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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 28, 2020

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**OTIS WORLDWIDE CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-39221**  
(Commission  
File Number)

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

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

**Registrant's telephone number, including area code**  
**(860) 233-6847**

**N/A**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

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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                          |

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**Section 2—Financial Information**

**Item 2.02. Results of Operations and Financial Condition.**

On July 28, 2020, Otis Worldwide Corporation (“Otis”) issued a press release announcing its second quarter 2020 results.

The press release issued July 28, 2020 is furnished herewith as Exhibit No. 99 to this Report, and shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section and shall not be deemed to be incorporated by reference into any filing by Otis under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Section 9—Financial Statements and Exhibits**

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Exhibit Description</u>  |
|-----------------------|---|
| <a href="#">99</a>    | <a href="#">Press Release, dated July 28, 2020, issued by Otis Worldwide Corporation.</a>                 |
| 104                   | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document. |

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**SIGNATURES**

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

**OTIS WORLDWIDE CORPORATION**  
**(Registrant)**

Date: July 28, 2020

By: /s/ RAHUL GHAI  
Rahul Ghai  
Executive Vice President & Chief Financial Officer

## OTIS REPORTS SECOND QUARTER 2020 RESULTS

**Delivers second quarter results with adjusted operating profit margin expansion...improves 2020 outlook**

- 2Q20 net sales down 9.6%; organic sales down 6.5%
- 2Q20 GAAP operating profit down \$65 million with 70 basis points of margin contraction
- 2Q20 adjusted operating profit down \$39 million with 30 basis points of margin expansion
- 2Q20 New Equipment orders down 6.8%; backlog up 2% at constant currency
- 2Q20 GAAP cash flow from operations of \$664 million; free cash flow of \$628 million
- Improved full year organic sales, adjusted operating profit, adjusted EPS and free cash flow outlook\*

FARMINGTON, Conn., July 28, 2020 – Otis Worldwide Corporation (NYSE:OTIS) reported second quarter 2020 net sales of \$3.0 billion, a decrease of 6.5% organically versus the prior year. Second quarter GAAP and adjusted diluted earnings per share (EPS) decreased 26.8% to \$0.52 and 5.1% to \$0.56, respectively.

"Otis' second quarter results, considering COVID-19 related challenges, demonstrated the resiliency of our business, the strength of our strategy, and our ability to contain costs. We generated robust free cash flow, reinforcing our strong liquidity, grew global share and partnered with customers to deliver safety, health, and performance solutions. Our Otis colleagues showed great dedication and commitment to providing essential services and continuity to our customers in supporting their efforts to safely reopen job sites and buildings around the world," said President and CEO Judy Marks. "Our solid first half performance and execution on our long-term growth strategies give us the confidence to improve our 2020 outlook."

**Key Figures**

| (\$ millions, except per share amounts) | Quarter Ended June 30, 2020 |          |        |           | Six Months Ended June 30, 2020 |          |        |           |
|---|-----------------------------|----------|--------|-----------|--------------------------------|----------|--------|-----------|
|   | 2020                        | 2019     | Y/Y    | Y/Y (CFX) | 2020                           | 2019     | Y/Y    | Y/Y (CFX) |
| Net sales                               | \$ 3,029                    | \$ 3,351 | (9.6)% | (7.0)%    | \$ 5,995                       | \$ 6,452 | (7.1)% | (4.8)%    |
| Organic sales                           |                             |          |        | (6.5)%    |                                |          |        | (4.4)%    |

**GAAP**

|                         |         |         |          |  |         |         |           |  |
|-------------------------|---------|---------|----------|--|---------|---------|-----------|--|
| Operating profit        | \$ 416  | \$ 481  | \$ (65)  |  | \$ 745  | \$ 896  | \$ (151)  |  |
| Operating profit margin | 13.7 %  | 14.4 %  | (70) bps |  | 12.4 %  | 13.9 %  | (150) bps |  |
| Net income              | \$ 224  | \$ 308  | (27.3)%  |  | \$ 389  | \$ 581  | (33.0)%   |  |
| Earnings per share      | \$ 0.52 | \$ 0.71 | (26.8)%  |  | \$ 0.90 | \$ 1.34 | (32.8)%   |  |

**Adjusted non-GAAP comparison**

|                         |         |         |         |         |         |         |         |        |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|--------|
| Operating profit        | \$ 457  | \$ 496  | \$ (39) | \$ (24) | \$ 907  | \$ 929  | \$ (22) | \$ 3   |
| Operating profit margin | 15.1 %  | 14.8 %  | 30 bps  | 30 bps  | 15.1 %  | 14.4 %  | 70 bps  | 80 bps |
| Net income              | \$ 244  | \$ 258  | (5.4)%  |         | \$ 506  | \$ 525  | (3.6)%  |        |
| Earnings per share      | \$ 0.56 | \$ 0.59 | (5.1)%  |         | \$ 1.17 | \$ 1.21 | (3.3)%  |        |

Second quarter net sales of \$3.0 billion decreased 9.6% versus the prior year, with a 6.5% decline in organic sales, 2.6% headwind from foreign exchange and 0.5% impact from divestitures. Sales declined in both the New Equipment and Service segments primarily driven by the impact of COVID-19.

Second quarter GAAP operating profit of \$416 million decreased \$65 million from the prior year driven by segment operating profit decline of \$66 million primarily from lower volume, incremental public company standalone costs and higher restructuring costs. GAAP operating profit margin contracted 70 basis points to 13.7%.

Adjusted operating profit of \$457 million decreased \$39 million with a \$24 million decline at constant currency. Operating profit decline at constant currency was driven by a reduction of \$46 million in the New Equipment segment, partially offset by operating profit growth of \$14 million in the Service segment, lower corporate costs and the absence of unfavorable transactional foreign exchange impact from the prior year. Adjusted operating profit margin expanded 30 basis points to 15.1%, with continued margin expansion in the Service segment.

GAAP EPS of \$0.52 decreased \$0.19, driven by the decline in operating profit and higher interest expense. Adjusted EPS of \$0.56 decreased \$0.03, driven by adjusted operating profit decline partially offset by lower noncontrolling interest and a lower adjusted tax rate.

First half net sales declined 7.1% versus the prior year, with a 4.4% decline in organic sales and 2.7% headwind from foreign exchange and the impact from divestitures. GAAP operating profit decreased \$151 million, with margin contraction of 150 basis points primarily due to higher separation costs, incremental public company standalone costs and a one-time charge taken in the first quarter. Adjusted operating profit increased \$3 million at constant currency and margin expanded 80 basis points driven by strong performance in the Service segment.

#### New Equipment Segment

| (\$ millions) | Quarter Ended June 30, 2020 |          |         |           | Six Months Ended June 30, 2020 |          |         |           |
|---------------|-----------------------------|----------|---------|-----------|--------------------------------|----------|---------|-----------|
|               | 2020                        | 2019     | Y/Y     | Y/Y (CFX) | 2020                           | 2019     | Y/Y     | Y/Y (CFX) |
| Net sales     | \$ 1,294                    | \$ 1,500 | (13.7)% | (10.5)%   | \$ 2,417                       | \$ 2,771 | (12.8)% | (10.2)%   |
| Organic sales |                             |          |         | (10.4)%   |                                |          |         | (10.1)%   |

#### GAAP

|                         |       |        |           |  |        |        |           |  |
|-------------------------|-------|--------|-----------|--|--------|--------|-----------|--|
| Operating profit        | \$ 79 | \$ 138 | \$ (59)   |  | \$ 143 | \$ 197 | \$ (54)   |  |
| Operating profit margin | 6.1 % | 9.2 %  | (310) bps |  | 5.9 %  | 7.1 %  | (120) bps |  |

#### Adjusted non-GAAP comparison

|                         |       |        |           |           |        |        |          |          |
|-------------------------|-------|--------|-----------|-----------|--------|--------|----------|----------|
| Operating profit        | \$ 91 | \$ 142 | \$ (51)   | \$ (46)   | \$ 156 | \$ 206 | \$ (50)  | \$ (43)  |
| Operating profit margin | 7.0 % | 9.5 %  | (250) bps | (230) bps | 6.5 %  | 7.4 %  | (90) bps | (80) bps |

In the second quarter, net sales of \$1.3 billion decreased 13.7% with a 10.4% decline in organic sales and a 3.2% impact from foreign exchange. Organic sales declined double digits in the Americas and EMEA, primarily due to the impact of COVID-19, offset by low single digit growth in Asia as China began to recover.

GAAP operating profit decreased \$59 million to \$79 million. Adjusted operating profit decreased \$51 million to \$91 million, primarily from the impact of lower volume and a \$5 million headwind from foreign exchange. Material productivity and cost containment actions largely offset the impact of under-absorption, bad debt and unfavorable mix. GAAP operating profit was also impacted by higher restructuring costs. GAAP and adjusted operating profit margin contracted 310 and 250 basis points, respectively.

New Equipment orders were down 6.8% at constant currency as 8.3% growth in China was more than offset by declines in other regions. On a rolling twelve month basis, orders were flat. New equipment backlog at constant currency increased 2% versus prior year.

First half net sales declined 12.8% with a 10.1% organic decline. GAAP operating profit declined \$54 million and margin contracted 120 basis points. Adjusted operating profit declined \$43 million and margin contracted 80 basis points at constant currency.

## Service Segment

| (\$ millions)                       | Quarter Ended June 30, 2020 |          |         |           | Six Months Ended June 30, 2020 |          |        |           |
|-------------------------------------|-----------------------------|----------|---------|-----------|--------------------------------|----------|--------|-----------|
|                                     | 2020                        | 2019     | Y/Y     | Y/Y (CFX) | 2020                           | 2019     | Y/Y    | Y/Y (CFX) |
| Net sales                           | \$ 1,735                    | \$ 1,851 | (6.3)%  | (4.1)%    | \$ 3,578                       | \$ 3,681 | (2.8)% | (0.8)%    |
| Organic sales                       |                             |          |         | (3.3)%    |                                |          |        | (0.1)%    |
| <b>GAAP</b>                         |                             |          |         |           |                                |          |        |           |
| Operating profit                    | \$ 381                      | \$ 388   | \$ (7)  |           | \$ 781                         | \$ 774   | \$ 7   |           |
| Operating profit margin             | 22.0 %                      | 21.0 %   | 100 bps |           | 21.8 %                         | 21.0 %   | 80 bps |           |
| <b>Adjusted non-GAAP comparison</b> |                             |          |         |           |                                |          |        |           |
| Operating profit                    | \$ 389                      | \$ 384   | \$ 5    | \$ 14     | \$ 794                         | \$ 783   | \$ 11  | \$ 28     |
| Operating profit margin             | 22.4 %                      | 20.7 %   | 170 bps | 170 bps   | 22.2 %                         | 21.3 %   | 90 bps | 90 bps    |

In the second quarter, net sales of \$1.7 billion decreased 6.3%, with a 3.3% decline in organic sales and a 3.0% headwind from foreign exchange and the impact of net acquisitions and divestitures. Organic maintenance and repair sales declined 3.6% and organic modernization sales declined 1.5%.

GAAP operating profit decreased \$7 million to \$381 million. Adjusted operating profit increased \$5 million to \$389 million as the benefit from favorable pricing and mix, productivity and cost containment actions more than offset the impact from lower volume, price concessions, bad debt and a \$9 million headwind from foreign exchange. GAAP operating profit was also impacted by incremental public company standalone costs. GAAP and adjusted operating profit margin expanded 100 and 170 basis points, respectively.

First half net sales declined 2.8% from a slight decline in organic sales and a 2.7% headwind from foreign exchange and the impact of net acquisitions and divestitures. GAAP operating profit increased \$7 million and margin expanded 80 basis points. Adjusted operating profit increased \$28 million and margin expanded 90 basis points at constant currency.

## Cash flow

| (\$ millions)             | Quarter Ended June 30, 2020 |        |        | Six Months Ended June 30, 2020 |        |        |
|---------------------------|-----------------------------|--------|--------|--------------------------------|--------|--------|
|                           | 2020                        | 2019   | Y/Y    | 2020                           | 2019   | Y/Y    |
| Cash flow from operations | \$ 664                      | \$ 354 | \$ 310 | \$ 823                         | \$ 651 | \$ 172 |
| Free cash flow            | \$ 628                      | \$ 319 | \$ 309 | \$ 748                         | \$ 588 | \$ 160 |
| Free cash flow conversion | 280 %                       | 104 %  |        | 192 %                          | 101 %  |        |

Second quarter cash from operations of \$664 million increased \$310 million versus prior year primarily driven by favorable working capital performance. Second quarter free cash flow of \$628 million increased \$309 million versus prior year. The cash balance at the end of the second quarter was \$1.9 billion.

First half cash from operations of \$823 million increased \$172 million and free cash flow increased \$160 million to \$748 million.

### 2020 Outlook\*

Otis is improving its full year outlook to reflect strong first half performance and the anticipated recovery profile in the second half.

- Net sales down 4.5 to 6.5%
- Organic sales down 2 to 4%
  - Organic New Equipment sales down mid to high single digits
  - Organic Service sales flat to down low single digits
- Adjusted operating profit flat to down \$50 million at constant currency and down \$40 to \$100 million at actual currency
- Adjusted EPS of \$2.20 to \$2.30; adjusted effective tax rate down 50 basis points to ~31.5%
- Free cash flow of \$1.0 to 1.1 billion with conversion of 130 to 140% of GAAP net income
- 2020 debt repayment increased \$100 million versus prior outlook to \$350 million

\*Note: When we provide outlook for organic sales, adjusted operating profit, adjusted effective tax rate and free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures generally is not available without unreasonable effort. See "Use and Definitions of Non-GAAP Financial Measures" below for additional information.

## **About Otis**

Otis is the world's leading elevator and escalator manufacturing, installation and service company. We move 2 billion people a day and maintain more than 2 million customer units worldwide, the industry's largest maintenance portfolio. Headquartered in Connecticut, USA, Otis is 69,000 people strong, including 40,000 field professionals, all committed to meeting the diverse needs of our customers and passengers in more than 200 countries and territories worldwide. For more information, visit [www.otis.com](http://www.otis.com) and follow us on LinkedIn, Instagram, Facebook and Twitter @OtisElevatorCo.

## **Use and Definitions of Non-GAAP Financial Measures**

Otis Worldwide Corporation ("Otis") reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). We supplement the reporting of our financial information determined under GAAP with certain non-GAAP financial information. The non-GAAP information presented provides investors with additional useful information, but should not be considered in isolation or as substitutes for the related GAAP measures. Moreover, other companies may define non-GAAP measures differently, which limits the usefulness of these measures for comparisons with such other companies. We encourage investors to review our financial statements and publicly filed reports in their entirety and not to rely on any single financial measure. A reconciliation of the non-GAAP measures (referenced in this press release) to the corresponding amounts prepared in accordance with GAAP appears in the attached tables. These tables provide additional information as to the items and amounts that have been excluded from the adjusted measures.

Organic sales, adjusted selling, general and administrative ("SG&A") expense, earnings before interest taxes and depreciation ("EBITDA"), adjusted EBITDA, adjusted operating profit, adjusted net income, adjusted diluted earnings per share ("EPS"), adjusted effective tax rate and free cash flow are non-GAAP financial measures.

Organic sales represents consolidated net sales (a GAAP measure), excluding the impact of foreign currency translation, acquisitions and divestitures completed in the preceding twelve months and other significant items of a non-recurring and/or nonoperational nature ("other significant items"). Management believes organic sales is a useful measure in providing period-to-period comparisons of the results of the Company's ongoing operational performance.

Adjusted SG&A expense represents SG&A expense (a GAAP measure), excluding restructuring costs, other significant items and allocated costs for certain functions and services previously performed by United Technologies Corporation ("UTC") prior to our separation ("UTC allocated costs") and including estimated standalone public company costs, as though Otis' operations had been conducted independently from UTC ("standalone costs"). Standalone costs for the 2019 fiscal year are based on quarterly estimates determined during Otis' annual planning process for the 2020 fiscal year.

Adjusted operating profit represents income from continuing operations (a GAAP measure), excluding restructuring costs, other significant items and allocated costs for certain functions and UTC allocated costs and including estimated standalone public company costs.

Adjusted net income represents net income from continuing operations (a GAAP measure), excluding restructuring costs and other significant items and UTC allocated costs and including estimated standalone public company costs, estimated adjustments to non-service pension expense, net interest expense and income tax

expense as if Otis was a standalone public company ("standalone operating income adjustments"). Adjusted EPS represents diluted earnings per share from continuing operations (a GAAP measure), adjusted for the per share impact of restructuring, other significant items and standalone operating income adjustments.

The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs, significant items and the tax impact of the additional adjustments (estimated standalone public company costs, interest expense and non-service pension expense).

EBITDA represents net income from operations (a GAAP measure), adjusted for noncontrolling interests, income tax expense, net interest expense, non-service pension expense and depreciation and amortization. Adjusted EBITDA represents EBITDA, as calculated above, adjusted for the impact of restructuring, other significant items and UTC allocated costs, including estimated standalone public company costs. Management believes that adjusted SG&A, EBITDA, adjusted EBITDA, adjusted operating profit, adjusted net income, adjusted EPS and the adjusted effective tax rate are useful measures in providing period-to-period comparisons of the results of the Company's ongoing operational performance as if it had been a standalone public company.

Additionally, GAAP financial results include the impact of changes in foreign currency exchange rates ("AFX"). We use the non-GAAP measure "at constant currency" or "CFX" to show changes in our financial results without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, income statement results are translated in U.S. dollars at the average exchange rate for the period presented. Management believes that this non-GAAP measure is useful in providing period-to-period comparisons of the results of the Company's ongoing operational performance.

Free cash flow is a non-GAAP financial measure that represents cash flow from operations (a GAAP measure) less capital expenditures. Management believes free cash flow is a useful measure of liquidity and an additional basis for assessing Otis' ability to fund its activities, including the financing of acquisitions, debt service, repurchases of common stock and distribution of earnings to shareholders.

When we provide our expectations for organic sales, adjusted operating profit, adjusted net income, adjusted effective tax rate, adjusted EPS and free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures (expected diluted EPS from continuing operations, operating profit, the effective tax rate, net sales and expected cash flow from operations) generally is not available without unreasonable effort due to potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future period, such as unusual gains and losses, the ultimate outcome of pending litigation, fluctuations in foreign currency exchange rates, the impact and timing of potential acquisitions and divestitures, and other structural changes or their probable significance. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.

#### **Cautionary Statement**

This communication 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,” “confident” and other words of similar meaning in connection with a discussion of future operating or financial performance or the separation and distribution. 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 and other measures of financial performance or potential future plans, strategies or transactions of Otis following its separation from United Technologies Corporation, including the estimated costs associated with the separation and distribution 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: (1) 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, the impact of weather conditions, pandemic health issues (including COVID-19 and its effects, among other things, on global supply, demand, and distribution disruptions as the outbreak continues and results in an increasingly prolonged period of travel, commercial and/or other similar restrictions and limitations), natural disasters and the financial condition of Otis’ customers and suppliers; (2) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services; (3) future levels of indebtedness and capital spending and research and development spending; (4) future availability of credit and factors that may affect such availability, including credit market conditions and Otis’ capital structure; (5) the timing and scope of future repurchases of Otis’ 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; (6) delays and disruption in delivery of materials and services from suppliers; (7) cost reduction efforts and restructuring costs and savings and other consequences thereof; (8) new business and investment opportunities; (9) the anticipated benefits of moving away from diversification and balance of operations across product lines, regions and industries; (10) the outcome of legal proceedings, investigations and other contingencies; (11) pension plan assumptions and future contributions; (12) the impact of the negotiation of collective bargaining agreements and labor disputes; (13) the effect of changes in political conditions in the U.S. and other countries in which Otis and its businesses operate, including the effect of changes in U.S. trade policies or the United Kingdom’s withdrawal from the European Union, on general market conditions, global trade policies and currency exchange rates in the near term and beyond; (14) 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; (15) the ability of Otis to retain and hire key personnel; (16) 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; (17) the expected benefits of the separation and distribution; (18) the determination by the Internal Revenue Service and other tax authorities that the distribution or certain related transactions should be treated as taxable transactions; (19) risks associated with indebtedness incurred as a result of financing transactions undertaken in connection with the separation; (20) the risk that dis-synergy costs, costs of restructuring transactions and other costs incurred in connection with the separation will exceed Otis’ estimates; and (21) the impact of the separation on Otis’ businesses and Otis’ resources, systems, procedures and controls, diversion of management’s attention and

the impact on relationships with customers, suppliers, employees and other business counterparties. The above list of factors is not exhaustive or necessarily in order of importance. For additional information on identifying factors that may cause actual results to vary from those stated in forward-looking statements, see Otis' registration statements on Form 10 and Form S-3 and the reports of Otis on Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time. Any forward-looking statement speaks only as of the date on which it is made, and Otis assumes no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

**Otis Worldwide Corporation**  
**Condensed Consolidated Statements of Operations**

| <i>(amounts in millions, except per share amounts)</i>  | Quarter Ended June 30,<br>(Unaudited) |          | Six Months Ended June 30,<br>(Unaudited) |          |
|---|---------------------------------------|----------|--|----------|
|   | 2020                                  | 2019     | 2020                                     | 2019     |
| <b>Net Sales</b>  | \$ 3,029                              | \$ 3,351 | \$ 5,995                                 | \$ 6,452 |
| <b>Costs and Expenses:</b>                              |                                       |          |  |          |
| Cost of products and services sold                      | 2,138                                 | 2,367    | 4,207                                    | 4,567    |
| Research and development                                | 37                                    | 40       | 75                                       | 79       |
| Selling, general and administrative                     | 441                                   | 444      | 906                                      | 885      |
| Total Costs and Expenses                                | 2,616                                 | 2,851    | 5,188                                    | 5,531    |
| Other income (expense), net                             | 3                                     | (19)     | (62)                                     | (25)     |
| Operating profit  | 416                                   | 481      | 745                                      | 896      |
| Non-service pension expense (benefit)                   | 1                                     | (11)     | (2)                                      | (22)     |
| Interest expense (income), net                          | 41                                    | (3)      | 46                                       | (2)      |
| Income from operations before income taxes              | 374                                   | 495      | 701                                      | 920      |
| Income tax expense                                      | 109                                   | 143      | 234                                      | 268      |
| Net income from operations                              | 265                                   | 352      | 467                                      | 652      |
| Less: Noncontrolling interest in subsidiaries' earnings | 41                                    | 44       | 78                                       | 71       |
| Net income attributable to common shareholders          | \$ 224                                | \$ 308   | \$ 389                                   | \$ 581   |
| <b>Earnings Per Share of Common Stock:</b>              |                                       |          |  |          |
| Basic   | \$ 0.52                               | \$ 0.71  | \$ 0.90                                  | \$ 1.34  |
| Diluted   | \$ 0.52                               | \$ 0.71  | \$ 0.90                                  | \$ 1.34  |
| <b>Weighted Average Number of Shares Outstanding:</b>   |                                       |          |  |          |
| Basic shares  | 433.1                                 | 433.1    | 433.1                                    | 433.1    |
| Diluted Shares  | 434.1                                 | 433.1    | 433.6                                    | 433.1    |

**Otis Worldwide Corporation**  
**Segment Net Sales and Operating Profit**

| <i>(dollars in millions)</i>           | Quarter Ended June 30,<br>(Unaudited) |                 | Quarter Ended June 30,<br>(Unaudited) |                 |
|--|---------------------------------------|-----------------|---------------------------------------|-----------------|
|  | 2020                                  |                 | 2019                                  |                 |
|  | Reported                              | Adjusted        | Reported                              | Adjusted        |
| <b>Net Sales</b>                       |                                       |                 |                                       |                 |
| New Equipment                          | \$ 1,294                              | \$ 1,294        | \$ 1,500                              | \$ 1,500        |
| Service                                | 1,735                                 | 1,735           | 1,851                                 | 1,851           |
| <b>Consolidated Net Sales</b>          | <b>\$ 3,029</b>                       | <b>\$ 3,029</b> | <b>\$ 3,351</b>                       | <b>\$ 3,351</b> |
| <b>Operating Profit</b>                |                                       |                 |                                       |                 |
| New Equipment                          | \$ 79                                 | \$ 91           | \$ 138                                | \$ 142          |
| Service                                | 381                                   | 389             | 388                                   | 384             |
| Segment Operating Profit               | 460                                   | 480             | 526                                   | 526             |
| General corporate expenses and other   | (44)                                  | (23)            | (45)                                  | (30)            |
| <b>Consolidated Operating Profit</b>   | <b>\$ 416</b>                         | <b>\$ 457</b>   | <b>\$ 481</b>                         | <b>\$ 496</b>   |
| <b>Segment Operating Profit Margin</b> |                                       |                 |                                       |                 |
| New Equipment                          | 6.1 %                                 | 7.0 %           | 9.2 %                                 | 9.5 %           |
| Service                                | 22.0 %                                | 22.4 %          | 21.0 %                                | 20.7 %          |
| Total Operating Profit Margin          | 13.7 %                                | 15.1 %          | 14.4 %                                | 14.8 %          |

| <i>(dollars in millions)</i>           | Six Months Ended June 30,<br>(Unaudited) |                 | Six Months Ended June 30,<br>(Unaudited) |                 |
|--|--|-----------------|--|-----------------|
|  | 2020                                     |                 | 2019                                     |                 |
|  | Reported                                 | Adjusted        | Reported                                 | Adjusted        |
| <b>Net Sales</b>                       |  |                 |  |                 |
| New Equipment                          | \$ 2,417                                 | \$ 2,417        | \$ 2,771                                 | \$ 2,771        |
| Service                                | 3,578                                    | 3,578           | 3,681                                    | 3,681           |
| <b>Consolidated Net Sales</b>          | <b>\$ 5,995</b>                          | <b>\$ 5,995</b> | <b>\$ 6,452</b>                          | <b>\$ 6,452</b> |
| <b>Operating Profit</b>                |  |                 |  |                 |
| New Equipment                          | \$ 143                                   | \$ 156          | \$ 197                                   | \$ 206          |
| Service                                | 781                                      | 794             | 774                                      | 783             |
| Segment Operating Profit               | 924                                      | 950             | 971                                      | 989             |
| General corporate expenses and other   | (179)                                    | (43)            | (75)                                     | (60)            |
| <b>Consolidated Operating Profit</b>   | <b>\$ 745</b>                            | <b>\$ 907</b>   | <b>\$ 896</b>                            | <b>\$ 929</b>   |
| <b>Segment Operating Profit Margin</b> |  |                 |  |                 |
| New Equipment                          | 5.9 %                                    | 6.5 %           | 7.1 %                                    | 7.4 %           |
| Service                                | 21.8 %                                   | 22.2 %          | 21.0 %                                   | 21.3 %          |
| Total Operating Profit Margin          | 12.4 %                                   | 15.1 %          | 13.9 %                                   | 14.4 %          |

Otis Worldwide Corporation

Reconciliation of Reported (GAAP) to Adjusted Operating Profit & Operating Profit Margin

|  | Quarter Ended June 30, |               | Six Months Ended June 30, |               |
|--|------------------------|---------------|---------------------------|---------------|
|  | (Unaudited)            |               | (Unaudited)               |               |
| (dollars in millions)                          | 2020                   | 2019          | 2020                      | 2019          |
| <b>New Equipment</b>                           |                        |               |                           |               |
| Net sales                                      | \$ 1,294               | \$ 1,500      | \$ 2,417                  | \$ 2,771      |
| <b>GAAP Operating profit</b>                   | <b>79</b>              | <b>138</b>    | <b>143</b>                | <b>197</b>    |
| Restructuring                                  | 12                     | 8             | 13                        | 14            |
| UTC allocated corporate expenses               | —                      | 2             | —                         | 3             |
| Public company standalone costs <sup>1</sup>   | —                      | (4)           | —                         | (7)           |
| Other  | —                      | (2)           | —                         | (1)           |
| <b>Adjusted New Equipment Operating Profit</b> | <b>\$ 91</b>           | <b>\$ 142</b> | <b>\$ 156</b>             | <b>\$ 206</b> |
| Adjusted operating profit margin               | 7.0 %                  | 9.5 %         | 6.5 %                     | 7.4 %         |
| <b>Service</b>                                 |                        |               |                           |               |
| Net sales                                      | \$ 1,735               | \$ 1,851      | \$ 3,578                  | \$ 3,681      |
| <b>GAAP Operating profit</b>                   | <b>381</b>             | <b>388</b>    | <b>781</b>                | <b>774</b>    |
| Restructuring                                  | 8                      | 8             | 13                        | 27            |
| UTC allocated corporate expenses               | —                      | 4             | —                         | 7             |
| Public company standalone costs <sup>1</sup>   | —                      | (16)          | —                         | (25)          |
| <b>Adjusted Service Operating Profit</b>       | <b>\$ 389</b>          | <b>\$ 384</b> | <b>\$ 794</b>             | <b>\$ 783</b> |
| Adjusted Operating Profit Margin               | 22.4 %                 | 20.7 %        | 22.2 %                    | 21.3 %        |
| <b>General corporate expenses and other</b>    |                        |               |                           |               |
| General corporate expenses and other           | \$ (23)                | \$ (30)       | \$ (43)                   | \$ (60)       |
| <b>Adjusted Total Operating Profit</b>         | <b>\$ 457</b>          | <b>\$ 496</b> | <b>\$ 907</b>             | <b>\$ 929</b> |
| <b>Total Otis</b>                              |                        |               |                           |               |
| <b>GAAP Operating profit</b>                   | <b>\$ 416</b>          | <b>\$ 481</b> | <b>\$ 745</b>             | <b>\$ 896</b> |
| Restructuring                                  | 20                     | 15            | 26                        | 40            |
| Loss on disposal of business                   | —                      | 19            | —                         | 19            |
| One-time separation costs                      | 21                     | 3             | 53                        | 3             |
| Fixed asset impairment                         | —                      | —             | 67                        | —             |
| UTC allocated corporate expenses               | —                      | 19            | 16                        | 36            |
| Public company standalone costs <sup>1</sup>   | —                      | (42)          | —                         | (64)          |
| Other  | —                      | 1             | —                         | (1)           |
| <b>Adjusted Total Operating Profit</b>         | <b>\$ 457</b>          | <b>\$ 496</b> | <b>\$ 907</b>             | <b>\$ 929</b> |
| <b>Adjusted Operating Profit Margin</b>        | <b>15.1 %</b>          | <b>14.8 %</b> | <b>15.1 %</b>             | <b>14.4 %</b> |

<sup>1</sup> - Public company standalone costs represent estimated costs such as personnel costs, risk management and incentive compensation that have been incurred and are reflected in results for the quarter and six months ended June 30, 2020 and are not adjusted. For the quarter ended and six months ended June 30, 2019, these standalone costs have been included in the adjustments, as though Otis' operations had been conducted independently from UTC.

**Otis Worldwide Corporation**

**Reconciliation of Reported (GAAP) to Adjusted (Non-GAAP) Net Income, Earnings Per Share, and Effective Tax Rate**

| <i>(dollars in millions, except per share amounts)</i>                  | Quarter Ended June 30,<br>(Unaudited) |                | Six Months Ended June 30,<br>(Unaudited) |                |
|---|---------------------------------------|----------------|--|----------------|
|   | 2020                                  | 2019           | 2020                                     | 2019           |
| <b>Adjusted Operating Profit</b>  | \$ 457                                | \$ 496         | \$ 907                                   | \$ 929         |
| Non-service pension cost (benefit) <sup>3</sup>                         | 1                                     | (4)            | (2)                                      | (1)            |
| Net interest expense <sup>2</sup>                                       | (41)                                  | (49)           | (46)                                     | (63)           |
| <b>Adjusted income from operations before income taxes</b>              | <b>415</b>                            | <b>443</b>     | <b>863</b>                               | <b>865</b>     |
| Income tax expense  | 109                                   | 143            | 234                                      | 268            |
| Tax impact on restructuring and non-recurring items                     | 20                                    | 4              | 39                                       | 10             |
| Tax impact on other adjustments   | —                                     | (13)           | —  | (16)           |
| Non-recurring tax items   | 1                                     | 7              | 6  | 7              |
| <b>Adjusted net income from operations</b>                              | <b>285</b>                            | <b>302</b>     | <b>584</b>                               | <b>596</b>     |
| Noncontrolling interest   | 41                                    | 44             | 78                                       | 71             |
| <b>Adjusted net income attributable to common shareholders</b>          | <b>\$ 244</b>                         | <b>\$ 258</b>  | <b>\$ 506</b>                            | <b>\$ 525</b>  |
| <b>GAAP income attributable to common shareholders</b>                  | <b>\$ 224</b>                         | <b>\$ 308</b>  | <b>\$ 389</b>                            | <b>\$ 581</b>  |
| Restructuring   | 20                                    | 15             | 26                                       | 40             |
| Loss on disposal of business  | —                                     | 19             | —  | 19             |
| One-time separation costs   | 21                                    | 3              | 53                                       | 3              |
| Fixed asset impairment  | —                                     | —              | 67                                       | —              |
| UTC allocated corporate expenses  | —                                     | 19             | 16                                       | 36             |
| Public company standalone costs <sup>1</sup>                            | —                                     | (42)           | —  | (64)           |
| Non-service pension cost <sup>3</sup>                                   | —                                     | (15)           | —  | (23)           |
| Net interest expense <sup>2</sup>                                       | —                                     | (52)           | —  | (65)           |
| Other   | —                                     | 1              | —  | (1)            |
| Tax effects of restructuring, non-recurring items and other adjustments | (20)                                  | 9              | (39)                                     | 6              |
| Non-recurring tax items   | (1)                                   | (7)            | (6)                                      | (7)            |
| <b>Adjusted net income attributable to common shareholders</b>          | <b>\$ 244</b>                         | <b>\$ 258</b>  | <b>\$ 506</b>                            | <b>\$ 525</b>  |
| <b>Diluted Earnings Per Share</b>                                       | <b>\$ 0.52</b>                        | <b>\$ 0.71</b> | <b>\$ 0.90</b>                           | <b>\$ 1.34</b> |
| Impact to diluted earnings per share                                    | 0.04                                  | (0.12)         | 0.27                                     | (0.13)         |
| <b>Adjusted Diluted Earnings Per Share</b>                              | <b>\$ 0.56</b>                        | <b>\$ 0.59</b> | <b>\$ 1.17</b>                           | <b>\$ 1.21</b> |
| <b>Effective Tax Rate</b>   | <b>29.1 %</b>                         | <b>28.9 %</b>  | <b>33.4 %</b>                            | <b>29.1 %</b>  |
| Impact of adjustments on effective tax rate                             | 2.2 %                                 | 2.9 %          | (1.1)%                                   | 2.0 %          |
| <b>Adjusted Effective Tax Rate</b>                                      | <b>31.3 %</b>                         | <b>31.8 %</b>  | <b>32.3 %</b>                            | <b>31.1 %</b>  |

<sup>1</sup> - Public company standalone costs represent estimated costs such as personnel costs, risk management and incentive compensation that have been incurred and are reflected in results for the quarter ended and six months ended June 30, 2020 and are not adjusted. For the quarter ended and six months ended June 30, 2019, these standalone costs have been included in the adjustments, as though Otis' operations had been conducted independently from UTC.

<sup>2</sup> - Otis issued debt and began to incur interest expenses in February 2020 associated with the debt issuance. The current quarter year-to-date actual interest expense incurred has been reflected in the comparative period in 2019 as though Otis incurred those expenses in the prior year.

<sup>3</sup> - Non-service pension included in GAAP net income attributable to Otis includes amounts associated with Otis' participation in UTC retained pension plans. The amounts related to these plans are removed from Otis' results in 2019, as though Otis' operations had been conducted independently from UTC.

**Otis Worldwide Corporation****Components of Changes in Net Sales***Quarter Ended June 30, 2020 Compared with Quarter Ended June 30, 2019*

|                        | <b>Factors Contributing to Total % Change in Net Sales</b> |                       |   | <b>Total</b>  |
|------------------------|--|-----------------------|---|---------------|
|                        | <b>Organic</b>   | <b>FX Translation</b> | <b>Acquisitions / Divestitures, net</b> |               |
| New Equipment          | (10.4)%  | (3.2)%                | (0.1)%                                  | (13.7)%       |
| Service                | (3.3)%   | (2.2)%                | (0.8)%                                  | (6.3)%        |
| Maintenance and Repair | (3.6)%   | (2.4)%                | (0.5)%                                  | (6.5)%        |
| Modernization          | (1.5)%   | (1.8)%                | (1.9)%                                  | (5.2)%        |
| <b>Total Net Sales</b> | <b>(6.5)%</b>  | <b>(2.6)%</b>         | <b>(0.5)%</b>                           | <b>(9.6)%</b> |

*Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019*

|                        | <b>Factors Contributing to Total % Change in Net Sales</b> |                       |   | <b>Total</b>  |
|------------------------|--|-----------------------|---|---------------|
|                        | <b>Organic</b>   | <b>FX Translation</b> | <b>Acquisitions / Divestitures, net</b> |               |
| New Equipment          | (10.1)%  | (2.6)%                | (0.1)%                                  | (12.8)%       |
| Service                | (0.1)%   | (2.0)%                | (0.7)%                                  | (2.8)%        |
| Maintenance and Repair | (0.6)%   | (2.1)%                | (0.5)%                                  | (3.2)%        |
| Modernization          | 2.6%   | (1.7)%                | (2.0)%                                  | (1.1)%        |
| <b>Total Net Sales</b> | <b>(4.4)%</b>  | <b>(2.3)%</b>         | <b>(0.4)%</b>                           | <b>(7.1)%</b> |

**Otis Worldwide Corporation**  
**Reconciliation of Adjusted Operating Profit at Constant Currency**

*Quarter Ended June 30, 2020 Compared with Quarter Ended June 30, 2019*

| <i>(dollars in millions)</i>                   | 2020   | 2019   | Y/Y     |
|--|--------|--------|---------|
| <b>New Equipment</b>                           |        |        |         |
| Adjusted Operating Profit                      | \$ 91  | \$ 142 | \$ (51) |
| Impact of foreign exchange                     | 5      | —      | 5       |
| Adjusted Operating Profit at constant currency | \$ 96  | \$ 142 | \$ (46) |
| <b>Service</b>                                 |        |        |         |
| Adjusted Operating Profit                      | \$ 389 | \$ 384 | \$ 5    |
| Impact of foreign exchange                     | 9      | —      | 9       |
| Adjusted Operating Profit at constant currency | \$ 398 | \$ 384 | \$ 14   |
| <b>Otis Consolidated</b>                       |        |        |         |
| Adjusted Operating Profit                      | \$ 457 | \$ 496 | \$ (39) |
| Impact of foreign exchange                     | 15     | —      | 15      |
| Adjusted Operating Profit at constant currency | \$ 472 | \$ 496 | \$ (24) |

*Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019*

| <i>(dollars in millions)</i>                   | 2020   | 2019   | Y/Y     |
|--|--------|--------|---------|
| <b>New Equipment</b>                           |        |        |         |
| Adjusted Operating Profit                      | \$ 156 | \$ 206 | \$ (50) |
| Impact of foreign exchange                     | 7      | —      | 7       |
| Adjusted Operating Profit at constant currency | \$ 163 | \$ 206 | \$ (43) |
| <b>Service</b>                                 |        |        |         |
| Adjusted Operating Profit                      | \$ 794 | \$ 783 | \$ 11   |
| Impact of foreign exchange                     | 17     | —      | 17      |
| Adjusted Operating Profit at constant currency | \$ 811 | \$ 783 | \$ 28   |
| <b>Otis Consolidated</b>                       |        |        |         |
| Adjusted Operating Profit                      | \$ 907 | \$ 929 | \$ (22) |
| Impact of foreign exchange                     | 25     | —      | 25      |
| Adjusted Operating Profit at constant currency | \$ 932 | \$ 929 | \$ 3    |

**Otis Worldwide Corporation**  
**Condensed Consolidated Balance Sheet**

| <i>(amounts in millions, except per share amounts)</i>                                       | June 30, 2020<br>(Unaudited) | December 31, 2019<br>(Unaudited) |
|--|------------------------------|----------------------------------|
| <b>Assets</b>  |                              |                                  |
| Cash and cash equivalents  | \$ 1,912                     | \$ 1,446                         |
| Accounts receivable, net   | 2,865                        | 2,861                            |
| Contract assets, current   | 484                          | 529                              |
| Inventories, net   | 629                          | 571                              |
| Other assets, current  | 502                          | 251                              |
| <b>Total Current Assets</b>  | <b>6,392</b>                 | <b>5,658</b>                     |
| Future income tax benefits   | 427                          | 373                              |
| Fixed assets   | 1,828                        | 1,803                            |
| Less: Accumulated depreciation   | (1,124)                      | (1,082)                          |
| <b>Fixed assets, net</b>   | <b>704</b>                   | <b>721</b>                       |
| Operating lease right-of-use assets  | 530                          | 535                              |
| Intangible assets, net   | 458                          | 490                              |
| Goodwill   | 1,639                        | 1,647                            |
| Other assets   | 291                          | 263                              |
| <b>Total Assets</b>  | <b>\$ 10,441</b>             | <b>\$ 9,687</b>                  |
| <b>Liabilities and (Deficit) Equity</b>  |                              |                                  |
| Short-term borrowings  | \$ 33                        | \$ 34                            |
| Accounts payable   | 1,349                        | 1,331                            |
| Accrued liabilities  | 1,917                        | 1,739                            |
| Contract liabilities, current  | 2,463                        | 2,270                            |
| <b>Total Current Liabilities</b>   | <b>5,762</b>                 | <b>5,374</b>                     |
| Long-term debt   | 6,260                        | 5                                |
| Future pension and postretirement benefit obligations  | 589                          | 590                              |
| Operating lease liabilities  | 377                          | 386                              |
| Future income tax obligations  | 439                          | 695                              |
| Other long-term liabilities  | 590                          | 311                              |
| <b>Total Liabilities</b>   | <b>14,017</b>                | <b>7,361</b>                     |
| Redeemable noncontrolling interest   | 96                           | 95                               |
| Shareholders' (Deficit) Equity:  |                              |                                  |
| Preferred Stock, \$0.01 par value, 125 share authorized; None issued or outstanding          | —                            | —                                |
| Common Stock, \$0.01 par value, 2,000 shares authorized; 433.1 shares issued and outstanding | 4                            | —                                |
| Additional paid-in capital   | 15                           | —                                |
| Accumulated deficit  | (3,418)                      | —                                |
| UTC Net Investment   | —                            | 2,458                            |
| Accumulated other comprehensive loss   | (843)                        | (758)                            |
| <b>Total Shareholders' (Deficit) Equity</b>  | <b>(4,242)</b>               | <b>1,700</b>                     |
| Noncontrolling interest  | 570                          | 531                              |
| <b>Total (Deficit) Equity</b>  | <b>(3,672)</b>               | <b>2,231</b>                     |
| <b>Total Liabilities and (Deficit) Equity</b>  | <b>\$ 10,441</b>             | <b>\$ 9,687</b>                  |

**Debt Ratios:**

|                                |       |         |
|--------------------------------|-------|---------|
| Debt to total capitalization   | 240 % | 2 %     |
| Net debt to net capitalization | 618 % | (171) % |

Debt to total capitalization equals total debt divided by total debt plus equity. Net debt to net capitalization equals total debt less cash and cash equivalents divided by total debt plus equity less cash and cash equivalents.

**Otis Worldwide Corporation**  
**Condensed Consolidated Statement of Cash Flows**

| (dollars in millions)   | Quarter Ended June 30, |          | Six Months Ended June 30, |          |
|---|------------------------|----------|---------------------------|----------|
|   | (Unaudited)            |          | (Unaudited)               |          |
|   | 2020                   | 2019     | 2020                      | 2019     |
| <b>Operating Activities:</b>  |                        |          |                           |          |
| Net income from operations  | \$ 265                 | \$ 352   | \$ 467                    | \$ 652   |
| Adjustments to reconcile net income to net cash flows provided by operating activities: |                        |          |                           |          |
| Depreciation and amortization   | 49                     | 46       | 92                        | 91       |
| Stock compensation cost   | 15                     | 9        | 27                        | 16       |
| Loss on disposal of business  | —                      | 19       | —                         | 19       |
| Loss on fixed asset impairment  | —                      | —        | 55                        | —        |
| Change in:  |                        |          |                           |          |
| Accounts receivable, net  | 57                     | (38)     | (59)                      | (94)     |
| Contract assets and liabilities, current  | (89)                   | (191)    | 266                       | 77       |
| Inventories, net  | (22)                   | 17       | (71)                      | 24       |
| Other assets, current   | 18                     | 18       | (67)                      | 25       |
| Accounts payables and accrued liabilities   | 368                    | 153      | 79                        | (156)    |
| Pension contributions   | (10)                   | (8)      | (20)                      | (18)     |
| Other operating activities, net   | 13                     | (23)     | 54                        | 15       |
| Net cash flows provided by operating activities   | 664                    | 354      | 823                       | 651      |
| <b>Investing Activities:</b>  |                        |          |                           |          |
| Capital expenditures  | (36)                   | (35)     | (75)                      | (63)     |
| Investments in businesses, net of cash acquired   | (11)                   | (13)     | (16)                      | (32)     |
| Investments in equity securities  | —                      | —        | (51)                      | —        |
| Other investing activities, net   | (3)                    | (26)     | —                         | 3        |
| Net cash flows used in investing activities   | (50)                   | (74)     | (142)                     | (92)     |
| <b>Financing Activities:</b>  |                        |          |                           |          |
| Issuance of long-term debt, net   | —                      | —        | 6,300                     | —        |
| Payment of long-term debt issuance costs  | —                      | —        | (43)                      | —        |
| Increase in short-term borrowings, net  | (35)                   | 1        | 1                         | 16       |
| Net transfers from (to) UTC   | 220                    | (24)     | (6,330)                   | (330)    |
| Dividends paid on common stock  | (87)                   | —        | (87)                      | —        |
| Dividends paid to noncontrolling interest   | (22)                   | (25)     | (43)                      | (55)     |
| Other financing activities, net   | —                      | 7        | 22                        | 16       |
| Net cash flows provided by (used in) financing activities                               | 76                     | (41)     | (180)                     | (353)    |
| <b>Summary of Activity:</b>   |                        |          |                           |          |
| Net cash provided by operating activities   | 664                    | 354      | 823                       | 651      |
| Net cash used in investing activities   | (50)                   | (74)     | (142)                     | (92)     |
| Net cash provided by (used in) financing activities                                     | 76                     | (41)     | (180)                     | (353)    |
| Effect of foreign exchange rate changes on cash and cash equivalents                    | 17                     | (16)     | (33)                      | 4        |
| Net increase in cash, cash equivalents and restricted cash                              | 707                    | 223      | 468                       | 210      |
| Cash, cash equivalents and restricted cash, beginning of period                         | 1,220                  | 1,333    | 1,459                     | 1,346    |
| Cash, cash equivalents and restricted cash, end of period                               | 1,927                  | 1,556    | 1,927                     | 1,556    |
| Less: Restricted cash   | 15                     | 14       | 15                        | 14       |
| Cash and cash equivalents, end of period  | \$ 1,912               | \$ 1,542 | \$ 1,912                  | \$ 1,542 |

**Otis Worldwide Corporation**  
**Free Cash Flow Reconciliation**

| <i>(dollars in millions)</i>  | <b>Quarter Ended June 30,</b> |             |
|---|-------------------------------|-------------|
|   | (Unaudited)                   |             |
|   | <u>2020</u>                   | <u>2019</u> |
| Net income attributable to common shareholders  | \$ 224                        | \$ 308      |
| Net cash flows provided by operating activities   | \$ 664                        | \$ 354      |
| Net cash flows provided by operating activities as a percentage of net income attributable to common shareholders | 296 %                         | 115 %       |
| Capital expenditures  | (36)                          | (35)        |
| Capital expenditures as a percentage of net income attributable to common shareholders                            | (16)%                         | (11)%       |
| Free cash flow  | \$ 628                        | \$ 319      |
| Free cash flow as a percentage of net income attributable to common shareholders                                  | 280 %                         | 104 %       |

| <i>(dollars in millions)</i>  | <b>Six Months Ended June 30,</b> |             |
|---|----------------------------------|-------------|
|   | (Unaudited)                      |             |
|   | <u>2020</u>                      | <u>2019</u> |
| Net income attributable to common shareholders  | \$ 389                           | \$ 581      |
| Net cash flows provided by operating activities   | \$ 823                           | \$ 651      |
| Net cash flows provided by operating activities as a percentage of net income attributable to common shareholders | 212 %                            | 112 %       |
| Capital expenditures  | (75)                             | (63)        |
| Capital expenditures as a percentage of net income attributable to common shareholders                            | (20)%                            | (11)%       |
| Free cash flow  | \$ 748                           | \$ 588      |
| Free cash flow as a percentage of net income attributable to common shareholders                                  | 192 %                            | 101 %       |