for the Notes is the office of the Paying Agent maintained for that purpose in the City of London, initially the corporate trust office of the Paying Agent, located at One Canada Square, London, E14 5AL, United Kingdom. The place where notices and demands to or upon the Issuer or Otis in respect of the Notes and the Indenture may be served is the principal corporate trust office of the Trustee in the City of Pittsburgh, Pennsylvania. All notices and communications to be given to the holders and all payments to be made to holders under the Notes will be given or made only to the registered holders (which will be Euroclear, Clearstream or a nominee, in the case of a Global Note).

Otis and Highland may at any time and from time to time purchase Notes in the open market, by tender offer, through privately negotiated transactions or otherwise.

## **Issuance in Euro**

Payments of principal, interest and Additional Amounts, if any, in respect of the Notes or the Parent Guarantees, as applicable, are payable in euro. If the euro is unavailable to the Issuer or Otis due to the imposition of exchange controls or other circumstances beyond the Issuer's or Otis' control, then all payments in respect of the Notes or the Parent Guarantees, as applicable, will be made in U.S. dollars until the euro is again available to the Issuer or Otis or so used. The amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second Business Day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the then-most recent U.S. dollar/euro exchange rate published in the *Wall Street Journal* on or prior to the second Business Day prior to the relevant payment date or, in the event the *Wall Street Journal* has not published such exchange rate, the rate will be determined by Otis in its sole discretion on the basis of the most recently available market exchange rate for euro. Any payment in respect of the Notes so made in U.S. dollars will not constitute an event of default under the Notes or the Indenture. Neither the Trustee nor the Paying Agent will have any responsibility for any calculation or conversion in connection with the foregoing.

Investors will be subject to foreign exchange risks as to payments of principal, interest and Additional Amounts, if any, that may have important economic and tax consequences to them.

## **Interest on the Notes**

The Notes bear interest at the applicable annual rate described above under the heading “-General” and accrue interest from the date of original issuance or from the most recent date to which interest has been paid or duly provided for.

Interest will be payable on the Notes annually in arrears on the dates set forth in this paragraph and on the Maturity of such series, to the persons in whose names such Notes are registered on the relevant Record Date; provided that interest payable at the Maturity will be payable to the persons to whom the principal of such Notes is payable. Interest on the 2023 Notes is payable on November 12 of each year, beginning November 12, 2022. Interest on the 2026 Notes is payable on December 15 of each year, beginning December 15, 2022. Interest on the 2031 Notes is payable on December 15 of each year, beginning December 15, 2022. If the date on which a payment of interest or principal on the Notes is scheduled to be paid is not a Business Day, then the interest or principal payable on that date will be paid on the next succeeding Business Day, and no further interest will accrue as a result of such delay. Interest on the Notes shall be computed on the basis of the actual number of days in the period for which interest is being calculated, and including the last date on which interest was paid or duly provided for in the notes (or from the issue date, if no interest has been paid on the Notes), but excluding the next following interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA), as defined in the rulebook of the International Capital Markets Association. The amount of interest payable for any period shorter than a full monthly period will be computed on the basis of the actual number of calendar days elapsed in such a period.

## **Guarantee**

Otis fully and unconditionally guarantees to each holder of the Notes and to the Trustee the full and punctual payment when due, whether at stated maturity, by acceleration, by redemption or otherwise, of all obligations of Highland under the Indenture and the Notes, whether for payment of principal of, or interest on or premium, if any, on, the Notes and all other monetary obligations of Highland under the Indenture and the Notes (Otis' guarantee of each such series, a “Parent Guarantee” and, collectively, the “Parent Guarantees”). The Notes are not guaranteed by any of Otis' or the Issuer's subsidiaries. The Parent Guarantees are set forth in the Indenture.

Otis' guarantee of the Notes of any series shall be automatically released and discharged upon (a) the exercise by the Issuer of its legal defeasance option or (b) the discharge of the Issuer's obligations under the Indenture in accordance with the terms of the Indenture.

## Ranking

The Notes are our unsecured and unsubordinated obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness, liabilities and other obligations and senior in right of payment to all of our future indebtedness that is subordinated to the Notes. The Notes will be effectively subordinated in right of payment to any of our future secured indebtedness to the extent of the value of the assets securing such indebtedness, and are structurally subordinated in right of payment to any existing and future indebtedness, liabilities and other obligations of our subsidiaries.

The Parent Guarantees are Otis' unsecured and unsubordinated obligations and rank equally in right of payment with all of Otis' existing and future unsecured and unsubordinated indebtedness, liabilities and other obligations and senior in right of payment to all of Otis' future indebtedness that is subordinated to the Parent Guarantees. The Parent Guarantees are and will be effectively subordinated in right of payment to any of Otis' existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and are and will be structurally subordinated in right of payment to any existing and future indebtedness, liabilities and other obligations of Otis' subsidiaries (other than, by virtue of the Issuer's obligations as issuer of the Notes, the Issuer).

## Optional Redemption

At any time, and from time to time, prior to the Par Call Date, in respect of each series of Notes, we may redeem Notes of such series, in whole or in part, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed, and
- the sum of the Remaining Scheduled Payments of the Notes to be redeemed from the redemption date to the Par Call Date of such series of Notes discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate plus the number of basis points set forth below under the heading "Make-Whole Basis Points" across from the name of such series of Notes,

plus, in each case, accrued and unpaid interest, if any, on the principal amount of the Notes being redeemed to, but excluding, the redemption date.

Series of Notes	Make-Whole Basis Points
2023 Notes	+10
2026 Notes	+15
2031 Notes	+20

At any time on or after the Par Call Date in respect of a series of Notes, we may redeem the Notes of such series, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any, on the principal amount of the Notes being redeemed to, but excluding, the redemption date (each such redemption, a "Par Call").

For purposes of this Description of Debt Securities, “Par Call Date” in respect of a series of Notes shall mean the date set forth below under the heading “Par Call Date” across from the name of such series of Notes.

**Series of Notes**

**Par Call Date**

2023 Notes	October 12, 2023 (1 month prior to the stated maturity of such Notes)
2026 Notes	September 15, 2026 (3 months prior to the stated maturity of such Notes)
2031 Notes	September 15, 2031 (3 months prior to the stated maturity of such Notes)

Notice of redemption shall be mailed or otherwise delivered in accordance with the applicable procedures of the depository not less than 10 days nor more than 60 days prior to the redemption date to each registered holder of the Notes to be redeemed.

If the redemption date is on or after a Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest, if any, will be paid to the person in whose name the Note is registered at the close of business on such Record Date, and no additional interest will be payable to holders whose Notes are subject to redemption by the Issuer.

Any notice of redemption of any series of Notes may, at the Issuer’s discretion, be subject to one or more conditions precedent with respect to completion of a corporate transaction (including, but not limited to, any merger, acquisition, disposition, asset sale or corporate restructuring or reorganization) or financing (including, but not limited to, any incurrence of indebtedness (or entering into a commitment with respect thereto), sale and leaseback transaction, issuance of securities, equity offering or contribution, liability management transaction or other capital raise) and may be given prior to the completion thereof. If a redemption is subject to satisfaction of one or more conditions precedent, the notice shall describe each condition, and the notice may be rescinded in the event that any or all of the conditions shall not have been satisfied by the redemption date. Any notice of redemption may provide that payment of the redemption price and the Issuer’s obligations with respect to the redemption may be performed by another person.

Unless we default in payment of the redemption price, interest will cease to accrue on the Notes or portion of the Notes called for redemption on and after the redemption date.

**Additional Amounts**

All payments of principal and interest in respect of the Notes by us or, in the case of the Parent Guarantee, Otis, or by a paying agent on our or Otis’ behalf, will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other similar governmental charges (collectively, “Taxes”) imposed or levied by Luxembourg, the United States or any other jurisdiction in which we or Otis may be organized, engaged in business for tax purposes or resident for tax purposes, or any political subdivision or taxing authority thereof or therein (a “Taxing Jurisdiction”), unless such deduction or withholding is required by law or the official interpretation or administration thereof.

In the event such deduction or withholding for Taxes is so required, subject to the exceptions and limitations described below, we will pay such additional amounts (“Additional Amounts”) on the Notes as may be necessary to ensure that the net amount received by any holder, after withholding or deduction for such Taxes, will be equal to the amount such person would have received in the absence of such deduction or withholding.

However, no Additional Amounts shall be payable with respect to any Taxes if such Taxes are imposed, withheld, deducted or levied for reasons unrelated to the holder’s or beneficial owner’s ownership or disposition of Notes, nor shall Additional Amounts be payable for or on account of:

- (a) any Taxes which would not have been so imposed, withheld, deducted or levied but for:

- (i) the existence of any present or former connection between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity) and the relevant Taxing Jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or other equity owner or person having such a power) being or having been a citizen or resident or treated as a resident of the relevant Taxing Jurisdiction, being or having been engaged in a trade or business in the relevant Taxing Jurisdiction, being or having been present in the relevant Taxing Jurisdiction, or having or having had a permanent establishment in the relevant Taxing Jurisdiction;
- (ii) the failure of the holder or beneficial owner to comply with any applicable certification, information, documentation or other reporting requirement, if compliance is required under the tax laws and regulations of the relevant Taxing Jurisdiction or any taxing authority thereof or therein or by an applicable income tax treaty to which the relevant Taxing Jurisdiction is a party as a precondition to exemption from such Taxes; or
- (iii) the holder's or beneficial owner's present or former status as a personal holding company or a foreign personal holding company with respect to the United States, as a controlled foreign corporation with respect to the United States, as a passive foreign investment company with respect to the United States, as a foreign tax-exempt organization with respect to the United States, or as a corporation that accumulates earnings to avoid U.S. federal income tax;
- (b) any Taxes which would not have been imposed, withheld, deducted or levied but for the failure of the holder or beneficial owner to meet the requirements (including the certification requirements) of Section 871(h) or Section 881(c)(3)(C) of the Internal Revenue Code of 1986, as amended (the "Code");
- (c) any Taxes which would not have been imposed, withheld, deducted or levied but for the presentation by the holder or beneficial owner of such Note for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for and notice is given to holders, whichever occurs later;
- (d) any estate, inheritance, gift, sales, excise, transfer, capital gains, personal property, wealth or similar Taxes;
- (e) any Taxes which are payable other than by withholding or deducting from a payment of principal of or interest on such Note;



- (f) any Taxes which are imposed, withheld, deducted or levied with respect to, or payable by, a holder that is not the beneficial owner of the Note, or a portion of the Note, or that is a fiduciary, partnership, limited liability company or other similar entity, but only to the extent that a beneficial owner, a beneficiary or settlor with respect to such fiduciary or member of such partnership, limited liability company or similar entity would not have been entitled to the payment of an Additional Amount had such beneficial owner, settlor, beneficiary or member received directly its beneficial or distributive share of the payment;
- (g) any Taxes required to be withheld or deducted by any paying agent from any payment if such payment can be made without such withholding or deduction by at least one other paying agent;
- (h) any Taxes imposed, withheld, deducted or levied under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof (“FATCA”), any agreement (including any intergovernmental agreement) entered into in connection therewith or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA;
- (i) any Taxes that would not have been imposed, withheld, deducted or levied but for a change in any law, treaty, regulation, or administrative or judicial interpretation that becomes effective after the applicable payment becomes due or is duly provided for, whichever occurs later; or
- (j) a Tax deduction on account of Tax imposed by Luxembourg if on the date on which the payment falls due such Tax deduction is required in respect of the Luxembourg law of 23 December 2005, as amended, introducing in Luxembourg a 20% withholding tax as regards Luxembourg resident individuals; or
- (k) any combination of items (a), (b), (c), (d), (e), (f), (g), (h), (i) and (j).

Any Additional Amounts paid on the Notes and the Parent Guarantees will be paid in euro, subject to the provisions described under “-Issuance in Euro.”

For purposes of this section, the acquisition, ownership, enforcement, or holding of or the receipt of any payment with respect to a Note or a Parent Guarantee, as applicable, will not constitute a connection (a) between the holder or beneficial owner and the relevant Taxing Jurisdiction or (b) between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity and a Taxing Jurisdiction. As used under this heading “Additional Amounts” and under the heading “Redemption for Tax Reasons,” the term “United States” means the United States of America, any state thereof and the District of Columbia.

Any reference in this Description of Debt Securities, in the prospectus supplement and the accompanying prospectus, in the Indenture or in the Notes to principal or interest shall be deemed to refer also to Additional Amounts which may be payable under the provisions of this section.

Except as specifically provided in the Notes, neither we nor Otis will be required to make any payment with respect to any tax, duty, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority.

### **Redemption for Tax Reasons**

We may redeem any series of Notes at our option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, together with any accrued and unpaid interest on the Notes to be redeemed to, but excluding, the redemption date, at any time, if:

- (a) we or Otis have or will become obliged to pay Additional Amounts with respect to the Notes of such series as a result of any change in, or amendment to, the laws, regulations, treaties, or rulings of a Taxing Jurisdiction affecting taxation, or any change in, or amendment to, the official application, official interpretation, administration or enforcement of such laws, regulations, treaties or rulings (including a holding by a court of competent jurisdiction in a Taxing Jurisdiction), which change or amendment is enacted, adopted, announced or becomes effective on or after November 4, 2021; or
- (b) on or after November 4, 2021, any action is taken by a taxing authority of, or any action has been brought in a court of competent jurisdiction in, a Taxing Jurisdiction or any taxing authority thereof or therein, including any of those actions specified in clause (a) above, whether or not such action was taken or brought with respect to us or Otis or there is any change, amendment, clarification, application or interpretation of such laws, regulations, treaties or rulings, which in any such case, will result in a material probability that we or Otis will be required to pay Additional Amounts with respect to such Notes (it being understood that such material probability will be deemed to result if the written opinion of independent tax counsel described in clause (b) below to such effect is delivered to the Trustee and the Paying Agent).

Notice of any such redemption will be mailed, or delivered electronically if held by any depositary in accordance with such depositary's customary procedures, at least 10 days but not more than 60 days before the redemption date to each registered holder of Notes to be redeemed; provided that the notice of redemption shall not be given earlier than 90 days before the earliest date on which we would be obligated to pay such Additional Amounts if a payment in respect of the Notes to be redeemed was then due. Any notice of redemption may provide that payment of the redemption price and the Issuer's obligations with respect to the redemption may be performed by another person.

Prior to the mailing or delivery of any notice of redemption pursuant to this section “-Redemption for Tax Reasons,” we will deliver to the Trustee and the Paying Agent:

- (a) a certificate signed by one of our officers stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to our right to so redeem have occurred; and
- (b) a written opinion of independent tax counsel of nationally recognized standing to the effect that we or Otis have or will become obligated to pay such Additional Amounts as a result of a change or amendment described in clause (a) above or that there is a material probability that we or Otis will be required to pay Additional Amounts as a result of an action, change, amendment, clarification, application or interpretation described in clause (b) above, as the case may be.

Such notice, once delivered by us, will be irrevocable.

#### **Offer to Purchase Upon Change of Control Triggering Event**

Upon the occurrence of a Change of Control Triggering Event with respect to a series of Notes, unless we have exercised our right to redeem the Notes of such series by giving irrevocable notice on or prior to the 30th day after the Change of Control Triggering Event in accordance with the Indenture, each holder of the Notes of such series will have the right to require us to purchase all or a portion of such holder's Notes of such series pursuant to the offer described

below (the “Change of Control Offer”), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, thereon to, but excluding, the Change of Control Payment Date (as defined below) (the “Change of Control Payment”). If the Change of Control Payment Date is (a) on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day and/or (b) on or after a Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest, if any, will be paid to the person in whose name the Note is registered at the close of business on such Record Date, and no additional interest will be payable to holders whose Notes are subject to purchase by the Issuer.

Within 30 days following the date upon which the Change of Control Triggering Event occurs or, at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will be required to mail or otherwise deliver in accordance with the applicable procedures of Clearstream and Euroclear a notice to each holder of Notes of the applicable series, which notice will govern the terms of the Change of Control Offer. Such notice will state the purchase date, which must be no earlier than 15 days nor later than 60 days from the date such notice is mailed or otherwise delivered in accordance with the applicable procedures of Clearstream and Euroclear (or, in the case of a notice mailed or otherwise delivered in accordance with the applicable procedures of Clearstream and Euroclear prior to the date of consummation of a Change of Control, no earlier than 15 days nor later than 60 days from the date of the Change of Control Triggering Event), other than as may be required by law (the “Change of Control Payment Date”). The notice, if mailed or otherwise delivered in accordance with the applicable procedures of Clearstream and Euroclear prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, we will, to the extent lawful:

- accept or cause a third party to accept for payment all the Notes of the applicable series properly tendered pursuant to the Change of Control Offer;
- deposit or cause a third party to deposit with the applicable paying agent an amount equal to the Change of Control Payment in respect of all the Notes of the applicable series properly tendered; and
- deliver or cause to be delivered to the Trustee the Notes of the applicable series properly accepted together with an officer’s certificate stating the aggregate principal amount of the Notes being purchased.

We will not be required to make a Change of Control Offer with respect to the Notes of the applicable series if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all the Notes of the applicable series properly tendered and not withdrawn under its offer. In addition, we will not purchase any Notes of the applicable series if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under the Indenture, other than an Event of Default in the payment of the Change of Control Payment on the Change of Control Payment Date.

In connection with any Change of Control Offer for any series, if holders of not less than 90% in aggregate principal amount of the outstanding Notes of such series validly tender and do not withdraw such Notes in the Change of Control Offer and the Issuer, or any third party making

the Change of Control Offer in lieu of the Issuer as described above, purchases all of those Notes validly tendered and not withdrawn by the holders, the Issuer or such third party will have the right, upon not less than 15 but not more than 60 days' notice mailed or otherwise delivered in accordance with the applicable procedures of Clearstream and Euroclear by the Issuer to each holder of such Notes (provided, that the notice is given not more than 30 days following the purchase date in respect of such Change of Control Offer), to redeem all the Notes of such series that remain outstanding following such purchase at a price in cash equal to 101% of the outstanding principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the applicable purchase date (it being agreed that if the purchase date is (a) on a day that is not a Business Day, the related payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day and/or (b) on or after a Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest, if any, will be paid to the person in whose name the Note is registered at the close of business on such Record Date, and no additional interest will be payable to holders whose Notes are subject to purchase by the Issuer).

We must comply in all material respects with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the purchase of the Notes of the applicable series as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes of the applicable series, we will be required to comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Indenture with respect to the Notes of such series by virtue of any such conflict.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the assets of Otis and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise, established definition of the phrase under applicable law. Accordingly, the applicability of the requirement that we offer to purchase the Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Otis and its subsidiaries taken as a whole to another "person" (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) may be uncertain.

#### **Additional Notes**

We may from time to time, without notice to or the consent of the holders of any series of Notes, create and issue further notes of any such series ranking equally with the Notes of such series (and being treated as a single class with the Notes of such series already outstanding) in all respects and having the same terms as the Notes of such series already outstanding except for issue date, issue price and, under some circumstances, the first Interest Payment Date thereof or the date from which interest first accrues thereon. If any additional notes of such series are not fungible with the initial Notes for U.S. federal income tax purposes, then those additional notes will have a separate CUSIP/Common Code/ISIN number. The Notes of each series and any additional notes of such series will be treated as a single series for all purposes under the Indenture, including, without limitation, waivers, amendments and redemptions.

#### **Limitation Upon Liens**

Otis will not itself, and will not permit any Wholly-Owned Domestic Manufacturing Subsidiary to, create, incur, issue or assume any Debt secured by a Lien on any Principal Property owned by Otis or any Wholly-Owned Domestic Manufacturing Subsidiary, and Otis will not itself, and will not permit any subsidiary to, create, incur, issue or assume any Debt secured by any Lien on any equity interests or Debt of any Wholly-Owned Domestic Manufacturing Subsidiary, without in any such case effectively providing that, the Notes (together with, if Otis shall so determine, any

other Debt of Otis then existing or thereafter created that is not subordinate in right of payment to the Notes) will be secured equally and ratably with (or prior to) such secured Debt, so long as such secured Debt shall be so secured, unless, after giving effect thereto, the aggregate principal amount of all such secured Debt then outstanding plus Attributable Debt of Otis and its Wholly-Owned Domestic Manufacturing Subsidiaries in respect of sale and leaseback transactions involving Principal Properties entered into after the date of the issuance of the Notes (other than such sale and leaseback transactions as are permitted by the Indenture) would not exceed an amount equal to 10% of Consolidated Net Total Assets of Otis; provided that nothing contained in this covenant will prevent, restrict or apply to, and there will be excluded from secured Debt in any computation under this covenant, Debt secured by:

- (a) Liens on any property or assets of Otis or any subsidiary (including equity interests or Debt owned by Otis or any subsidiary of Otis) existing as of the date of the issuance of the Notes;
- (b) Liens on any property or assets of, or on any equity interests or Debt of, any person existing at the time such person becomes a Wholly-Owned Domestic Manufacturing Subsidiary, or arising thereafter (i) otherwise than in connection with the borrowing of money arranged thereafter and (ii) pursuant to contractual commitments entered into prior to and not in contemplation of such person's becoming a Wholly-Owned Domestic Manufacturing Subsidiary;
- (c) Liens on any property or assets or equity interests or Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or securing the payment of all or any part of the purchase price or construction cost thereof or securing any Debt incurred prior to, at the time of or within 120 days after, the acquisition of such property or assets or equity interests or Debt or the completion of any such construction, whichever is later, for the purpose of financing all or any part of the purchase price or construction cost thereof (provided that such Liens are limited to such equity interests or Debt or such other property or assets, improvements thereon and the land upon which such property, assets and improvements are located and any other property or assets not then constituting a Principal Property);
- (d) Liens on any property or assets to secure all or any part of the cost of development, operation, construction, alteration, repair or improvement of all or any part of such property or assets, or to secure Debt incurred prior to, at the time of or within 120 days after, the completion of such development, operation, construction, alteration, repair or improvement, whichever is later, for the purpose of financing all or any part of such cost (provided that such Liens are limited to such property or assets, improvements thereon and the land upon which such property, assets and improvements are located and any other property or assets not then constituting a Principal Property);
- (e) Liens which secure Debt owing by a subsidiary to Otis or to a Wholly-Owned Domestic Manufacturing Subsidiary;

- (f) Liens arising from the assignment of moneys due and to become due under contracts between Otis or any subsidiary of Otis and the United States, any State, Commonwealth, Territory or possession thereof or any agency, department, instrumentality or political subdivision of any thereof; or Liens in favor of the United States, any State, Commonwealth, Territory or possession thereof or any agency, department, instrumentality or political subdivision of any thereof, pursuant to the provisions of any contract not directly or indirectly in connection with securing Debt;
- (g) any materialmen's, carriers', mechanics', workmen's, repairmen's or other like Liens arising in the ordinary course of business in respect of obligations which are not overdue or which are being contested in good faith by appropriate proceedings; any deposit or pledge as security for the performance of any bid, tender, contract, lease, or undertaking not directly or indirectly in connection with the securing of Debt; any deposit or pledge with any governmental agency required or permitted to qualify Otis or any subsidiary of Otis to conduct business, to maintain self-insurance or to obtain the benefits of any law pertaining to workmen's compensation, unemployment insurance, old age pensions, social security or similar matters, or to obtain any stay or discharge in any legal or administrative proceedings; deposits or pledges to obtain the release of materialmen's, carriers', mechanics', workmen's, repairmen's Liens or the release of property in the possession of a common carrier; any security interest created in connection with the sale, discount or guarantee of notes, chattel mortgages, leases, accounts receivable, trade acceptances or other paper, or contingent repurchase obligations, arising out of sales of merchandise in the ordinary course of business; Liens for Taxes levied or imposed upon Otis or any Wholly-Owned Domestic Manufacturing Subsidiary or upon the income, profits or property of Otis or any Wholly-Owned Domestic Manufacturing Subsidiary or Liens on any Principal Property of Otis or any Wholly-Owned Domestic Manufacturing Subsidiary arising from claims from labor, materials or supplies; provided that either such Tax is not overdue or that the amount, applicability or validity of such Tax or claim is being contested in good faith by appropriate proceedings; or other deposits or pledges similar to those referred to in this clause (g);
- (h) Liens arising by reason of any judgment, decree or order of any court, so long as any appropriate legal proceedings which may have been initiated for the review of such judgment, decree or order shall not have been finally terminated or so long as the period within which such proceedings may be initiated shall not have expired; any deposit or pledge with any surety company or clerk of any court, or in escrow, as collateral in connection with, or in lieu of, any bond on appeal from any judgment or decree against Otis or any subsidiary of Otis, or in connection with other proceedings or actions at law or in equity by or against Otis or any subsidiary of Otis; and
- (i) any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), as a whole or in part, of any of the Liens referred to in clauses (a) through (h) above or the Debt secured thereby; provided that (i) such extension, renewal, substitution or replacement Lien shall be limited to all or any part of the same property or assets or equity interests or Debt that secured the Lien extended, renewed, substituted or replaced (plus improvements on such property, and plus any other property or assets not then constituting a Principal Property) and (ii) in the case of clauses (a) through (c) above, the Debt secured by such Lien at such time is not increased.

For the purposes of this covenant and the covenant described under the caption “-Limitations upon Sales and Leasebacks,” the giving of a guarantee which is secured by a Lien on a Principal Property, and the creation of a Lien on a Principal Property or equity interests or Debt to secure Debt which existed prior to the creation of such Lien, will be deemed to involve the creation of Debt in an amount equal to the principal amount guaranteed or secured by the Lien; however, the

amount of Debt secured by Liens on Principal Properties and equity interests and Debt will be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

For purposes of this covenant and the covenant described under the caption “-Limitations upon Sales and Leasebacks,” the following will not be deemed to be Liens securing Debt, and, accordingly, nothing contained in this covenant and the covenant described under the caption “-Limitations upon Sales and Leasebacks” will prevent, restrict or apply to: (a) any acquisition by Otis or any Wholly-Owned Domestic Manufacturing Subsidiary of any property or assets subject to any reservation or exception under the terms of which any vendor, lessor or assignor creates, reserves or excepts or has created, reserved or excepted an interest in oil, gas and/or any other mineral and/or the process thereof, (b) any conveyance or assignment under the terms of which Otis or any Wholly-Owned Domestic Manufacturing Subsidiary conveys or assigns to any person or persons an interest in oil, gas and/or any other mineral and/or the proceeds thereof, or (c) any Lien upon any property or assets owned or leased by Otis or any Wholly-Owned Domestic Manufacturing Subsidiary or in which Otis or any Wholly-Owned Domestic Manufacturing Subsidiary owns an interest to secure to the person or persons paying the expenses of developing and/or conducting operations for the recovery, storage, transportation and/or sale of the mineral resources of the said property (or property with which it is utilized) the payment to such person or persons of Otis’ or the Wholly-Owned Domestic Manufacturing Subsidiary’s proportionate part of such development and/or operating expense.

### **Limitations upon Sales and Leasebacks**

Otis will not itself, and will not permit any Wholly-Owned Domestic Manufacturing Subsidiary to, enter into any arrangement on or after the date of the issuance of the Notes with any bank, insurance company or other lender or investor (other than Otis or another Wholly-Owned Domestic Manufacturing Subsidiary) providing for the leasing by Otis or any Wholly-Owned Domestic Manufacturing Subsidiary of any Principal Property (except a lease for a temporary period not to exceed three years by the end of which it is intended that the use of such Principal Property by the lessee will be discontinued), which was or is owned by Otis or a Wholly-Owned Domestic Manufacturing Subsidiary and which has been or is to be sold or transferred, more than 365 days after the completion of construction and commencement of full operation thereof by Otis or such Wholly-Owned Domestic Manufacturing Subsidiary, to such bank, insurance company, lender or investor or to any person to whom funds have been or are to be advanced by such bank, insurance company, lender or investor on the security of such Principal Property (herein referred to as a “sale and leaseback transaction”) unless, either:

- (a) the Attributable Debt of Otis and its Wholly-Owned Domestic Manufacturing Subsidiaries in respect of such sale and leaseback transaction and all other sale and leaseback transactions entered into after the date of the issuance of the Notes (other than such sale and leaseback transactions as are permitted by the provisions described in the following paragraph), plus the aggregate principal amount of Debt secured by Liens on Principal Properties then outstanding (excluding any such Debt secured by Liens covered by the provisions described in clauses (a) through (i) of the first paragraph of the covenant described under the caption “-Limitation upon Liens”) without equally and ratably securing the Notes, would not exceed 10% of Consolidated Net Total Assets, or

- (b) Otis, within 365 days after the sale or transfer, applies or causes a Wholly-Owned Domestic Manufacturing Subsidiary to apply an amount equal to the greater of the net proceeds of such sale or transfer or fair market value of the Principal Property so sold and leased back at the time of entering into such sale and leaseback transaction (in either case as determined by any two of the following: the Chairman, Chief Executive Officer, Chief Financial Officer, the President, any Vice President, the Treasurer and the Controller of Otis) to the retirement of securities of any series outstanding under the Indenture or other indebtedness of Otis (other than indebtedness subordinated in right of payment to the Notes) or indebtedness of a Wholly-Owned Domestic Manufacturing Subsidiary, for money borrowed, having a stated maturity more than 12 months from the date of such application or which is extendible at the option of the obligor thereon to a date more than 12 months from the date of such application (and, unless otherwise expressly provided with respect to any one or more series of securities outstanding under the Indenture, any redemption of securities pursuant to this provision shall not be deemed to constitute a refunding operation or anticipated refunding operation for the purposes of any provision limiting Otis' right to redeem securities of any one or more such series when such redemption involves a refunding operation or anticipated refunding operation); provided that the amount to be so applied will be reduced by (i) the principal amount of securities outstanding under the Indenture delivered within 120 days after such sale or transfer to the Trustee for retirement and cancellation, and (ii) the principal amount of any such indebtedness of Otis or a Wholly-Owned Domestic Manufacturing Subsidiary, other than such securities, voluntarily retired by Otis or a Wholly-Owned Domestic Manufacturing Subsidiary within 120 days after such sale or transfer. Notwithstanding the foregoing, no retirement referred to in this clause (b) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

Notwithstanding the foregoing, where Otis or any Wholly-Owned Domestic Manufacturing Subsidiary is the lessee in any sale and leaseback transaction, Attributable Debt will not include any Debt resulting from the guarantee by Otis or any other Wholly-Owned Domestic Manufacturing Subsidiary of the lessee's obligation thereunder.

#### **Existence**

Subject to the covenant described under the caption "-Consolidation, Merger and Sale of Assets," each of the Issuer and Otis will do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence.

#### **Reports by Otis**

Otis shall file with the Trustee, within 15 days after Otis is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) which Otis is required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended. Otis will be deemed to have complied with the obligations described in the immediately previous sentence to the extent that the information, documents and reports are filed with the Commission via EDGAR (or any successor electronic delivery procedure) and posted on the Otis' website or otherwise publicly available.

Delivery of the reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt shall not constitute constructive or actual knowledge or notice of any information contained therein or determinable from information contained therein, including Otis' compliance with any of its covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on officer's certificates of Otis).



During any time period in which the Trust Indenture Act does not apply to the Indenture or the Notes, for so long as any such Notes remain outstanding, Otis will furnish to the holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act of 1933, as amended (the “Securities Act”).

### **Consolidation, Merger and Sale of Assets**

The Issuer will not consolidate with or merge into any other person or convey, transfer or lease all or substantially all of its properties and assets to any person, unless:

- (a) the person formed by the consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Issuer is a person organized and existing under the laws of Luxembourg, the United States, any State thereof or the District of Columbia, or any country which is, on the issue date of the Notes, a member state of the European Union, and expressly assumes, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, the Issuer’s obligation for the due and punctual payment of the principal of (and premium, if any) and interest on all the Notes and the performance of every covenant of the Indenture on the part of the Issuer to be performed or observed;
- (b) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Issuer has delivered to the Trustee an officer’s certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with the covenant described in this section.

Otis will not consolidate with or merge into any other person or convey, transfer or lease all or substantially all of its properties and assets to any person, unless:

- (a) the person formed by the consolidation or into which Otis is merged or the person which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of Otis is a person organized and existing under the laws of the United States, any State thereof or the District of Columbia and expressly assumes, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, Otis’ obligation under the Parent Guarantee and the performance of every covenant of the Indenture on the part of Otis to be performed or observed;
- (b) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) Otis has delivered to the Trustee an officer’s certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with the covenant described in this section.

The covenant described in this section will only apply to a merger or consolidation in which the Issuer or Otis, as applicable, is not the surviving person and to conveyances, leases and transfers by the Issuer or Otis, as applicable, as transferor or lessor.

Upon any consolidation by the Issuer or Otis with or merger by the Issuer or Otis into any other person or any conveyance, transfer or lease of all or substantially all of the properties and assets of the Issuer or Otis in accordance with the covenant described in this section, the successor person formed by the consolidation or into which the Issuer or Otis is merged or to which the conveyance, transfer or lease is made will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or Otis, as applicable, under the Indenture with the same

effect as if the successor person had been named as the issuer or guarantor, as applicable, in the Indenture. In the event of any such conveyance or transfer, the Issuer or Otis, except in the case of a lease, will be discharged of all obligations and covenants under the Indenture and the Notes. In case of any such consolidation, merger, conveyance, transfer or lease, certain changes in phraseology and form may be made in the Notes thereafter to be issued as may be appropriate.

## **Events of Default**

When we use the term “Event of Default” with respect to Notes of any series, we mean:

- (a) default in the payment of any interest upon the Notes of such series when it becomes due and payable, and continuance of the default for a period of 30 days;
- (b) default in the payment of the principal of (or premium, if any, on) any Note of such series at its Maturity;
- (c) default in the performance, or breach, of any covenant or warranty of the Issuer or Otis in the Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this section specifically dealt with or which has been expressly included in the Indenture for the benefit of one or more series of securities other than the Notes), and continuance of that default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Issuer and Otis by the Trustee or to the Issuer, Otis and the Trustee by the holders of at least 25% in principal amount of all affected securities of any series issued under the Indenture then outstanding (taking such action as one class) (including any affected Notes), a written notice specifying the default or breach and requiring it to be remedied and stating that the notice is a “Notice of Default” under the Indenture;
- (d) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Issuer or Otis a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer or Otis under any applicable federal or state bankruptcy, insolvency, reorganization or similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer or Otis or of all or substantially all of their property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days;
- (e) the institution by the Issuer or Otis of proceedings to be adjudicated a bankrupt or insolvent, or the consent by either of them to the institution of bankruptcy or insolvency proceedings against either of them, or the filing by either of them of a petition or answer or consent seeking reorganization or relief under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or the consent by either of them to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer or Otis or all or substantially all of their respective properties, or the making by either of them of an assignment for the benefit of creditors, or the admission by either of them in writing of their respective inability to pay their respective debts generally as they become due; or

- (f) other than by reason of release of the Guarantor in accordance with the terms of the Indenture, the Parent Guarantee being held in any judicial proceeding to be unenforceable or invalid or ceasing for any reason to be in full force and effect, in each case, relating to the Notes of any series, or Otis denying or disaffirming in writing its obligation under the Parent Guarantee relating to the Notes of any series, and such Parent Guarantee not being issued or returned to full force and effect within, or the denial or disaffirmation not being rescinded, by the date that is 10 days after receipt of a specified written notice to Otis from the Trustee or a holder of Notes of the relevant series.

An Event of Default with respect to the Notes of a particular series may not constitute an Event of Default with respect to the Notes of any other series.

If an Event of Default described above in clause (a), (b) or (f) of the definition of “Event of Default” occurs with respect to the Notes of any series at the time outstanding and is continuing, then in every such case the Trustee or the holders of not less than 25% in principal amount of the outstanding Notes of such series may declare the principal amount of all of the Notes of such series to be due and payable immediately, by a notice in writing to the Issuer and Otis (and to the Trustee if given by the holders), and upon such declaration the principal amount of all of the Notes of such series will become immediately due and payable.

If an Event of Default described above in clause (c) of the definition of “Event of Default” occurs and is continuing, then in every such case the Trustee or the holders of not less than 25% in principal amount of all affected securities of any series issued under the Indenture (including any affected series of the Notes) then outstanding (taking such action as one class) may declare the principal amount of all affected outstanding securities to be due and payable immediately, by a notice in writing to the Issuer and Otis (and to the Trustee if given by the holders), and upon any such declaration the principal amount of all affected outstanding securities will become immediately due and payable.

If an Event of Default described above in clause (d) or (e) of the definition of “Event of Default” occurs, then the outstanding principal amount and any accrued interest upon all the outstanding Notes will automatically, and without any declaration or other action on the part of the Trustee or any holder, become immediately due and payable.

Under certain circumstances, the holders of a majority in aggregate principal amount of the outstanding Notes of a series (or of more than one series of affected securities outstanding (including any affected series of Notes) (acting as one class), as the case may be), by written notice to the Issuer, Otis and the Trustee, may rescind and annul an acceleration and its consequences.

The Issuer covenants that if (a) default is made in the payment of any interest on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or (b) default is made in the payment of the principal of (or premium, if any, on) any Note at the Maturity thereof, the Issuer will, upon demand of the Trustee, pay to it or cause to be paid to it, for the benefit of the holders of such Notes, the whole amount then due and payable on such Notes for principal (and premium, if any) and interest and, to the extent that payment of such interest is legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Notes, and, in addition thereto, such further amount as is sufficient to cover the reasonable costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Issuer or Otis fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums due and unpaid, may prosecute such proceeding to judgment or final decree and may

enforce the same against the Issuer or Otis or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Issuer or Otis or any other obligor upon the Notes, wherever situated.

If an Event of Default with respect to the Notes of any series (or of all series issued under the Indenture, as the case may be) occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the holders of Notes of such series (or of all series under the Indenture, as the case may be) by appropriate judicial proceedings as the Trustee deems most effectual to protect and enforce those rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted therein, or to enforce any other proper remedy.

The Indenture contains a provision entitling the Trustee, subject to the duty of the Trustee during a default to act with the required standard of care, to be indemnified by the holders of Notes before proceeding to exercise any right or power under the Indenture at the request of the holders. Subject to provisions in the Indenture for the indemnification of the Trustee and certain other limitations, (a) with respect to the Notes of any series, the holders of not less than a majority in principal amount of the outstanding Notes of such series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, relating to or arising under clause (a), (b) or (f) of the definition of "Event of Default" and (b) with respect to all securities issued under the Indenture, the holders of not less than a majority in principal amount of all affected outstanding securities of any series issued under the Indenture (including any affected series of the Notes) (taking such action as one class) will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, not relating to or arising under clause (a), (b) or (f) of the definition of "Event of Default."

The Indenture provides that the Trustee may withhold notice to the holders of the Notes of any default (except in payment of principal (or premium, if any) or interest, if any) if the Trustee in good faith considers it in the interest of the holders of the Notes to do so.

The Indenture provides that no holder of any Notes of any series will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, for the appointment of a receiver or trustee or for any other remedy hereunder, unless:

- (a) the holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes of such series;
- (b) the holders of not less than 25% in principal amount of the outstanding Notes of such series in the case of any Event of Default described in clause (a), (b) or (f) of the definition of "Event of Default," or, in the case of any Event of Default not described in clause (a), (b) or (f) of the definition of "Event of Default," the holders of not less than 25% in principal amount of all affected outstanding securities of any series issued under the Indenture (including any affected series of the Notes) (making such request as one class), will have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;
- (c) the holder or holders have offered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

- (e) no direction inconsistent with the written request has been given to the Trustee during the 60-day period by the holders of not less than a majority in principal amount of the outstanding Notes of such series in the case of any Event of Default described in clause (a), (b) or (f) of the definition of “Event of Default,” or, in the case of any Event of Default not described in clause (a), (b) or (f) of the definition of “Event of Default,” by the holders of not less than a majority in principal amount of all affected outstanding securities of any series issued under the Indenture (including any affected series of the Notes) (making the direction as one class);

it being understood and intended that no one or more of such holders will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other holders of Notes of the same series, in the case of any Event of Default described in clause (a), (b) or (f) of the definition of “Event of Default,” or of holders of all affected securities of any series issued under the Indenture (including any affected series of the Notes), in the case of any Event of Default not described in clause (a), (b) or (f) of the definition of “Event of Default,” or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all holders of the Notes of the same series, in the case of any Event of Default described in clause (a), (b) or (f) of the definition of “Event of Default,” or of holders of all affected securities of any series issued under the Indenture (including any affected series of the Notes), in the case of any Event of Default not described in clause (a), (b) or (f) of the definition of “Event of Default.”

The Indenture contains a covenant under which we are required to furnish to the Trustee an annual statement as to the compliance with all conditions and covenants of the Indenture.

#### **Modification and Waiver**

The Indenture provides that, without the consent of the holders of Notes, we, Otis and the Trustee, at any time and from time to time, may enter into one or more supplemental indentures or other instruments, in form reasonably satisfactory to the Trustee, for any of the following purposes:

- (a) to evidence the succession of another person to the Issuer or Otis and provide for the assumption by a successor person of the Issuer’s or Otis’ obligations under the Indenture and the Notes, in each case in compliance with the provisions thereof;
- (b) to add to the covenants of the Issuer or Otis or to surrender any right or power conferred upon the Issuer or Otis in the Indenture;
- (c) to add any additional Events of Default;
- (d) to add to, change or eliminate any of the provisions of the Indenture; provided that any such addition, change or elimination shall (i) neither (A) apply to any securities of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision nor (B) modify the rights of the holder of any such securities with respect to such provision or (ii) become effective only when there are no securities of any series outstanding;
- (e) to secure the Notes pursuant to the requirements of the covenant described under the caption “-Limitation upon Liens” or otherwise;
- (f) to establish the form or terms of the Notes as permitted under the Indenture;

- (g) to evidence and provide for the acceptance of appointment under the Indenture by a successor Trustee with respect to the Notes of one or more series and to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one Trustee, pursuant to the requirements of the Indenture;
- (h) to cure any ambiguity, to correct or supplement any provision under the Indenture which may be defective or inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Indenture; provided such action will not adversely affect the interests of the holders of the Notes of any particular series in any material respect;
- (i) to supplement any of the provisions of the Indenture to the extent as necessary to permit or facilitate the defeasance and/or discharge of any series of the Notes pursuant to the Indenture; provided that any such action does not adversely affect the interests of the holders of the Notes of such series or any other series of the Notes in any material respect;
- (j) to provide for the guarantee by any person of any outstanding Notes;
- (k) to add to the Indenture such provisions as may be expressly permitted by the Trust Indenture Act, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act as in effect at the date as of which the Indenture is executed or any corresponding provision in any similar federal statute thereafter enacted;
- (l) to conform to any mandatory provisions of law and in particular to comply with the requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act;
- (m) to conform the terms of the Indenture and the Notes to any provision or other description of the Notes, as the case may be, contained in an offering document related thereto;
- (n) to provide for the issuance of any additional Notes under the Indenture;
- (o) to comply with the rules of any applicable securities depositary; or
- (p) to make any change in any series of Notes or to add to the Indenture such provisions that do not adversely affect in any material respect the interests of the holders of such series of Notes.

Other amendments and modifications of the Indenture may be made with the consent of the holders of not less than a majority in principal amount of outstanding securities of all series issued under the Indenture affected by the amendment or modification (including any affected series of the Notes) (voting as one class); provided, no modification or amendment may, without the consent of the holder of each outstanding Note affected thereby:

- (a) change the stated maturity of the principal of, or any installment of interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an original issue discount security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to the Indenture or the amount thereof provable in bankruptcy pursuant to the Indenture, or change any Place of Payment where, or the coin, currency, currencies, currency units or composite currency in which, any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption or repayment at the option of the holder, on or after the redemption date or repayment date, as the case may be);
- (b) reduce the percentage in principal amount of the outstanding Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture; or
- (c) modify (i) the requirements of the section of the Indenture described in this paragraph, (ii) provisions with respect to waiving compliance with specified provisions of the Indenture or (iii) provisions with respect to waiving specified defaults, except to increase any applicable percentage or to provide that other specified provisions of this Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, provided, that this clause will not be deemed to require the consent of any holder with respect to changes in the references to “the Trustee” and concomitant changes in the foregoing requirements and provisions with respect to waiving compliance with certain provisions of the Indenture, or the deletion of this proviso, in accordance with the requirements of the Indenture.

A supplemental indenture that changes or eliminates any covenant or other provision of the Indenture that has expressly been included solely for the benefit of one or more particular series of Notes, or that modifies the rights of the holders of Notes of such series with respect to such covenant or other provision, will be deemed not to affect the rights under the Indenture of the holders of Notes of any other series.

It will not be necessary for any act of holders described in the foregoing provisions to approve the particular form of any proposed supplemental indenture, but it will be sufficient if the act approves the substance thereof.

### **Satisfaction and Discharge**

The Indenture will upon the Issuer’s request cease to be of further effect with respect to any series of Notes (except as to any surviving rights of registration of transfer or exchange of Notes of such series as expressly provided for in the Indenture) and the Trustee, at the expense of the Issuer, will execute proper instruments acknowledging satisfaction and discharge of the Indenture as to the applicable series of Notes when:

- (a) either:
  - (i) all Notes of the applicable series theretofore authenticated and delivered (other than Notes that have been mutilated, destroyed, lost or stolen and that have been replaced or paid as provided in Indenture and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in the Indenture) have been cancelled or delivered to the Trustee for cancellation; or

- (ii) all Notes of the applicable series not theretofore cancelled or delivered to the Trustee for cancellation:
  - (A) have become due and payable, or
  - (B) will become due and payable at their stated maturity within one year, or
  - (C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer,

and the Issuer, in the case of clauses (ii)(A), (ii)(B) or (ii)(C) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose (x) an amount of cash (in the currency, currencies or currency units in which the applicable Notes are then specified as payable at stated maturity), or (y) Government Obligations applicable to the applicable Notes (determined on the basis of the currency, currencies or currency units in which the applicable Notes are then specified as payable at stated maturity), which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide money in an amount, or (z) a combination thereof, sufficient, in the case of clauses (y) and (z), in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the entire indebtedness on the Notes of the applicable series not theretofore cancelled or delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to, but excluding, the date of the deposit (in the case of Notes that have become due and payable) or to, but excluding, the stated maturity or redemption date, as the case may be; provided that if on the date of the deposit, the interest payable to, but excluding, or any premium payable on, the stated maturity or redemption date cannot be calculated, the amount deposited shall be sufficient to the extent that an amount is deposited with the Trustee equal to the interest payable to, but excluding, or the premium payable on, the stated maturity or the redemption date calculated as of the date of the deposit, with any deficit on the stated maturity or redemption date, as applicable (any such amount, the “Applicable Deficit”), only required to be deposited with the Trustee on or prior to the stated maturity or redemption date, as applicable; provided, further, any Applicable Deficit shall be set forth in an officer’s certificate of the Issuer delivered to the Trustee simultaneously with the deposit of the Applicable Deficit that confirms that the Applicable Deficit shall be applied to the interest or other amounts payable at the stated maturity or on the redemption date, as applicable;

- (b) the Issuer has paid or caused to be paid all other sums payable under the Indenture by the Issuer in respect of the Notes; and
- (c) the Issuer has delivered to the Trustee an officer’s certificate and an opinion of counsel (as specified in the Indenture).

### **Defeasance and Covenant Defeasance**

The Indenture provides that the Issuer may elect either “defeasance” or “covenant defeasance” and Otis may elect “covenant defeasance”, in each case of the Notes of or within a series, as applicable, as described below:

- (a) “defeasance” means that the Issuer may elect to defease and be discharged from any and all obligations with respect to the applicable Notes except for the obligations to register the transfer or exchange of the applicable Notes, to replace temporary or mutilated, destroyed, lost or stolen Notes and any related coupons, to maintain an office or agency in respect of the applicable Notes and to hold moneys for payment in trust; and



- (b) “covenant defeasance” means that the Issuer or Otis may elect to be released from its obligations, as applicable, with respect to the applicable Notes that are described under the captions “-Consolidation, Merger and Sale of Assets,” “-Existence,” “-Limitation upon Liens,” “-Limitations upon Sales and Leasebacks,” as applicable, and any omission to comply with these obligations will not constitute a default or an Event of Default with respect to the Notes.

To elect either defeasance or covenant defeasance under the Indenture, the Issuer must deposit or cause to be deposited with the Trustee, as trust funds in trust, (a) an amount of cash (in such currency, currencies or currency units in which the applicable Notes are then specified as payable at stated maturity), (b) Government Obligations applicable to the applicable Notes (determined on the basis of the currency, currencies or currency units in which the applicable Notes are then specified as payable at stated maturity), which through the payment of principal and interest in respect thereof in accordance with their terms will provide money in an amount, or (c) a combination thereof, sufficient, in the case of clauses (b) and (c), in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the principal of (and premium, if any) and interest on the outstanding applicable Notes on their scheduled due dates.

A trust of this kind may only be established if, among other things, the Issuer has delivered to the applicable trustee an opinion of counsel to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred. In the case of defeasance, an opinion of counsel must refer to and be based upon a ruling of the Internal Revenue Service (the “IRS”) or a change in applicable U.S. federal income tax law occurring after the date of the Indenture.

#### **No Personal Liability of Incorporators, Stockholders, Officers, Directors, Managers, Employees or Agents**

The Indenture provides that no recourse will be had for the payment of principal, premium, if any, or interest, if any, on any Note, or for any claim based on or in respect of any Note or the Indenture or any supplemental indenture, against any incorporator, stockholder, officer, director, manager, employee or agent, as such, past, present or future, of the Issuer or Otis or of any successor person thereof under any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise. Each holder, by accepting the Notes, waives and releases all such liability.

#### **Concerning Our Relationship with the Trustee, Securities Registrar and Paying Agent**

The Bank of New York Mellon Trust Company, N.A. acts as Trustee, securities registrar and paying agent under the Indenture. The Bank of New York Mellon, London Branch acts as Paying Agent under the Indenture. We maintain customary banking relationships in the ordinary course of business with the Trustee and its affiliates.

#### **Governing Law**

The Indenture and the Notes are governed by and construed in accordance with the laws of the State of New York. The provisions of articles 470-1 to 470-19 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the “Luxembourg Companies Act 1915”) are not applicable to the Notes. No holder of any Notes may initiate proceedings against the Issuer based on article 470-21 of the Luxembourg Companies Act 1915.

## **Book-Entry, Delivery and Form**

We issued the Notes in the form of one or more permanent global notes (the “Global Notes”) in definitive, fully registered, book-entry form without coupons. The Global Notes were deposited with a common depositary (and registered in the name of the common depositary or its nominee) for, and in respect of interests held through, Clearstream Banking S.A., which we refer to as “Clearstream,” or Euroclear Bank SA/NV, which we refer to as “Euroclear.” Except as described herein, definitive notes in registered form will not be issued in exchange for beneficial interests in the Global Notes.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to a common depositary for Clearstream and Euroclear or its nominee. None of the Notes may be held through, no trades of the Notes will be settled through, and no payments with respect to the Notes will be made through, The Depository Trust Company (“DTC”) in the United States and no link is expected to be established among DTC and Clearstream or Euroclear in connection with the issuance of the Notes.

Beneficial interests in the Global Notes are represented, and transfers of such beneficial interests will be effected, through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Clearstream or Euroclear. Those beneficial interests are and will be in minimum denominations of €100,000 and any integral multiple of €1,000 in excess thereof. Should definitive notes in registered form be issued to individual holders of Notes, a holder of Notes who, as a result of trading or otherwise, holds a principal amount of any series of Notes that is less than the minimum denomination would be required to purchase an additional principal amount of such series of Notes such that its holding of such series of Notes amounts to the minimum specified denomination. Investors may hold interests in the Global Notes through Clearstream or Euroclear either directly if they are participants in such systems or indirectly through organizations that are participants in such systems.

Except as set forth in the Indenture, owners of beneficial interests in the Global Notes are not entitled to have Notes registered in their names, and will not receive or be entitled to receive physical delivery of Notes in definitive form. Except as provided below, beneficial owners will not be considered the owners or holders of the Notes under the Indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder of Notes under the Indenture. Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action that a holder is entitled to give or take under the Indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Persons who are not Euroclear or Clearstream participants may beneficially own Notes held by the common depositary for Euroclear and Clearstream only through direct or indirect participants in Euroclear and Clearstream.

### *Clearstream and Euroclear*

We understand that Clearstream is incorporated and existing under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical

movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to supervision by the CSSF. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

We understand that Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank SA/NV, which we refer to as the “Euroclear Operator,” under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation, which we refer to as the “Cooperative.” All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers, and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

We understand that the Euroclear Operator is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian bank, it is regulated and examined by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

We have provided the descriptions of the operations and procedures of Clearstream and Euroclear in this Description of Debt Securities solely as a matter of convenience, and we make no representation or warranty of any kind with respect to these operations and procedures. These operations and procedures are solely within the control of those organizations and are subject to change by them from time to time. None of us, Otis, the underwriters, the Trustee or the Paying Agent takes any responsibility for these operations or procedures, and you are urged to contact Clearstream and Euroclear or their participants directly to discuss these matters.

We, Otis, the Trustee, the Paying Agent and the securities registrar will not have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by Clearstream or Euroclear, or for maintaining, supervising or reviewing any records of those organizations relating to the Notes.

So long as the common depository or its nominee is the registered holder of the Global Notes, the common depository or such nominee, as the case may be, will be considered the sole owner or holder of Notes represented by such Global Notes for all purposes under the Indenture and the Notes. Payments of principal, interest and Additional Amounts, if any, in respect of the Global

Notes will be made to the common depositary or such nominee, as the case may be, as registered holder thereof.

Distributions of principal, interest and Additional Amounts, if any, with respect to the Global Notes will be credited in euro to the extent received by Euroclear or Clearstream to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the Global Notes to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Initial settlement for the Notes were made in immediately available funds. Secondary market trading between Clearstream and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear, as applicable, and will be settled using the procedures applicable to conventional euro-denominated bonds in immediately available funds.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through the Clearstream and Euroclear systems on days when those systems are open for business. Those systems may not be open for business on days on which banks, brokers and other institutions are open for business in the United States or London. In addition, because of time-zone differences, there may be problems with completing transactions involving the Clearstream and Euroclear systems on the same Business Day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to make or receive a payment or delivery of the Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether the Clearstream or Euroclear system is used.

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired date.

Secondary market sales of book-entry interests in the Notes held through Clearstream or Euroclear to purchasers of book-entry interests in a Global Note through Clearstream or Euroclear will be conducted in accordance with the normal rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional euro-denominated bonds in same-day funds.

We have obtained the information in this section concerning Clearstream and Euroclear and the book-entry system and procedures from sources that we believe to be reliable, but neither we nor the underwriters take any responsibility for the accuracy of this information.

In a few special situations described below, the book-entry system for the Notes will terminate and interests in the Global Notes will be exchanged for definitive notes in registered form. You must consult your bank, broker or other financial institution to find out how to have your interests in the Notes transferred to your name, so that you will be a direct holder.

The special situations for termination of the book-entry system for the Notes are:

- the depositary for any of the Notes represented by a registered Global Note notifies us that it is unwilling or unable to continue as depositary or clearing system for the Global Notes, and we are unable to find a qualified replacement for such depositary within 90 days;
- we in our sole discretion determine to allow Global Notes to be exchangeable for definitive notes in registered form; or

- there has occurred and is continuing an event of default with respect to the Notes and the depositary notifies the trustee of its decision to exchange the Global Notes for definitive notes in registered form.

### **Certain Definitions**

For purposes of this “Description of the Notes,” the following definitions are applicable:

“Attributable Debt” means, as to any particular lease under which any person is at the time liable for a term of more than 12 months, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such person under such lease during the remaining term thereof (excluding any subsequent renewal or other extension options held by the lessee), discounted from the respective due dates thereof to such date at the rate of 15% per annum, compounded monthly. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents (such as those based on sales). In the case of any lease which is terminable by the lessee upon the payment of a penalty in an amount which is less than the total discounted net amount of rent required to be paid from the later of the first date upon which such lease may be so terminated or the date of the determination of such net amount of rent, as the case may be, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

“Business Day” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions or trust companies in the City of New York or the City of London, or the relevant Place of Payment, are authorized or required by law, regulation or executive order to close, and that is a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (the TARGET2 system), or any successor thereto, operates.

“Change of Control” means the occurrence of any of the following after the date of issuance of the Notes:

- (a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Otis and its subsidiaries taken as a whole to any “person” (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) other than to Otis or one of its subsidiaries, and other than any such transaction or series of related transactions in which the holders of Otis’ Voting Stock outstanding immediately prior thereto hold Voting Stock of the transferee person representing a majority of the voting power of the transferee person’s Voting Stock immediately after giving effect thereto;
- (b) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) (other than Otis or one of its subsidiaries) becomes the “beneficial owner” (as defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of Otis’ Voting Stock representing a majority of the voting power of the Otis’ outstanding Voting Stock;

- (c) Otis consolidates with, or merges with or into, any person, or any person consolidates with, or merges with or into, Otis, in any such event pursuant to a transaction in which any of Otis' outstanding Voting Stock is converted into or exchanged for cash, securities or other property, other than any such transaction where Otis' Voting Stock outstanding immediately prior to such transaction constitutes, or is converted into or exchanged for, Voting Stock representing a majority of the voting power of the Voting Stock of the surviving person (or its parent) immediately after giving effect to such transaction; or
- (d) the adoption by Otis' shareholders of a plan relating to Otis' liquidation or dissolution.

Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control under clause (b) above if (i) Otis becomes a direct or indirect wholly-owned subsidiary of a holding company or other person and (ii) (A) the direct or indirect holders of the Voting Stock of such holding company or other person immediately following that transaction are substantially the same as the holders of Otis' Voting Stock immediately prior to that transaction or (B) immediately following that transaction, no "person" (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) (other than a holding company or other person satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company or other person.

"Change of Control Triggering Event" means, with respect to the applicable series of Notes, the Notes of such series cease to be rated Investment Grade by each of the Rating Agencies on any date during the period (the "Trigger Period") commencing 60 days prior to the first public announcement by Otis of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings downgrade or withdrawal). However, a Change of Control Triggering Event otherwise arising by virtue of a particular reduction in, or withdrawal of, rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Change of Control Triggering Event for purposes of the definition of Change of Control Triggering Event) if the Rating Agencies making the reduction in, or withdrawal of, rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at Otis' request that the reduction or withdrawal was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Change of Control Triggering Event). If a Rating Agency is not providing a rating for the Notes at the commencement of any Trigger Period, the Notes will be deemed to have ceased to be rated "Investment Grade" by such Rating Agency during that Trigger Period.

Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by the Issuer, a German federal government bond whose maturity is closest to the maturity of the Notes to be redeemed,

assuming for such purpose that the Notes to be redeemed matured on the applicable Par Call Date, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German federal government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German federal government bonds selected by the Issuer, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond Rate” means, with respect to any redemption date, the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date of the notice of redemption relating to such redemption date, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined above) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by the Issuer.

“Consolidated Net Total Assets” means the total amount of assets of Otis and its consolidated subsidiaries (less applicable reserves and other properly deductible items) after deducting therefrom all current liabilities (excluding any thereof that are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed), all as set forth on the most recent consolidated balance sheet of Otis and its consolidated subsidiaries and computed in accordance with generally accepted accounting principles (which calculation shall give pro forma effect to any Material Acquisition or Material Disposition consummated by Otis or its consolidated subsidiaries since the date of such balance sheet and on or prior to the date of determination, as if such Material Acquisition or Material Disposition had occurred on the date of such consolidated balance sheet).

“Debt” means notes, bonds, debentures or other similar evidences of indebtedness for borrowed money.

“Government Obligations” means (x) any security that is (i) a direct and unconditional obligation of the European Union, (ii) backed by the European Union’s budgetary and cash resources and by the European Commission’s right to call for additional resources from member states, (iii) a direct obligation of the German government or (iv) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the German government the payment of which is fully and unconditionally guaranteed by the German government or the central bank of the German government, which, in each case of (x)(i), (ii), (iii) or (iv), is not revocable, callable or redeemable at the option of the issuer thereof, and (y) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (x)(i), (ii), (iii) or (iv) above or in any specific principal or interest payments due in respect thereof.

“Industrial Development Bonds” means obligations issued by a State, a Commonwealth, a Territory or a possession of the United States, or any political subdivision of any of the foregoing, or the District of Columbia, the interest on which is excludable from gross income of the holders thereof pursuant to the provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended (or any similar provision), as in effect at the time of the issuance of such obligations.

“Interest Payment Date,” when used with respect to any Notes, means the date specified in such Notes as the fixed date on which an installment of interest is due and payable.

“Investment Grade” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating category of Moody’s) and a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P), and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us under the circumstances

permitting us to select a replacement rating agency and in the manner for selecting a replacement rating agency, in each case as set forth in the definition of “Rating Agency.”

“Lien” means any pledge, mortgage, lien, encumbrance and security interest.

“Material Acquisition” means any acquisition by Otis or any of its subsidiaries of (a) equity interests in any person if, after giving effect thereto, such person will become a subsidiary of Otis or (b) assets comprising all or substantially all the assets of (or all or substantially all the assets constituting a business unit, division, product line or line of business of) any person (in the case of clauses (a) and (b), including as a result of a merger or consolidation); provided that, in the case of clauses (a) and (b), the aggregate consideration therefor exceeds \$50,000,000.

“Material Disposition” means any sale, transfer or other disposition by Otis or any of its subsidiaries of (a) all or substantially all the issued and outstanding equity interests in any person that are owned by Otis or any of its subsidiaries or (b) assets comprising all or substantially all the assets of (or all or substantially all the assets constituting a business unit, division, product line or line of business of) any person; provided that, in the case of clauses (a) and (b), such sale, transfer or other disposition yields net proceeds to Otis or any of its subsidiaries in excess of \$50,000,000.

“Maturity” means the date on which the principal (or premium, if any) of such Note or an installment of principal becomes due and payable as provided by the Indenture or the Note, whether at the stated maturity or by declaration of acceleration, call for redemption or otherwise.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“person” means any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity of whatever nature.

“Place of Payment,” when used with respect to the Notes of or within any series, means the place or places where the principal of (and premium, if any), interest and Additional Amounts owed on such Notes are payable, as contemplated by the Indenture.

“Principal Property” means any manufacturing plant or warehouse, together with the land upon which it is erected and fixtures comprising a part thereof, owned by Otis or any Wholly-Owned Domestic Manufacturing Subsidiary and located in the United States, the gross book value (without deduction of any reserve for depreciation) of which on the date as of which the determination is being made is an amount which exceeds 1% of Consolidated Net Total Assets, other than any such manufacturing plant or warehouse or any portion thereof or any such fixture (together with the land upon which it is erected and fixtures comprising a part thereof) (a) which is financed by Industrial Development Bonds or (b) which, in the opinion of the board of directors of Otis (or any duly authorized committee thereof), is not of material importance to the total business conducted by Otis and its subsidiaries, taken as a whole.

“Rating Agency” means each of Moody’s and S&P; provided that, if either Moody’s or S&P cease to provide rating services to issuers or investors, Otis may appoint another “nationally recognized statistical rating organization,” as defined under Section 3(a) (62) of the Securities Exchange Act of 1934, as amended, as a replacement agency for such Rating Agency; provided that Otis shall give notice of such appointment to the Trustee.

“Record Date” means the close of business on the date that is 15 calendar days prior to the date on which interest is scheduled to be paid, regardless of whether such date is a Business Day; provided that, if any of the Notes are held by a securities depository in book-entry form, the Record Date for those Notes will be the close of business on the Business Day immediately preceding the date on which interest is scheduled to be paid.



“Remaining Scheduled Payments” means, with respect to each Note being redeemed, the remaining scheduled payments of principal and interest (excluding interest accrued to, but excluding, the redemption date) of such Note that would be due after the related redemption date but for the redemption.

“S&P” means S&P Global Ratings, and its successors.

“Voting Stock” of any specified person as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

“Wholly-Owned Domestic Manufacturing Subsidiary” means any subsidiary of which, at the time of determination, all of the outstanding capital stock (other than directors’ qualifying shares) is owned by Otis directly and/or indirectly and which, at the time of determination, is primarily engaged in manufacturing, except a subsidiary that (a) neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its fixed assets within the United States, (b) is engaged primarily in the finance business, including, without limitation thereto, financing the operations of, or the purchase of products that are products of or incorporate products of, Otis and/or its subsidiaries, or (c) is primarily engaged in ownership and development of real estate, construction of buildings, or related activities, or a combination of the foregoing. In the event that there shall at any time be a question as to whether a subsidiary is primarily engaged in manufacturing or is described in the foregoing clause (a), (b) or (c), such matter shall be determined for all purposes of the Indenture by a board resolution.

**OTIS WORLDWIDE CORPORATION**  
**DEFERRED COMPENSATION PLAN**  
**Amendment #1**

The Otis Worldwide Corporation Deferred Compensation Plan, as of January 1, 2020 (the “Plan”) is hereby amended as follows:

1. Effective January 1, 2021, Article II(b) is hereby amended as follows:

“(b) *Benefit Restoration Contribution* means a contribution by the Corporation to the Participant’s Plan Account to recognize the reduction in the value of employer matching or other contributions under the Qualified Savings Plan, and under the Savings Restoration Plan (provided the Participant has elected to contribute to the Savings Restoration Plan for the applicable Plan year), as a result of the reduction of such Participant’s Compensation as a result of participating in this Plan, assuming that the Participant would have received the maximum employer matching contributions available to the Participant under such other plan. Such Benefit Restoration Contribution shall be adjusted as the Committee deems appropriate to the extent that the Participant did not meet the eligibility criteria for an employer matching or other applicable contribution under the Qualified Savings Plan or the Savings Restoration Plan for the entire Plan year.”

2. Effective January 1, 2020, Article II(t) is hereby amended as follows:

“(t) *Qualified Saving Plan* means the United Technologies Corporation Employee Savings Plan until the Spin-off date and means the Otis Retirement Savings Plan from and after the Spin-off date.”

3. Effective January 1, 2022, Section 3.1 is hereby amended as follows:

“3.1 **Eligibility**

Each eligible Participant as of the annual enrollment period as specified by the Committee will be eligible to elect to defer Compensation under the Plan in accordance with the terms of the Plan and the rules and procedures established by the Committee.”

4. Effective January 1, 2022, Section 4.3 is hereby amended by adding the following new paragraph after the first paragraph thereof:

“Notwithstanding the preceding paragraph, newly hired executives eligible for participation in the Plan (excluding employees promoted to an eligible executive level) may elect to defer their base salary during the current calendar year by filing an Election Form within thirty (30) calendar days from their hire date and such election shall apply to Compensation for services performed commencing with the first payroll period after the election becomes effective. However, if such individual is not eligible to make this initial deferral election under Treas. Reg. Sec. 1.409A-2(a)(7) (*i.e.*, because he or she was rehired and was eligible to participate in the Plan (other than the accrual of earnings) during the preceding 24-month period, then such

Election Form will be effective as described in this Section 4.3 without regard to the preceding sentence.”

5. Effective January 1, 2020, the last sentence of Section 4.7 is hereby deleted.

6. Effective January 1, 2020, Section 6.1 is hereby amended as follows:

**“6.1 Timing of Plan Distributions**

Except as provided in Section 4.7 (Change in Distribution Election), Section 6.3 (Separation from Service before Attaining Age Fifty (50)), Section 6.4 (Separation from Service of Specified Employees), and Section 6.5 (Death), the value of a Participant’s Retirement Account will be distributed (or begin to be distributed) to the Participant in April of the calendar year following the calendar year of the Retirement Date. The value of a Participant’s Special Purpose Account will be distributed (or begin to be distributed) to the Participant in April of the year specified in the Participant’s initial election or in any change in election under Section 4.7. This means, for example, that if a deferral election specifies a Deferral Period until 2020, distribution will occur in April 2020.”

7. Effective January 1, 2021, the first sentence of Section 7.1 is hereby amended as follows:

“The Committee may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment.”

IN WITNESS WHEREOF, this amendment has been duly executed by the Vice President, Total Rewards of Otis Worldwide Corporation as of the date indicated below.

/s/ Steve Stevenson  
Vice President, Total Rewards  
Steve Stevenson

Dated: December 23, 2021

**OTIS WORLDWIDE CORPORATION**  
**SAVINGS RESTORATION PLAN**  
**Amendment #2**

The Otis Worldwide Corporation Savings Restoration Savings Plan, Amended and Restated as of March 11, 2020 (the “Plan”) is hereby amended as follows:

1. Effective March 11, 2020, Article II(z) is hereby amended as follows:

(z) “*Qualified Saving Plan* means the United Technologies Corporation Employee Savings Plan until the Spin-off date and means the Otis Retirement Savings Plan from and after the Spin-off date.”
2. Effective March 11, 2020, the last sentence of Section 4.6 is hereby deleted.
3. Effective December 1, 2021, Section 5.5 is hereby amended as follows:

“A Participant is always 100% vested in his or her Participant Contribution Account. A Participant shall be vested in the value of his or her Otis Contribution Account upon the first to occur of the following: participation in the Plan for two years (including the UTC SRP prior to the Spin-off); completion of two years of Continuous Service (as defined in the Qualified Savings Plan), attainment of age 65; the death or Disability of the Participant while employed by an Otis Company; the layoff of a Participant from an Otis Company due to lack of work; or the Participant’s entrance into United States military service before completing two years of Plan participation.”
4. Effective January 1, 2021, the first sentence of Section 8.1 is hereby amended as follows:

“The Committee may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment.”

IN WITNESS WHEREOF, this Amendment #2 has been duly executed by the Vice President, Total Rewards of Otis Worldwide Corporation as of the date indicated below.

/s/ Steve Stevenson  
Vice President, Total Rewards  
Steve Stevenson

Dated: December 23, 2021

**OTIS WORLDWIDE CORPORATION**  
**COMPANY AUTOMATIC CONTRIBUTION EXCESS PLAN**  
**Amendment #1**

The Otis Worldwide Corporation Company Automatic Contribution Excess Plan, as of January 1, 2020 (the “Plan”) is hereby amended, effective as of the dates indicated below, as follows:

1. Effective January 1, 2022, Article II(k) is hereby amended as follows:  
“(k) *Election Form* means the form or process provided by the Committee to Participants electronically or in paper form for the purpose of changing the method of distribution and/or specifying the percentage allocation among the Investment Funds with respect to a Participant’s Plan Account.”
2. Effective January 1, 2020, Article II(w) is hereby amended as follows:  
“(w) *Qualified Saving Plan* means the United Technologies Corporation Employee Savings Plan until the Spin-off date and means the Otis Retirement Savings Plan from and after the Spin-off date.”
3. Effective January 1, 2022, Section 3.2 is hereby amended by deleting the parenthesis (“Initial Enrollment Period”) at the end of its paragraph.
4. Effective January 1, 2022, Section 4.1 is hereby amended as follows:  
“4.1 Default Distribution Election.  
A Participant’s Plan Account shall be paid in a lump sum at the time provided in Section 7.1, unless such Participant (i) elects to receive his or her Plan Account in two (2) to fifteen (15) annual installments and/or at a time of distribution other than as provided in Section 7.1 in accordance with Section 4.3 (Change in Distribution Election), or (ii) has made such an election prior to January 1, 2022, which is or becomes effective in accordance with its terms and the terms of the Plan as then in effect.”
5. Effective January 1, 2022, Section 4.2 is hereby deleted in its entirety and Sections 4.3, 4.4 and Section 4.5 are renumbered 4.2, 4.3, 4.4, respectively, and any cross-references to these sections are hereby amended accordingly.
6. Effective January 1, 2022, the introductory paragraph of Section 4.3 (Change in Distribution Election) [formerly 4.4] is hereby amended as follows:  
“Subject to Section 7.4 (Separation from Service before Attaining Age Fifty (50)), a Participant may make an irrevocable election to change the default lump sum payment distribution to installments and make subsequent changes to the time and form of distribution, including by changing the number of installments, the commencement date, or both, for his or her Plan Account; provided that such change to the time or form of distribution must meet all of the following requirements:”

7. Effective January 1, 2020, the last sentence of Section 4.3 (Change in Distribution Election) [formerly 4.4] is hereby deleted.

8. Effective January 1, 2022, Section 5.1(b) is hereby amended as follows:

“(b) Due to IRS Contribution Limit. A Participant shall be immediately eligible to receive an allocation of Company Automatic Contributions for a Plan Year, if and to the extent, such contributions on behalf of the Participant to the Qualified Savings Plan for the Plan Year are limited by the IRS Contribution Limit, and provided further that the Participant has made the maximum elective deferrals to the Qualified Savings Plan permitted under Section 402(g) of the Code for such year. This contribution shall be a percentage of the Participant’s Eligible Earnings up to the IRS Compensation Limit based on the Participant’s date of hire and age as of December 31 of the Plan Year for which the contribution is credited determined under the Company Automatic Contribution formula applicable to the Participant in the Qualified Savings Plan, with respect to Eligible Earnings paid to the Participant once the IRS Contribution Limit is reached, and will stop once the Participant’s Eligible Earnings equal the IRS Compensation Limit for the Plan Year.”

9. Effective January 1, 2022, Section 5.2. is hereby amended as follows:

“Section 5.2 Company Matching Contribution Eligibility and Amount.

A Participant shall be eligible to receive an allocation of Company Matching Contributions for a Plan Year, if and to the extent, such Participant’s Qualified Savings Plan Contributions for such Plan Year are limited by the IRS Contribution Limit, and provided further that the Participant has made the maximum elective deferrals to the Qualified Savings Plan permitted under Section 402(g) of the Code for such year. The allocation will be made with respect to Eligible Earnings paid to the Participant once the IRS Contribution Limit is reached, and will stop once the Participant’s Eligible Earnings equal the IRS Compensation Limit for the Plan Year. The amount of the Company Matching Contribution shall be calculated in the same manner that Company Matching Contributions would be calculated under the Qualified Savings Plan if the IRS Contribution Limit did not apply and assuming that the Participant would have continued to contribute the amount necessary to receive the maximum match under the Qualified Savings Plan if the Participant were permitted to do so but for the IRS Contribution Limit. In no event shall a Participant be eligible for an allocation of Company Matching Contributions under this Plan with respect to Eligible Excess Compensation, or if such contributions are made under the Qualified Savings Plan or credited under any other Company deferred compensation plan with respect to the same Eligible Earnings.”

10. Effective January 1, 2020, Section 5.3 is hereby amended as follows:

“5.3 Timing of Contribution.

Allocation of Company Automatic Contributions, Benefit Reduction Contributions and Company Matching Contributions shall be made no less frequently than annually with respect to each Plan Year. The Corporation may in its sole discretion credit additional amounts to Participants’ Plan Accounts, may specify vesting requirements applicable to such additional amounts and need not treat Participants uniformly.”

11. Effective December 1, 2021, Section 5.4. is hereby amended as follows:

“5.4 Vesting of Contributions.

A Participant shall be vested in the value of contributions credited to his or her Plan Account upon the first to occur of the following: participation in the Plan (including the UTC CACEP prior to the Spin-off) for two (2) years; completion of two (2) years of “Continuous Service” (as defined in the Qualified Savings Plan); attainment of age sixty-five (65); the death or Disability of the Participant while employed by an Otis Company; the layoff of a Participant from an Otis Company due to lack of work; or the Participant’s entrance into United States military service before completing two (2) years of Plan participation.”

12. Effective January 1, 2022, Section 7.2 is hereby amended as follows:

“7.2 Method of Distribution.

Except as provided in Section 7.4 (Separation from Service before Attaining Age Fifty (50)) or Section 7.6 (Death), a Plan Account will be distributed to the Participant in a single lump-sum payment, or as otherwise provided in a change in distribution election made pursuant to Section 4.3. If a Participant has elected to receive annual installment distributions in accordance with Section 4.3, they shall be payable to the Participant beginning on the payment commencement date and continuing as of each anniversary of the payment commencement date thereafter until all installments have been paid. To determine the amount of each installment, the value of the Participant’s Plan Account on the payment date will be multiplied by a fraction, the numerator of which is one and the denominator of which is the remaining number of scheduled installments.”

13. Effective January 1, 2022, Section 7.4 is hereby amended as follows:

“7.4 Separation from Service before Attaining Age Fifty (50).

If a Participant’s Separation from Service occurs before the Participant attains age fifty (50), the full value of the Participant’s Plan Account will be distributed to the Participant in a lump-sum payment in April of the calendar year following the calendar year of the Participant’s Separation from Service (or, if the Participant is a Specified Employee at the time of his or her Separation from Service, on the date provided in Section 7.5 below, if later) regardless of any election to change the time or form of distribution.”

14. Effective January 1, 2021, the first sentence of Section 8.1 is hereby amended as follows:

“The Committee may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment.”

IN WITNESS WHEREOF, this amendment has been duly executed by the Vice President, Total Rewards of Otis Worldwide Corporation as of the date indicated below.

/s/ Steve Stevenson  
Vice President, Total Rewards  
Steve Stevenson

Dated: December 23, 2021



**OTIS WORLDWIDE CORPORATION**  
**LTIP PERFORMANCE SHARE UNIT DEFERRAL PLAN**  
**Amendment #1**

The Otis Worldwide Corporation LTIP Performance Share Unit Deferral Plan (the “Plan”) is hereby amended as follows:

1. Effective January 1, 2020, Article II(x) is hereby amended as follows:

“(x) *Qualified Saving Plan* means the United Technologies Corporation Employee Savings Plan until the Spin-off date and means the Otis Retirement Savings Plan from and after the Spin-off date.”
2. Effective January 1, 2020, the last sentence of Section 4.7 is hereby deleted.
3. Effective January 1, 2021, the first sentence of Section 6.1 is hereby amended as follows:

“The Committee may, at any time, amend this Plan in whole or in part; provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment.”

IN WITNESS WHEREOF, this amendment has been duly executed by the Vice President, Total Rewards of Otis Worldwide Corporation as of the date indicated below.

/s/ Steve Stevenson  
Vice President, Total Rewards  
Steve Stevenson

Dated: December 23, 2021



## Internal Correspondence

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1 October 2021

**PERSONAL & CONFIDENTIAL**

Dear Stephane:

We are pleased to confirm the details of your Local Plus Assignment Extension. We hope this international experience continues to be both professionally and personally rewarding. This Letter of Assignment ("LOA") extension letter details the terms and general conditions applicable to your Assignment Extension, as summarized below:

Destination Country: Singapore  
Destination Company: Otis International Asia Pacific Pte. Ltd  
LOA Expiration: October 31, 2023

Your Assignment Extension is subject to your obtaining and maintaining any required immigration and/or work permit extensions required by your Destination Country and returning a signed copy of this LOA extension letter to the Company.

The duration of your Assignment Extension remains subject to revision in accordance with business needs and may be ended sooner, at Otis' sole discretion. All other terms and conditions outlined in your LOA dated December 18, 2019 will remain in effect for the period of your Assignment Extension.

Thank you for your ongoing support of our global initiatives.

Sincerely,

/s/ Abbe Luersman                      October 1, 2021  
Abbe Luersman                      Date  
EVP & Chief People Officer

Please indicate your agreement by signing below and returning this Extension Agreement as soon as possible.

I have reviewed the general terms and conditions of my International Assignment Extension outlined above and by signing below, accept these conditions.

/s/ Stephane de Montlivault                      October 1, 2021  
Stephane de Montlivault                      Date



**LETTER OF ASSIGNMENT EXTENSION**



## COMPENSATION AND BENEFITS FOR NON-EMPLOYEE DIRECTORS

### Annual Cash Retainer and Deferred Stock Unit Award:

Non-employee members of the Board of Directors receive annual compensation comprised of a cash retainer and deferred stock units ("DSUs") pursuant to the Board of Directors Deferred Stock Unit Plan (the "Plan"), as amended. The compensation arrangements for non-employee Directors are as follows:

	Total Combined Award (\$)	Annual Cash Retainer (\$)	Annual DSU Award (\$)
Base Compensation	\$310,000	\$124,000	\$186,000

In addition to the Base Compensation, non-employee Directors serving in leadership roles on the Board and/or its committees receive the following additional awards:

	Total Additional Award (\$)	Additional Annual Cash Retainer (\$)	Additional Annual DSUs (\$)
Lead Director	35,000	14,000	21,000
Audit Chair	25,000	10,000	15,000
Audit Members	15,000	6,000	9,000
Compensation Chair	20,000	8,000	12,000
Nominations and Governance Chair	20,000	8,000	12,000

Directors serving in multiple leadership roles will receive the additional awards applicable to each role.

Cash retainers and DSUs will be issued to non-employee Directors annually, effective as of the date of Otis' Annual Meeting of Shareowners (the "Annual Meeting"). A Director may elect to receive additional DSUs in lieu of cash otherwise payable by making a timely election in accordance with the Plan. The total number of DSUs to be credited to a non-employee Director will be determined by dividing the Annual DSU Award (and, if elected by the Director, his or her cash retainer(s)) by the closing price of Otis common stock on the applicable date. Fractional DSUs are credited to the Director's account. All whole or partial DSUs are eligible for dividend equivalents equal to Otis' declared dividend and will be credited to a Director's account as additional DSUs on the date the dividend is paid.

Following retirement or termination from the Board, non-employee Directors receive a lump sum distribution of shares of Otis Common Stock equal to the number of DSUs credited to their account, unless a timely written election was made to receive distributions in 10 or 15 annual installments, in which case DSUs are converted to shares of stock in accordance with the installment schedule. During the installment period, the balance in a Director's account will continue to be held and valued as DSUs. In the event of death, the full value of the account will be distributed to a designated beneficiary, or the Director's estate if no Beneficiary Designation form is on file or the designated beneficiary predeceases the Director.

Board compensation is subject to change at the discretion of the Board's Nominations and Governance Committee. New non-employee Directors joining the Board after the Annual Meeting (or spin-off) and on or before September 30 of a calendar year will receive 100% of the then applicable Annual Retainer and DSU Award for the compensation cycle ending in April of the following year. Those joining after September 30 of a calendar year and prior to the next Annual Meeting will receive 50% of the then applicable Annual Retainer and DSU Award for that compensation cycle.

**Stock Ownership Guidelines:**

To further encourage the alignment of Board and shareowner interests, the Plan requires that non-employee Directors own shares of Otis Common Stock, DSUs or other share equivalents equal in aggregate value to at least five times the then applicable base Annual Retainer Award within five years of joining the Board.

**Matching Gift Program:**

Each calendar year, Otis will match, on a \$1-for-\$1 basis, contributions to qualifying arts, cultural, and educational institutions up to the maximum amount permitted under Otis' matching gift program (currently \$25,000 per year).

<b><u>BEEINDIGING IN ONDERLING AKKOORD EN DADINGSOVEREENKOMST</u></b>	<b><u>TERMINATION BY MUTUAL CONSENT AND SETTLEMENT AGREEMENT</u></b>
<b><u>TUSSEN:</u></b>	<b><u>BETWEEN:</u></b>
<p><b>Otis Elevator Worldwide BV</b>, met maatschappelijke zetel te Stationsstraat 34, 1702 Dilbeek, ingeschreven in de Kruispuntbank der Ondernemingen onder het nummer 0652.780.207 die zichzelf hernoemde Otis Elevator SPRL;</p> <p>Vertegenwoordigd door de heer Christophe Greven in zijn hoedanigheid van Gedelegeerd Bestuurder;</p> <p>Hierna « <b>de Vennootschap</b> » genoemd;</p>	<p><b>Otis Elevator Worldwide BV</b>, whose registered office is at Stationsstraat 34, 1702 Dilbeek and with company number 0652.780.207 which renamed itself as Otis Elevator SPRL;</p> <p>Represented by Mr. Christophe Greven, in his capacity as Managing Director;</p> <p>Hereinafter referred to as “<b>the Company</b>”;</p>
<b><u>EN:</u></b>	<b><u>AND:</u></b>
De heer <b>Bernardo Calleja Fernández</b>	Mr. <b>Bernardo Calleja Fernández</b>
Hierna « <b>de Werknemer</b> » genoemd;	Hereinafter referred to as “ <b>the Employee</b> ”;
Hierna gezamenlijk « <b>de Partijen</b> » en individueel « <b>de Partij</b> » genoemd;	Hereinafter collectively referred to as “ <b>the Parties</b> ” and individually as “ <b>the Party</b> ”;
<b>VOOREERST WORDT UITEENGEZET WAT VOLGT:</b>	<b>IT IS WITNESSED:</b>
<p>Op 3 november 2020 werd de Werknemer benoemd tot Voorzitter van Otis EMEA en lid van de Executive Leadership Group (hierna "ELG") van Otis Worldwide Corporation, met een E5-niveau.</p> <p>Op 1 februari 2021 heeft de Vennootschap een arbeidsovereenkomst voor onbepaalde duur afgesloten met de Werknemer om de details en voorwaarden van de nieuwe functie van de Werknemer als Voorzitter Otis EMEA vast te leggen. Op 1 februari 2021 heeft deze arbeidsovereenkomst een aanvang genomen.</p> <p>Bij deze wensen de Partijen deze arbeidsovereenkomst in onderling akkoord te beëindigen. De Werknemer zal immers in dienst treden van een andere entiteit van de Otis Groep.</p> <p>De Partijen hebben elkaar ontmoet en hebben zij onderhandelingen gevoerd met het oog op het afsluiten van onderhavige overeenkomst aan de hand waarvan zij de modaliteiten van de beëindiging van hun arbeidsrelaties op definitieve wijze wensen te regelen en ieder geding dat tussen hen bestaat of tussen hen zou kunnen ontstaan beëindigen.</p>	<p>As from 3 November 2020, the Employee was appointed as the President of Otis EMEA, and a member of Otis Worldwide Corporation's Executive Leadership Group (“ELG”), with an E5 level.</p> <p>On 1 February 2021, the Parties entered into an employment contract in order to enumerate the details and conditions of the new function as President of Otis EMEA to be performed by the Employee. The employment contract took effect on 1 February 2021.</p> <p>Hereby, the Parties wish to terminate this employment contract by mutual consent as the Employee will enter the service of another entity of the Otis Group.</p> <p>The Parties have met and entered into discussions with the aim of concluding this termination agreement by mutual consent by which they intend to settle once and for all the terms and conditions of the termination of their employment relationship as well as any dispute which exists, or which could arise in the future.</p>
<b>WORDT HET VOLGENDE OVEREENGEKOMEN :</b>	<b>IT HAS BEEN AGREED UPON AS FOLLOWS:</b>
<b><u>Artikel 1</u></b>	<b><u>Article 1</u></b>
Na wederzijdse toegevingen sluiten de Partijen een dadingsovereenkomst af in de zin van de artikelen 2044 en volgende van het Burgerlijk Wetboek.	After mutual concessions, the Parties enter into a settlement agreement in the sense of Article 2044 and the following articles of the Civil Code.

<b><u>Artikel 2</u></b>	<b><u>Article 2</u></b>
De Partijen erkennen dat zij op de hoogte waren van hun rechten. De bepalingen van onderhavige overeenkomst werden dan ook overeengekomen na onderhandelingen tussen de Partijen en geven hun vrije en geïnformeerde toestemming perfect weer.	The Parties recognize that they were aware of their rights at the time of the conclusion of this agreement. The provisions of this agreement have been agreed upon following discussions between the Parties and those provisions fully reflect their free and clear consent.
Elk van de Partijen heeft eveneens over de nodige tijd kunnen beschikken om onderhavige overeenkomst te bestuderen en te onderhandelen, en om alle nodige inlichtingen in te winnen om de draagwijdte van de overeenkomst in te kunnen schatten.	Both of the Parties have been given the necessary time for reflection to examine and negotiate this agreement and they have received the necessary advice in order to understand the scope of this agreement.
De Partijen komen overeen om onderhavige overeenkomst te goeder trouw uit te voeren.	The Parties undertake to execute this agreement in good faith.
<b><u>Artikel 3</u></b>	<b><u>Article 3</u></b>
De Partijen komen overeen dat de arbeidsovereenkomst van de Werknemer in onderling akkoord eindigt op 14 november 2021, einde van de dag, (" <b>Beëindigingsdatum</b> "), zonder opzeggingstermijn of vergoeding.	The Parties agree that the employment contract of the Employee will be terminated by mutual consent on 14 November 2021, end of the day (" <b>the Termination Date</b> "), without notice period nor indemnity in lieu of notice.
De Werknemer zal zijn gebruikelijke taken blijven uitvoeren tot de Beëindigingsdatum en de arbeidsvoorwaarden, met inbegrip van het loon en voordelen, zullen ongewijzigd blijven tot dan.	The Employee shall continue to perform his usual duties until the Termination Date and the terms and conditions of employment, including pay and benefits, shall remain unchanged until then.
Vanaf de Beëindigingsdatum maakt de Werknemer niet langer deel uit van het personeel van de Vennootschap.	As from the Termination Date, the Employee will no longer be a member of the staff of the Company.
De Partijen erkennen dat zij elkaar met ingang van de Beëindigingsdatum niets meer verschuldigd zijn, met uitzondering van de in artikel 4 voorziene bedragen.	The Parties acknowledge that as of the Termination Date they no longer owe each other anything, with the exception of the sums provided for in Article 4.

<p><b><u>Artikel 4</u></b></p> <p>Binnen 30 dagen na de Beëindigingsdatum verbindt de Vennootschap zich ertoe de volgende bedragen aan de Werknemer te betalen, voor zover deze inmiddels nog niet werden betaald:</p> <ul style="list-style-type: none"> <li>– het normale loon van de Werknemer tot op de Beëindigingsdatum.</li> <li>– het vertrekvakantiegeld in overeenstemming met de toepasselijke wettelijke bepalingen;</li> <li>– de pro rata eindejaarspremie in overeenstemming met de toepasselijke bepalingen op sector- en/of ondernemingsniveau;</li> <li>–</li> </ul> <p>Alle hiervoor vermelde bedragen zullen betaald worden op het gebruikelijke bankrekeningnummer van de Werknemer dat gekend is door de Vennootschap, na aftrek van de toepasselijke sociale zekerheidsbijdragen en fiscale inhoudingen.</p>	<p><b><u>Article 4</u></b></p> <p>Within 30 days from the Termination Date, the Company undertakes to pay the following amounts to the Employee, insofar as they haven't already been paid:</p> <ul style="list-style-type: none"> <li>– the normal remuneration of the Employee until the Termination Date;</li> <li>– the departure holiday pay in accordance with applicable legal provisions;</li> <li>– and the pro rata end of year premium, in accordance with the applicable sector-level or enterprise-level provision</li> </ul> <p>All the above-mentioned amounts will be transferred to the usual bank account of the Employee on record with the Company, after deduction of the applicable legal withholdings.</p>
<p><b><u>Artikel 5</u></b></p> <p>De Vennootschap zal alle sociale documenten binnen de wettelijke termijnen overmaken aan de Werknemer (de loonafrekening, het formulier C4, het tewerkstellingsattest, de vakantieattesten, etc.) evenals de fiscale fiche 281.10.</p>	<p><b><u>Article 5</u></b></p> <p>The Company will provide the social documents (the exit account, the C4 form, the employment certificate, the vacation certificates, etc.) as well as tax form 281.10 to the Employee within the legal deadline.</p>
<p><b><u>Artikel 6</u></b></p> <p>De Partijen komen overeen dat de Vennootschap de reden van verbreking zal opgeven in het formulier C4: Beëindiging in onderling akkoord.</p>	<p><b><u>Article 6</u></b></p> <p>The Parties agree that the Company will specify the following ground(s) for termination on the C4 form: Termination by mutual consent.</p>

<b>Artikel 7</b>	<b>Article 7</b>
<p>Mits uitvoering te goeder trouw van onderhavige overeenkomst:</p> <ul style="list-style-type: none"> <li>– aanvaarden de Partijen de in onderhavige overeenkomst bedoelde bepalingen als definitieve regeling van elk geschil en elke mogelijke contractuele vordering die zij nog zouden kunnen hebben ten opzichte van elkaar met betrekking tot de arbeidsovereenkomst van de Werknemer en/of de verbreking ervan;</li> <li>– de Partijen zien af van elke rechtsovereenkomst die bestaat of die nog tot stand zal komen met betrekking tot de contractuele relaties die tussen hen bestonden of de beëindiging van deze relaties, met inbegrip van, maar niet beperkt tot, elke vordering tot schadevergoeding of interesten wegens onrechtmatige beëindiging van de arbeidsovereenkomst, opzeggingsvergoeding, uitwinningsvergoeding, bijzondere beschermingsvergoeding, achterstallige lonen, achterstallige bonussen, etc;</li> <li>– de Werknemer ziet ervan af om aan de Vennootschap de concrete motieven van zijn ontslag te vragen in toepassing van de CAO nr. 109 van 12 februari 2014 en om de Vennootschap trachten te veroordelen tot betaling van eender welke schadevergoeding voorzien in deze CAO;</li> <li>– de Partijen zien ervan af om procedures in ten stellen voor een rechtbank met betrekking tot de arbeidsovereenkomst van de Werknemer en/of de verbreking ervan;</li> <li>– de Partijen zien ervan af om zich te beroepen op eender welke juridische of feitelijke onjuistheid of elke eventuele nalatigheid met betrekking tot het bestaan en/of de omvang van hun rechten.</li> </ul> <p>Bijgevolg verklaart elke Partij haar rechten volledig te hebben uitgeput ten opzichte van de andere Partij.</p> <p>De verzakingen die geformuleerd werden door de Werknemer gelden niet enkel ten opzichte van de Vennootschap maar ook ten opzichte van elke andere vennootschap of vereniging die behoort tot, verwant is aan of deel uitmaakt van de groep waartoe de Vennootschap behoort.</p>	<p>On the condition of the correct and complete execution of this agreement:</p> <ul style="list-style-type: none"> <li>– the Parties accept the provisions of this agreement as the final settlement of all claims of a contractual nature or other nature that they could have against each other regarding the employment contract of the Employee and/or the termination thereof;</li> <li>– the Parties renounce all other rights that they have or that may arise in regard to the contractual relations that existed between them or in regard to the termination of those relations, including, but without being limited to, claims for damages and interest for abusive termination of the employment contract, an additional termination indemnity, an indemnity for manifestly unreasonable termination, indemnities regarding special protections against dismissal, salary arrears, bonus arrears, premium etc.;</li> <li>– the Employee shall refrain from requesting that the Company informs him of the specific reasons for his dismissal in application of the collective bargaining agreement No. 109 of 12 February 2014 and from requesting the condemnation of the Company to pay the indemnities foreseen therein;</li> <li>– the Parties waive their right to introduce any future court action regarding the employment contract of the Employee and/or the termination thereof;</li> <li>– the Parties shall refrain from prevailing themselves of any legal or factual error or any omission regarding the existence or the scope of their rights.</li> </ul> <p>Consequently, the Parties recognize that they have exhausted their rights and confirm that they have no more claims against one another.</p> <p>The waiver exercised by the Employee is not only valid with regard to the Company but also with regard to all companies or associations owned by, related to or that are a part of the company group that the Company belongs to.</p>



<b><u>Artikel 8</u></b>	<b><u>Article 8</u></b>
Onderhavige overeenkomst vormt het volledige en definitieve akkoord tussen de Partijen.	This agreement constitutes the final and complete agreement of the Parties.
Onderhavige overeenkomst vernietigt en vervangt ieder ander akkoord en elke andere oude bepaling, van welke aard ook, die schriftelijk of mondeling overeengekomen is tussen de Partijen en die tegenstrijdig is met onderhavige overeenkomst.	This agreement annuls and replaces all previous agreements and stipulations, of whichever nature, that were concluded verbally or in writing between the Parties and that contradict this agreement.
Indien een of meerdere bepalingen of delen van bepalingen van onderhavige overeenkomst geheel of gedeeltelijk ongeldig worden verklaard, heeft dit enkel de ongeldigheid van de desbetreffende bepaling(en) tot gevolg, en niet de ongeldigheid van de volledige overeenkomst.	If one or more clauses or parts of clauses of this agreement are declared partially or totally null, the other provisions will not be affected by the nullity and will consequently retain their validity.
<b><u>Artikel 9</u></b>	<b><u>Article 9</u></b>
Voor ieder geschil dat voort zou kunnen komen uit onderhavige overeenkomst aanvaarden de Partijen de exclusieve bevoegdheid van de Belgische rechtbanken.	The Parties accept the exclusive jurisdiction of the Belgian tribunals and courts for any disputes originating from this agreement.
<b><u>Artikel 10</u></b>	<b><u>Article 10</u></b>
Onderhavige overeenkomst werd opgesteld en ondertekend in het Nederlandse. De Vennootschap bevestigt dat de Engelse vertaling uitsluitend uitgevoerd werd ter informatie, terwijl de Nederlandse versie de officiële versie is. In het geval dat er discussies zijn tussen de originele Nederlandse versie en de vrije Engelse vertaling, zal de Nederlandse versie voorrang hebben.	This agreement has been drafted and signed in Dutch. The Company confirms that the English translation is executed for information purposes only whereas the Dutch version remains the original enforceable one. In the event any discrepancies should arise between the original Dutch version and the free English translation, the Dutch version will prevail.
* * *	* * *
Onderhavige overeenkomst kan worden ondertekend in een willekeurig aantal exemplaren en elk exemplaar vertegenwoordigt een volledig ondertekend origineel alsof het door beide partijen ondertekend was. De afgifte van een ondertekend exemplaar van een ondertekeningspagina van deze overeenkomst in elektronisch formaat (bv. pdf) geldt als de afgifte van een met de hand ondertekend exemplaar van onderhavige overeenkomst.	This agreement may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by both parties. Delivery of an executed counterpart of a signature page to this agreement in electronic format (e.g., pdf) shall be effective as delivery of a manually executed counterpart of this agreement.
<b>Voor de Vennootschap:</b>  <u>/s/ Christophe Greven</u> Christophe Greven Gedelegeerd Bestuurder	<b>For the Company:</b>  <u>/s/ Christophe Greven</u> Christophe Greven Managing Director

<b>Voor de Werknemer*:</b>	<b>The Employee*:</b>
<u>/s/ Bernardo Calleja Fernández</u> Bernardo Calleja Fernández	<u>/s/ Bernardo Calleja Fernández</u> Bernardo Calleja Fernández
<i>*De handtekening van de Werknemer wordt voorafgegaan door de geschreven vermelding « gelezen en goedgekeurd ».</i>	<i>*The signature of the Employee must be preceded by the handwritten note “read and approved”.</i>

## EMPLOYMENT CONTRACT

Between

**Otis International Sàrl** hereafter referred to as Otis International

and

**Bernardo Calleja Fernandez** hereafter referred to as Employee

### GENERAL REMARKS

<b>TITLE:</b>	<b>President, Otis EMEA</b>
<b>GRADE:</b>	<b>Executive Leadership Group (ELG) of Otis Worldwide Corporation</b>
<b>ACTIVITY RATIO:</b>	<b>Full time (100%)</b>
<b>CONTRACT PERIOD:</b>	<b>Open-ended</b>
<b>START DATE:</b>	<b>November 15, 2021</b>
<b>TRANSPORT MODE:</b>	<b>Company vehicle</b>
<b>GROSS ANNUAL BASE SALARY:</b>	<b>540'000 CHF (paid in 13 installments)</b>
<b>BONUS (STI) AT TARGET:</b>	<b>80% of base salary in effect at year end</b>
<b>TRANSITION ALLOWANCE:</b>	<b>360'000 CHF (paid in installments over 3 years)</b>
<b>SCHOOLING ALLOWANCE:</b>	<b>108'000 CHF (paid in installments over 2 years)</b>
<b>TAX PREPARATION ALLOWANCE:</b>	<b>16'200 CHF per year</b>
<b>MEDICAL COVERAGE</b>	<b>1 year of medical</b>
<b>NON-COMPETE CLAUSE PERIOD:</b>	<b>2 years</b>
<b>GEOGRAPHIC REACH OF THE NON-COMPETE CLAUSE:</b>	<b>Worldwide</b>

### 1.1 FUNCTION

Employee is hired for the aforementioned function. Employee will report to Judy Marks, CEO of Otis Worldwide Corporation (the "Parent"), or any of her successors. Both parties acknowledge that due to Employee's activities, it is impossible to give an exhaustive enumeration of all the tasks which are Employee's responsibility. Consequently, all tasks which are directly or indirectly necessary, or useful for the execution of his function, are part of the activities of Employee. Otis acknowledges that Employee currently serves (and may serve in the future) as a director of other Otis Group entities (i.e., any direct or indirect subsidiary or affiliate of the Parent); unless specifically agreed to the contrary, no additional compensation shall be owed to Employee in this respect.

### 1.2 CONTRACT PERIOD, TRIAL PERIOD, AND NOTICE PERIOD

The present contract comes into force on the start date indicated above. It is concluded for an open-ended period. Either party may terminate the employment contract per the end of a month, subject to a notice period of 3 months. There is no trial period. If the employment contract is terminated, Employee may be entitled to severance subject to the terms and conditions of the Parent's ELG Severance Plan. Any termination indemnity or severance payment paid by any Otis Group entities to Employee shall reduce his ELG severance amount.

### 1.3 WORKPLACE

In principle, the workplace is set at Otis EMEA's headquarters (currently in Geneva). However, the employee will be frequently asked to travel as part of his work and will be reimbursed for travel expenses in accordance with

applicable Otis Group policy. Furthermore, in light of the functions of the employee, Otis International reserves the right to temporarily or permanently change his workplace. Any permanent change will only occur if the location of Otis EMEA's headquarters change. If Employee is required to change his workplace, he will be entitled to relocation benefits in accordance with applicable Otis Group Policy for senior executives.

## **1.4 SALARY**

### **1.4.1 Annual base salary (540'000 CHF)**

The gross annual base salary is specified above. This gross annual base salary will be effective on the Start Date. Annual base salary shall be paid in thirteen equal installments and shall be paid monthly. The thirteenth installment shall be paid in December. The gross annual base salary shall be reviewed annually and shall not be decreased, except as part of program that impacts all Otis ELG members in similar fashion (e.g., 10% across-the-board for similarly situated executives). The salary payable to Executive shall be reduced by any salary payable to Employee by any other member of the Otis Group for the same period of service and for purposes of calculating any reduction amounts payable in € or other currency shall be converted into CHF based on the most recent conversion rate published by OANDA.

### **1.4.2 Short-term incentive plan participation**

Employee is eligible to participate in the Parent's Executive Short-Term Incentive Plan (the "STI"), governed by Delaware law, and as amended unilaterally by the Parent from time to time. Employee's target annual STI opportunity is 80% of his gross annual base salary in effect hereunder at the end of each applicable year and shall be calculated by reference to the gross annual base salary payable hereunder without regard to any salary reduction that may be made as a result of the last sentence of Clause 1.4.1. The actual amount of the potential STI payment is based on the rules of the STI.

### **1.4.3 Long-term incentive plan participation**

Employee will be eligible to receive grants of equity awards, as determined annually in the sole discretion of Parent's Compensation Committee under the Parent's 2020 Long-Term Incentive Plan (the "LTI") or any successor plan thereto. The LTI is a global plan governed by Delaware law and obligations and rights described in the LTI and Employee's award agreements are not part of this contract. Otis International is in no way liable for any obligations set under the LTI (except for certain withholding obligations).

### **1.4.4 Nature of incentives**

STI and LTI payments, if any, are optional services whose very principle, amount, and nature are fully discretionary. The nature of these special payments remains unchanged, even if they have been made several times. Employee does not acquire any right to be paid such incentives.

### **1.4.5 Transition allowance**

Employee is eligible for a transition allowance in the maximum amount of 360'000 CHF (total amount for 36 months) to reflect the higher cost of living associated with living in Switzerland over his prior work location. Subject to Employee's continued employment with Otis International, the transition allowance will be paid in 36 monthly installments. The first twelve installment payments will each be 12'500 CHF, the next twelve installment payments will each be 10'000 CHF and the final twelve installment payments will each be 7'500 CHF. Each installment will be made in arrears (e.g., the payment for November 2021 will be made in December, 2021). The amount of the transition allowance is a net amount, i.e., Otis International will bear any social security (employer and employee share) as well as any taxes owed on this amount.

In addition, Employee shall be eligible to receive standard executive relocation benefits to facilitate his move to Switzerland, including, but not limited to, household goods shipment, a home finding trip and a relocation lump sum of 63'000 CHF. Otis International will bear any social security (employer and employee share) as well as any taxes owed on the standard executive relocation benefits.

### **1.4.6 School fees for child**

Subject to Employee's continued employment with Otis International, he will be reimbursed for school and boarding fees for his son for up to two school years. The total cost of such reimbursement shall not exceed a total amount of 110'000 CHF over this two-year period. The reimbursement will be processed upon presentation of receipts. The amount paid for school and boarding fees is a net amount, i.e., Otis International will bear any social security (employer and employee share) as well as any taxes owed on this amount.

#### **1.4.7 Car**

Employee will be entitled to the use of a car on the same terms and conditions as is provided to the most senior executives employed by Otis International.

#### **1.4.8 Tax Preparation Services**

Otis International will reimburse Employee for tax preparation services in an amount not to exceed 16'200 CHF per year while he remains employed in Switzerland by Otis International. The reimbursement will be processed upon presentation of receipts. The amount paid for the tax preparation services is a net amount, i.e., Otis International will bear any social security (employer and employee share) as well as any taxes owed on this amount.

#### **1.4.9 Medical Coverage**

Otis International will provide Employee and his eligible family members with Cigna Global medical and dental coverage for a period of one year at no cost to Employee. Such coverage will commence on a date of the Employee's choosing in 2021. As noted below in Section 2.3, it is Employee's responsibility to secure LAMal.

#### **1.4.10 Salary deductions**

Employee's share of mandatory social contributions (AVS/AI/APG/AC), as well as the contributions payable by the Employee to Otis International's pension institution, in accordance with the regulations of the latter ("LPP"), and the Employee's share of premiums for group income protection insurance against loss of earnings in the event of illness shall be deducted from the Employee's gross salary, and as necessary, from other salary payments. Furthermore, if the Employee is subject to income tax withholding, Otis International will also withhold the corresponding amount.

Likewise, contributions that the Employee may owe (e.g., vehicle agreement, expense payments, etc.) may also be directly deducted from the salary, by an offsetting amount.

#### **1.5 WEEKLY WORKING HOURS**

As a senior executive, Employee does not have set hours and must work the number of hours required to accomplish his tasks. As the concept of overtime is irrelevant to the supervisory function, and in consideration of the workload related to this function, Employee may not claim any compensation in terms of time or remuneration specifically for overtime. In the event that there may be chronic work overload, it is incumbent upon Employee to inform the Parent's CEO and to specify the reasons for this overload.

#### **1.6 VACATION AND PUBLIC HOLIDAYS**

The reference period for calculating vacation entitlement is the calendar year. In the event that the hiring or the end of the employment relationship happens during the course of the year, vacation is calculated in proportion to time. As a senior executive, it is incumbent upon Employee to plan and organize his vacation in consideration of the needs of the Otis International and organize the required temporary replacements. Considering his independence and his position in the hierarchy, Employee may not express demands for potential vacation that is not taken, if this vacation exceeds eight weeks on the date that the employment relationship terminates.

Furthermore, the duration and terms of vacation are set by the regulations of Otis International. The same applies to vacation, public holidays, and other paid absences.

## **2. SOCIAL INSURANCE**

### **2.1 ACCIDENT INSURANCE**

Employee is insured against the risks of occupational and non-occupational accidents, and against occupational disease in compliance with the law on insurance and accidents ("Loi sur l'assurance-accidents", "LAA"). However, non-occupational accidents are only covered for employees whose weekly working hours are greater than or equal to eight hours within the meaning of the "LAA". Furthermore, it is stated that the employer has taken out complementary "LAA" insurance.

In the event of an accident, the right to a salary and other benefits is exclusively determined by the applicable legal provisions (in particular the LAA and its enforcement provisions), the provisions of the complementary LAA insurance contract, and the relevant general and additional terms and conditions. Regarding the scope of the coverage and the benefits provided, solely the aforementioned provisions are deemed authentic. The same applies in the event that the insurance terms are modified, or in the event that the insurance company is changed.

A copy of the complementary "LAA" insurance contract and the general and additional insurance terms and conditions are at the disposal of Employee, upon request.

For all the cases covered by the accident insurance, Otis International is released from all liability, in accordance with Article 324b(1) CO. In other cases, solely Articles 324a(1-3) CO to 324b CO are applicable.

**2.2 GROUP INCOME PROTECTION INSURANCE IN THE EVENT OF A NON-OCCUPATIONAL ILLNESS**

For its employees, Otis International has taken out group income protection insurance in the event of an illness subject to the insurance contract law ("loi sur le contrat d'assurance" - "LCA"). This insurance covers 80% of the earnings made during a period of 730 days, less a waiting period during which the employer pays the salary.

Regarding the calculation of the insured income, the scope of the coverage, and the benefits provided, solely the insurance contract and the relevant general and special terms and conditions are applicable. The same applies in the event that the insurance terms are modified, or in the event that the insurance company is changed. A copy of the insurance contract and the relevant general and additional insurance terms and conditions shall be submitted to the employee, upon request.

Otis International pays for half of the group income protection insurance premiums, and the employee pays for the other half.

For all the cases that the income protection insurance covers, the employer is released from all other obligations, in accordance with Article 324a(4) CO. In the other cases, Otis International; shall pay Employee his salary in accordance with Articles 324a(1-3) CO and 324b CO.

Otis International may also grant additional benefits, based on the applicable regulations of Otis International, as amended unilaterally from time to time.

**2.3 HEALTH INSURANCE**

Taking out mandatory health insurance within the meaning of "LAMal" and the payment of the relevant premiums are under the sole responsibility and at the sole expense of Employee.

**2.4 PENSION FUND**

Employee joins the Pension Fund effective as of the Start Date.

**3. DILIGENCE, LOYALTY, AND CONFIDENTIALITY OBLIGATIONS**

**3.1 EMPLOYEE'S GENERAL DUTIES AND DIRECTIVES**

Employee is required to perform his functions in a diligent, conscientious, and faithful manner, conforming to the instructions of Otis International.

To allow the smooth execution of tasks entrusted to the employees of the company, Otis International may draw up instructions on work performance and conduct; it may also give special instructions to Employee. Employee is required to comply with the said lawful directives and instructions.

**3.2 OTHER ACTIVITIES**

Employee dedicates all of his professional activity to Otis International and other members of the OTIS Group for which he may develop an activity.

During the period of the employment contract, Employee is not authorized to perform another professional or paid activity, unless the Parent's CEO has provided prior written consent. However, it is acknowledged that Employee currently provides services to Zardoya Otis S.A. and may continue to do so. Employee must not perform any activity free of charge or against payment that could damage the interests of the Otis Group, or directly or indirectly compete with it.

### **3.3 OBLIGATION OF NON-DISCLOSURE**

Employee must not use nor reveal information meant to remain confidential that he has learned of during the exercise of his activity for Otis International or any other member of the Otis Group, regardless of how he became aware of the information in question.

In particular, this obligation of non-disclosure concerns trade and business secrets, information related to clients, suppliers and other contract partners of any member of the Otis Group, the information related to employees of any member of the Otis Group (salaries, personal records, etc.), accounting and economic information of any member of the Otis Group, as well as information related to the organization of any such member.

The obligation of non-disclosure continues even after the end of the employment relationship. Employee is wholly responsible for any prejudice due to the violation of his obligation of confidentiality.

## **4. ENTRUSTED DOCUMENTS AND OBJECTS**

### **4.1 DOCUMENTS**

Documents in any form (paper, diskettes, CD-ROMs, DVDs, other physical or digital media, etc.) that Otis International or any member of the Otis Group gives to Employee for him to perform his work remains the exclusive property of the latter. The same applies to documents that Employee himself may have drawn up during the performance of his work.

Employee is prohibited from reproducing the aforementioned documents for personal ends or for third parties, in any way whatsoever. Furthermore, Employee is required to return these to the OTIS company upon the request of the latter, or, at the latest, on the last day that he actually works at the company, without keeping copies of them.

The following is a non-exhaustive list of such documents: accounts, notices, work reports, tables, sketches, drawings, manufacturing and assembly instructions, photographs, price lists, computer programs, regulations, etc.

### **4.2 ENTRUSTED OBJECTS**

Employee commits to using instruments and other objects with care and in accordance with their purpose such as, but not restricted to GSM, tools, measurement instruments, computers, etc. that Otis International entrusts to him to perform his work. Unless Otis International provides prior express consent, Employee is required to use the objects solely and strictly for professional ends, exclusive of any personal use.

The instruments and objects that Employee is entrusted with remain the exclusive property of Otis International. As such, Employee is required to return them upon the request of Otis International, or, at the latest, the last day that Employee actually works at the company.

## **5. RIGHT TO INVENTIONS AND OTHER IMMATERIAL GOODS**

### **5.1 INVENTIONS AND DESIGNS**

The inventions of Employee and the designs that he has created, or the elaboration that he has participated in via the execution of his activity for Otis International or any member of the Otis Group, in accordance with his contractual obligations, belong as of right and exclusively to Otis International or such member of the Otis Group, whether they are protected or not, without any right for Employee to demand special remuneration. Employee is required to immediately inform Otis International of the existence of such an invention or design.

Furthermore, Otis International expressly reserves the right to acquire inventions and designs that Employee has created in the execution of his activity for Otis International, but beyond the completion of his contractual obligations.

In the cases stipulated in the above paragraph, Employee is required to immediately inform Otis International in writing of the existence of the invention or design in writing. Upon receipt of this information, within six months, Otis International must inform Employee in writing of whether it intends to acquire the invention or design. If Otis International exercises its acquisition right, it will make a special equitable payment that is determined in accordance with Article 332 CO.

## **5.2 SOFTWARE, PLANS, AND DESIGNS**

Economic and usage rights for software, plans, and drawings created by Employee in the execution of his activity for Otis International or any member of the Otis Group, and in accordance with his contractual obligations, are automatically transferred to such member, without any right for Employee to demand special remuneration on these grounds. Employee is required to immediately inform Otis International of the existence of any such software, plan, or design.

Furthermore, Otis International expressly reserves the right to require the transfer of economic and user rights for software, plans, and designs created by Employee in the execution of his activity for OTIS International, but that is beyond the performance of his contractual obligations, as well as for the software, plans, and designs created by the employee outside of his activity for Otis International.

In the cases stipulated in the above paragraph, Employee is required to immediately inform Otis International in writing of the creation of the software, plan, or drawing. Upon receipt of this information, within six months, Otis International must inform Employee in writing of whether it intends to acquire economic rights on the software, plan, or drawing. If Otis International exercises its right to obtain the transfer, it will make a special equitable payment that is determined in accordance with the principles of Article 332 CO, which is applied by analogy.

In the event that the software rights are transferred to Otis International, it is expressly authorized to modify and to improve the software. The transfer includes the transfer of the exclusive right to use and sell all of the components created, in their original or derived form, including the rights to transfer them. The same rule applies to plans and drawings.

## **6. NON-COMPETE CLAUSE AND HIRING BAN**

Given that the Otis Group has a worldwide activity field, and important economic, technical and financial interests, and in that in his function Employee will have access to strategic information of a technical, scientific, economic or commercial nature, in the manufacture, installation, service and sales of people-moving products, such as elevators, escalators and moving walkways, Employee commits to not performing similar activities, whether directly or indirectly, on a worldwide basis while employed by Otis International and for 24 months after termination of this contract, either by running his own business, or working or consulting for a competing employer, thereby being able to harm any member of the Otis Group by using, for himself or a competitor, the knowledge of practices specific to any member of the Otis Group that he acquired. So long as this restriction is deemed legally enforceable, and unless Otis International renounces its right to the application of this post-contractual non-compete clause by providing written notice to Employee prior to the end of the employment relationship, Otis International will pay Employee a lump sum payment equal to 50% of the annual base salary Employee would have received over the 24-month restriction period.

Furthermore, for a period of 24 months from the end of the employment relationship, Employee commits to not encourage or attempt to encourage any employees of any member of the Otis Group to terminate their employment relationship in order to directly or indirectly hire them for himself or for a third party. If Otis International renounces its right to the application of the non-compete clause, this shall not release Employee from the obligation under this paragraph.

In the event of an infringement of the post-contractual non-compete clause and hiring ban, a contractual penalty the equivalent of six months of salary in accordance with art. 161 para. 1 Swiss Code of Obligations is agreed upon for each breach. The reference salary is the last gross monthly salary received by Employee for his work for Otis International and includes the variable revenue and potential advantages of special bonuses. The payment of the contractual penalty does not release Employee from the non-compete clause and hiring ban, so that Otis International may require, moreover, the effective termination of the breach and prohibit further infringements of the undertakings in Clause 6. In addition, Employee owes to Otis International full indemnifications for all actual damages for any violation of the undertakings in Clause 6.



The obligations under this contract are in addition to and not in lieu of any rights the Parent may exercise if Employee violates the covenants in the Parent’s LTIP and in any underlying equity award agreement.

The obligations under this Clause 6 will not apply if this employment contract is voluntarily terminated by Employee due to Otis International’s material breach of this contract so long as Employee notifies Otis International in writing of the specifics of the material breach and provides it with a reasonable opportunity to cure the breach. Further, the obligations under this Clause 6 will also not apply if this employment contract is terminated by written mutual consent of the parties.

**7. SAFETY AND PROTECTION OF THE PERSONALITY**

**7.1 QUALITY (Q) / ENVIRONMENT HEALTH & SAFETY (EH&S) DIRECTIVES**

Employee commits to keeping high safety and quality standards. He shall actively participate in identifying any dangerous situation that may compromise the safety and quality conditions and shall immediately inform Otis International of such situations.

He commits to scrupulously comply with all the applicable legal requirements in this area, as well as the directives issued by SUVA. Likewise, at the latest, when he starts work, he commits to read the internal provisions in the management system and to comply with them.

The concept of safety includes the physical and psychological integrity of each employee, of colleagues, of workers of other companies intervening on a site, and users. In particular, each employee commits to automatically inform his employer of any event or situation that may constitute a safety risk.

**7.2 PSYCHOLOGICAL AND SEXUAL HARASSMENT**

Otis International is committed to protecting the health of its employees. If Employee considers that a colleague or superior has subjected him to psychological pressure or sexual harassment, he is required to immediately inform the human resources or ECO manager, to enable his employer to proceed with the required verifications, and to take protective measures as necessary. Otis International may not be held liable for a case of harassment that it has not been informed of.

As a corollary, Employee commits to behave in a manner that respects the physical and psychological integrity of other employees, and to refrain from behaving or using language that is ill-timed or ambiguous.

**8. FINAL PROVISIONS**

**8.1 COMPANY REGULATIONS, CODE OF ETHICS, AND REGULATIONS**

The regulations enacted by Otis International, and particularly the following regulations, are an integral part of the present contract:

- Company regulations for employees;
- Expense payments for administrative staff;
- General terms and conditions for the use of a company vehicle;
- Pension fund regulations;
- Data protection regulations;
- OTIS Absolutes;
- ITC 360;

By signing the present contract, Employee confirms that the aforementioned regulations have been submitted to him, that he has read, understood, and accepted them. In the event of a contradiction between these documents and the present contract, the latter shall prevail.

When he starts working, at the latest, the employee also commits to reading the codes, regulations, norms and directives published on the intranet of Otis International and to comply with them.

Insofar as the aforementioned regulations and documents constitute or include instructions or directives from the employer, they may be modified by Otis International, which shall inform the employee of their new terms. It is incumbent upon the latter to keep himself informed.

**8.2 CONTRACT MODIFICATIONS**

Any modification to this contract must be in writing to be valid.

**8.3 APPLICABLE LAW AND PLACE OF JURISDICTION**

The present contract shall be exclusively governed by the material laws of Switzerland.

Place of jurisdiction shall be, at the choice of the claimant, either the place of domicile of the defendant or the place where the Employee habitually performs his work (art. 34 para. 1 of the Swiss Civil Procedure Code).

This contract may be signed in any number of counterparts and each counterpart shall represent a fully executed original as if signed by both parties. Delivery of an executed counterpart of a signature page to this contract in electronic format (e.g., pdf) shall be effective as delivery of a manually executed counterpart of this contract.

Signature of Employee : /s/ Bernardo Calleja Fernandez

**OTIS INTERNATIONAL**

/s/ Ann Sandra Roger Leal Negre  
Ann Sandra Rogers Leal Negre  
VP, Human Resources, EMEA

/s/ Eva Grépin  
Eva Grépin  
Human Resources, Director

**OTIS WORLDWIDE CORPORATION**  
**Subsidiary and Affiliate Listing**  
**December 31, 2021**

<b><u>Entity Name</u></b>	<b><u>Place of Incorporation</u></b>
9G Elevator Pte. Ltd.	Singapore
Alder France Holding SAS	France
Alder Holdings SAS	France
Alder Paris Holdings SAS	France
Allyn Holdings, Inc	New Jersey
CEAM Costruzioni Elettromeccaniche Ascensori e Montacarichi Srl	Italy
Chestnut Holdings	France
Cypress Holdings SRL	Italy
Highland Holdings S.a.r.l.	Luxembourg
Juniper Holdings S.a.r.l	Luxembourg
Madison Holdings, B.V.	Netherlands
Nippon Otis Elevator Company	Japan
Opal Spanish Holdings, S.A.	Spain
Otis a.s.	Czech Republic
Otis Canada, Inc.	Canada
Otis Electric Elevator Company Limited	China
Otis Elevator Company	New Jersey
Otis Elevator Company (H.K.) Limited	Hong Kong
Otis Elevator Company (India) Limited	India
Otis Elevator (China) Investment Company Limited	China
Otis Elevator Holdings Limited	United Kingdom
Otis Elevator Korea	Korea, Republic of
Otis Far East Holdings Limited	Hong Kong
Otis Gesellschaft m.b.H.	Austria
Otis Holdings GmbH & Co. OHG	Germany
Otis International Holdings GmbH	Germany
Otis International Asia Pacific Pte. Ltd	Singapore
Otis Investment Limited	England
Otis Limited	United Kingdom
Otis Pacific Holdings, B.V.	Netherlands
Otis S.A.	Switzerland
Otis S.C.S.	France
Otis Serviz, S.r.l.	Italy
Redwood Holding GmbH	Germany
Ridgefield Holdings Corporation	Canada

**WORLDWIDE CORPORATION**  
**Subsidiary and Affiliate Listing**  
**December 31, 2021**

**Entity Name**

Sigma Elevator (HK) Limited  
Sirius (Korea) Limited  
Trenton Luxembourg S.a.r.l.  
Trumbull Holdings SCS  
Zardoya Otis, S.A.

**Place of Incorporation**

Hong Kong  
Korea  
Luxembourg  
France  
Spain

Other subsidiaries of the Registrant have been omitted from this listing since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary, as defined by Rule 1-02 of Regulation S-K.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-237550 and 333-240269) and Form S-8 (No. 333-237551) of Otis Worldwide Corporation of our report dated February 4, 2022 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Hartford, Connecticut  
February 4, 2022

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022.

/s/ JEFFREY H. BLACK

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Jeffrey H. Black

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022.

/s/ KATHY HOPINKAH HANNAN

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Kathy Hopinkah Hannan

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022

/s/ SHAILESH G. JEJURIKAR

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Shailesh G. Jejuriakar



**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022.

/s/ CHRISTOPHER J. KEARNEY

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Christopher J. Kearney

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022.

/s/ JUDITH F. MARKS

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Judith F. Marks

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022.

/s/ HAROLD W. MCGRAW III

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Harold W. McGraw III

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022.

/s/ MARGARET M.V. PRESTON

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Margaret M.V. Preston

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022.

/s/ SHELLEY STEWART, JR.

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Shelley Stewart, Jr.

**OTIS WORLDWIDE CORPORATION**  
**Power of Attorney**

The undersigned, as a member of the Board of Directors, or as an officer of OTIS WORLDWIDE CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints RAHUL GHAI, NORA E. LAFRENIERE, and MICHAEL P. RYAN, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2021, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this **3rd** day of February, 2022

/s/ JOHN H. WALKER

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John H. Walker

## CERTIFICATION

I, Judith F. Marks, certify that:

1. I have reviewed this annual report on Form 10-K of Otis Worldwide Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2022

/s/ JUDITH F. MARKS

Judith F. Marks

Chair, President and Chief Executive Officer

## CERTIFICATION

I, Rahul Ghai, certify that:

1. I have reviewed this annual report on Form 10-K of Otis Worldwide Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2022

/s/ RAHUL GHAI

Rahul Ghai

Executive Vice President and Chief Financial Officer



## CERTIFICATION

I, Michael P. Ryan, certify that:

1. I have reviewed this annual report on Form 10-K of Otis Worldwide Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2022

/s/ MICHAEL P. RYAN

Michael P. Ryan

Vice President and Chief Accounting Officer

**Section 1350 Certifications**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Otis Worldwide Corporation, a Delaware corporation (the “Corporation”), does hereby certify that:

The annual report on Form 10-K for the year ended December 31, 2021 (the “Form 10-K”) of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 4, 2022

/s/ JUDITH F. MARKS

Judith F. Marks

Chair, President and Chief Executive Officer

Date: February 4, 2022

/s/ RAHUL GHAI

Rahul Ghai

Executive Vice President and Chief Financial Officer

Date: February 4, 2022

/s/ MICHAEL P. RYAN

Michael P. Ryan

Vice President and Chief Accounting Officer