

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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

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
0.318% Notes due 2026	OTIS/26	New York Stock Exchange
0.934% Notes due 2031	OTIS/31	New York Stock Exchange

Indicate by check mark 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 Rule 12b-2 of

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes . No .

As of October 15, 2024 there were 399,460,524 shares of Common Stock outstanding.

OTIS WORLDWIDE CORPORATION
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Quarter Ended September 30, 2024

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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 products 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-Q are provided for convenience only. Information available through these websites is not incorporated by reference into this Form 10-Q.

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements**

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<i>(dollars in millions, except per share amounts; shares in millions)</i>	Quarter Ended September 30,	
	2024	2023
Net sales:		
Product sales	\$ 1,309	\$ 1,435
Service sales	2,239	2,088
	3,548	3,523
Costs and expenses:		
Cost of products sold	1,089	1,195
Cost of services sold	1,381	1,282
Research and development	40	36
Selling, general and administrative	455	452
	2,965	2,965
Other income (expense), net	(220)	13
Operating profit	363	571
Non-service pension cost (benefit)	1	—
Interest expense (income), net	(150)	39
Net income before income taxes	512	532
Income tax expense (benefit)	(45)	137
Net income	557	395
Less: Noncontrolling interest in subsidiaries' earnings	17	19
Net income attributable to Otis Worldwide Corporation	\$ 540	\$ 376
Earnings per share (Note 2):		
Basic	\$ 1.35	\$ 0.92
Diluted	\$ 1.34	\$ 0.91
Weighted average number of shares outstanding:		
Basic shares	400.2	410.8
Diluted shares	402.7	413.7

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<i>(dollars in millions, except per share amounts; shares in millions)</i>	Nine Months Ended September 30,	
	2024	2023
Net sales:		
Product sales	\$ 4,010	\$ 4,346
Service sales	6,576	6,243
	<u>10,586</u>	<u>10,589</u>
Costs and expenses:		
Cost of products sold	3,324	3,621
Cost of services sold	4,077	3,843
Research and development	115	107
Selling, general and administrative	1,366	1,386
	<u>8,882</u>	<u>8,957</u>
Other income (expense), net	(227)	32
Operating profit	1,477	1,664
Non-service pension cost (benefit)	—	1
Interest expense (income), net	(79)	109
Net income before income taxes	1,556	1,554
Income tax expense (benefit)	175	400
Net income	1,381	1,154
Less: Noncontrolling interest in subsidiaries' earnings	73	71
Net income attributable to Otis Worldwide Corporation	<u>\$ 1,308</u>	<u>\$ 1,083</u>
Earnings per share (Note 2):		
Basic	\$ 3.25	\$ 2.62
Diluted	\$ 3.23	\$ 2.60
Weighted average number of shares outstanding:		
Basic shares	402.7	412.6
Diluted shares	405.4	415.8

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 557	\$ 395	\$ 1,381	\$ 1,154
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(40)	33	(65)	(71)
Pension and postretirement benefit plan adjustments	—	—	9	—
Change in unrealized cash flow hedging	(6)	2	(3)	(1)
Other comprehensive income (loss), net of tax	(46)	35	(59)	(72)
Comprehensive income (loss), net of tax	511	430	1,322	1,082
Less: Comprehensive (income) loss attributable to noncontrolling interest	(24)	(13)	(68)	(55)
Comprehensive income attributable to Otis Worldwide Corporation	\$ 487	\$ 417	\$ 1,254	\$ 1,027

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 827	\$ 1,274
Accounts receivable (net of allowance for expected credit losses of \$132 and \$130)	3,604	3,538
Contract assets	776	717
Inventories	625	612
Other current assets	663	259
Total Current Assets	6,495	6,400
Future income tax benefits	315	323
Fixed assets (net of accumulated depreciation of \$1,265 and \$1,232)	721	727
Operating lease right-of-use assets	409	416
Intangible assets, net	330	335
Goodwill	1,630	1,588
Other assets	361	328
Total Assets	\$ 10,261	\$ 10,117
Liabilities and Equity (Deficit)		
Short-term borrowings and current portion of long-term debt	\$ 1,667	\$ 32
Accounts payable	1,779	1,878
Accrued liabilities	1,864	1,873
Contract liabilities	2,787	2,696
Total Current Liabilities	8,097	6,479
Long-term debt	5,596	6,866
Future pension and postretirement benefit obligations	462	462
Operating lease liabilities	286	292
Future income tax obligations	215	245
Other long-term liabilities	385	493
Total Liabilities	15,041	14,837
Commitments and contingent liabilities (Note 16)		
Redeemable noncontrolling interest	55	135
Shareholders' Equity (Deficit):		
Common Stock and additional paid-in capital	245	213
Treasury Stock	(3,189)	(2,382)
Accumulated deficit	(1,153)	(2,005)
Accumulated other comprehensive income (loss)	(804)	(750)
Total Shareholders' Equity (Deficit)	(4,901)	(4,924)
Noncontrolling interest	66	69
Total Equity (Deficit)	(4,835)	(4,855)
Total Liabilities and Equity (Deficit)	\$ 10,261	\$ 10,117

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

<i>(dollars in millions, except per share amounts)</i>	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)	Noncontrolling Interest	Total Equity (Deficit)	Redeemable Noncontrolling Interest
Quarter Ended September 30, 2024								
Balance as of June 30, 2024	\$ 230	\$ (2,987)	\$ (1,538)	\$ (751)	\$ (5,046)	\$ 112	\$ (4,934)	\$ 52
Net income	—	—	540	—	540	17	557	—
Other comprehensive income (loss), net of tax	—	—	—	(53)	(53)	4	(49)	3
Stock-based compensation and Common Stock issued under employee plans	15	—	(1)	—	14	—	14	—
Cash dividends declared (\$0.39 per common share)	—	—	(155)	—	(155)	—	(155)	—
Repurchase of Common Shares	—	(202)	—	—	(202)	—	(202)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(67)	(67)	—
Acquisitions, disposals and other changes	—	—	1	—	1	—	1	—
Balance as of September 30, 2024	<u>\$ 245</u>	<u>\$ (3,189)</u>	<u>\$ (1,153)</u>	<u>\$ (804)</u>	<u>\$ (4,901)</u>	<u>\$ 66</u>	<u>\$ (4,835)</u>	<u>\$ 55</u>
Quarter Ended September 30, 2023								
Balance as of June 30, 2023	\$ 183	\$ (1,927)	\$ (2,419)	\$ (689)	\$ (4,852)	\$ 101	\$ (4,751)	\$ 126
Net income	—	—	376	—	376	17	393	2
Other comprehensive income (loss), net of tax	—	—	—	41	41	(2)	39	(4)
Stock-based compensation and Common Stock issued under employee plans	15	—	—	—	15	—	15	—
Cash dividends declared (\$0.34 per common share)	—	—	(139)	—	(139)	—	(139)	—
Repurchase of Common Shares	—	(228)	—	—	(228)	—	(228)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(61)	(61)	—
Acquisitions, disposals and other changes	—	—	(1)	—	(1)	—	(1)	(1)
Balance as of September 30, 2023	<u>\$ 198</u>	<u>\$ (2,155)</u>	<u>\$ (2,183)</u>	<u>\$ (648)</u>	<u>\$ (4,788)</u>	<u>\$ 55</u>	<u>\$ (4,733)</u>	<u>\$ 123</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

<i>(dollars in millions, except per share amounts)</i>	Common Stock and Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)	Noncontrolling Interest	Total Equity (Deficit)	Redeemable Noncontrolling Interest
Nine Months Ended September 30, 2024								
Balance as of December 31, 2023	\$ 213	\$ (2,382)	\$ (2,005)	\$ (750)	\$ (4,924)	\$ 69	\$ (4,855)	\$ 135
Net income	—	—	1,308	—	1,308	68	1,376	5
Other comprehensive income (loss), net of tax	—	—	—	(54)	(54)	1	(53)	(6)
Stock-based compensation and Common Stock issued under employee plans	33	—	(3)	—	30	—	30	—
Cash dividends declared (\$1.12 per common share)	—	—	(450)	—	(450)	—	(450)	—
Repurchase of Common Shares	—	(807)	—	—	(807)	—	(807)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(71)	(71)	(9)
Acquisitions, disposals and other changes	(1)	—	(3)	—	(4)	(1)	(5)	(70)
Balance as of September 30, 2024	<u>\$ 245</u>	<u>\$ (3,189)</u>	<u>\$ (1,153)</u>	<u>\$ (804)</u>	<u>\$ (4,901)</u>	<u>\$ 66</u>	<u>\$ (4,835)</u>	<u>\$ 55</u>
Nine Months Ended September 30, 2023								
Balance as of December 31, 2022	\$ 162	\$ (1,575)	\$ (2,865)	\$ (592)	\$ (4,870)	\$ 71	\$ (4,799)	\$ 135
Net income	—	—	1,083	—	1,083	64	1,147	7
Other comprehensive income (loss), net of tax	—	—	—	(56)	(56)	(7)	(63)	(9)
Stock-based compensation and Common Stock issued under employee plans	36	—	(1)	—	35	—	35	—
Cash dividends declared (\$0.97 per common share)	—	—	(400)	—	(400)	—	(400)	—
Repurchase of Common Shares	—	(580)	—	—	(580)	—	(580)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(70)	(70)	(9)
Acquisitions, disposals and other changes	—	—	—	—	—	(3)	(3)	(1)
Balance as of September 30, 2023	<u>\$ 198</u>	<u>\$ (2,155)</u>	<u>\$ (2,183)</u>	<u>\$ (648)</u>	<u>\$ (4,788)</u>	<u>\$ 55</u>	<u>\$ (4,733)</u>	<u>\$ 123</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(dollars in millions)</i>	Nine Months Ended September 30,	
	2024	2023
Operating Activities:		
Net income	\$ 1,381	\$ 1,154
Adjustments to reconcile net income to net cash flows provided by operating activities, net of acquisitions and dispositions:		
Depreciation and amortization	133	145
Deferred income tax expense (benefit)	(26)	(34)
Stock compensation cost	52	49
Gain from reversal of German Tax Litigation interest accrual (Note 1)	(50)	—
Change in operating assets and liabilities:		
Accounts receivable, net	(93)	(214)
Contract assets and liabilities, current	23	68
Inventories	(14)	(8)
Other current assets	(373)	(4)
Accounts payable	(115)	(35)
Accrued liabilities	2	(66)
Pension contributions	(34)	(32)
Other operating activities, net	(13)	7
Net cash flows provided by (used in) operating activities	873	1,030
Investing Activities:		
Capital expenditures	(87)	(96)
Acquisitions of businesses and intangible assets, net of cash (Note 6)	(70)	(27)
Proceeds from the sale of (investments in) marketable securities	(9)	(2)
Receipts (payments) on settlements of derivative contracts	(47)	(21)
Other investing activities, net	3	14
Net cash flows provided by (used in) investing activities	(210)	(132)
Financing Activities:		
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	325	(90)
Proceeds from issuance of long-term debt	—	747
Payment of debt issuance costs	—	(6)
Dividends paid on Common Stock	(450)	(400)
Repurchases of Common Stock	(800)	(575)
Acquisition of noncontrolling interest shares	(75)	—
Dividends paid to noncontrolling interest	(81)	(76)
Other financing activities, net	(21)	(18)
Net cash flows provided by (used in) financing activities	(1,102)	(418)
Effect of exchange rate changes on cash and cash equivalents	(9)	(34)
Net increase (decrease) in cash, cash equivalents and restricted cash	(448)	446
Cash, cash equivalents and restricted cash, beginning of year	1,280	1,195
Cash, cash equivalents and restricted cash, end of period	832	1,641
Less: Restricted cash	5	5
Cash and cash equivalents, end of period	\$ 827	\$ 1,636

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: General

The Condensed Consolidated Financial Statements as of September 30, 2024 and for the quarters and nine months ended September 30, 2024 and 2023 are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the results for the interim periods. The Condensed Consolidated Balance Sheet as of December 31, 2023 was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles ("GAAP") in the United States ("U.S."). The results reported in these Condensed Consolidated Financial Statements should not necessarily be taken as indicative of results that may be expected for the entire year. The financial information included herein should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes included in our Annual Report on [Form 10-K](#) for fiscal year 2023 ("2023 Form 10-K" or "Form 10-K").

Unless the context otherwise requires, references to "Otis," "we," "us," "our" and "the Company" refer to Otis Worldwide Corporation and its subsidiaries.

There have been no changes to the Company's significant accounting policies described in the Company's 2023 Form 10-K that have a material impact on the Company's Condensed Consolidated Financial Statements and the related notes.

Use of Estimates. The preparation of these Condensed Consolidated Financial Statements and accompanying notes in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially 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 macroeconomic developments, including inflationary pressures, higher interest rates and tighter credit conditions, as of September 30, 2024 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 Condensed Consolidated Financial Statements as of September 30, 2024 and for the quarters and nine months ended September 30, 2024 and 2023 resulting from our assessments of these matters, future assessment of our expectations of the magnitude and duration of these macroeconomic developments, as well as other factors, could result in material impacts to our Condensed Consolidated Financial Statements in future reporting periods.

We also assessed certain accounting matters as they relate to the ongoing conflict between Russia and Ukraine and the conflicts in the Middle East, including, but not limited to, our allowance for credit losses, the carrying value of long-lived assets, revenue recognition and the classification of assets. There was not a material impact to our Condensed Consolidated Financial Statements as of September 30, 2024 and for the quarters and nine months ended September 30, 2024 and 2023 resulting from our assessment of these matters. We continue to assess the impact on our results of operations, financial position and overall performance as the situations develop and any broader implications they may have on the global economy.

German Tax Litigation. In August 2024, we received a favorable ruling regarding a tax litigation in Germany. As a result, income tax benefits of \$185 million and related interest income of \$200 million are included in Income tax expense (benefit) and Interest expense (income), net, respectively, in the Condensed Consolidated Statements of Operations for the quarter and nine months ended September 30, 2024. The income tax benefits are recorded as an income tax receivable in Other current assets in the Condensed Consolidated Balance Sheets as of September 30, 2024. The interest income includes the reversal of an interest accrual of \$50 million and recognition of an interest receivable of approximately \$150 million reflected in Accrued liabilities and Other current assets, respectively, in the Condensed Consolidated Balance Sheets as of September 30, 2024.

Pursuant to the Tax Matters Agreement ("TMA") with RTX Corporation ("RTX", our former parent), the Company recorded indemnification expense of \$194 million for amounts due to RTX resulting from the outcome of this tax litigation in Germany. This expense is included in Other expense (income), net in the Condensed Consolidated Statements of Operations for the quarter and nine months ended September 30, 2024, and the resulting amounts due to RTX are included in Accrued liabilities in the Condensed Consolidated Balance Sheets as of September 30, 2024.

See Note 11, "Income Taxes" and Note 16, "Contingencies" for additional information.

Acquisition of Noncontrolling Interest. We purchased all of the outstanding shares of our consolidated subsidiary in Japan from the noncontrolling shareholders in the second quarter of 2024 for approximately \$70 million.

Supplier Finance Programs. Certain Otis subsidiaries participate in supplier finance programs, under which we agree to pay third-party financial institutions the stated amounts of confirmed invoices from suppliers on the original maturity dates of the invoices, while the participating suppliers generally have the ability to sell, or otherwise pledge as collateral, their receivables from the Company to the participating financial institutions. The outstanding obligations confirmed by the Company as valid to the financial institutions under our supplier finance programs were \$653 million and \$627 million as of September 30, 2024 and December 31, 2023, respectively, including \$32 million as of September 30, 2024 related to new programs with payment terms of 240 days from the invoice date. These obligations are included in Accounts payable in the Condensed Consolidated Balance Sheets, and all activity related to the obligations is presented within operating activities in the Condensed Consolidated Statements of Cash Flows.

Refer to Note 2 of the Company's audited consolidated financial statements and notes thereto included in our 2023 [Form 10-K](#) for details regarding the Company's supplier financing programs with payment terms of supplier invoices ranging between 30 and 120 days from the invoice date.

Note 2: Earnings per Share

<i>(dollars in millions, except per share amounts; shares in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income attributable to common shareholders	\$ 540	\$ 376	\$ 1,308	\$ 1,083
Basic weighted average number of shares outstanding	400.2	410.8	402.7	412.6
Stock awards and equity units (share equivalent)	2.5	2.9	2.7	3.2
Diluted weighted average number of shares outstanding	402.7	413.7	405.4	415.8
Earnings Per Share of Common Stock:				
Basic	\$ 1.35	\$ 0.92	\$ 3.25	\$ 2.62
Diluted	\$ 1.34	\$ 0.91	\$ 3.23	\$ 2.60

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 1.1 million of anti-dilutive stock awards excluded from the computation for the quarter and nine months ended September 30, 2024, compared to 1.0 million for the same periods in 2023.

The impact of redeemable noncontrolling interest to Net income attributable to common shareholders was immaterial in the quarters and nine months ended September 30, 2024 and 2023.

Note 3: Revenue Recognition

We account for revenue in accordance with Accounting Standards Codification ("ASC") Topic 606: *Revenue from Contracts with Customers*.

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 receive payments from customers based on the terms established in our contracts, which are payments in advance of performing work, progress payments as we perform contract work over time, or in some cases, payments upon completion of work.

Total Contract assets and Contract liabilities as of September 30, 2024 and December 31, 2023 are as follows:

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Contract assets, current	\$ 776	\$ 717
Total contract assets	776	717
Contract liabilities, current	2,787	2,696
Contract liabilities, non-current (included within Other long-term liabilities)	41	48
Total contract liabilities	2,828	2,744
Net contract liabilities	\$ 2,052	\$ 2,027

Contract assets increased by \$59 million during the nine months ended September 30, 2024 as a result of the progression of current contracts and timing of billing on customer contracts. Contract liabilities increased by \$84 million during the nine months ended September 30, 2024 primarily due to billings on contracts in excess of revenue earned.

In the nine months ended September 30, 2024 and 2023, we recognized revenue of approximately \$1.9 billion and \$1.8 billion related to contract liabilities as of January 1, 2024 and 2023, respectively.

Remaining Performance Obligations ("RPO"). RPO represents the aggregate amount of total contract transaction price that is unsatisfied or partially unsatisfied. As of September 30, 2024, our total RPO was approximately \$18.6 billion. Of the total RPO as of September 30, 2024, we expect approximately 90% will be recognized as sales over the following 24 months.

Note 4: Accounts Receivable, Net

Accounts receivable, net consisted of the following as of September 30, 2024 and December 31, 2023:

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Trade receivables	\$ 3,431	\$ 3,390
Unbilled receivables	152	119
Miscellaneous receivables	95	96
Customer financing notes receivable	58	63
	3,736	3,668
Less: allowance for expected credit losses	(132)	(130)
Accounts receivable, net	\$ 3,604	\$ 3,538

The changes in allowance for expected credit losses related to Accounts receivable, net for the nine months ended September 30, 2024 and 2023, respectively, are as follows:

<i>(dollars in millions)</i>	Nine Months Ended September 30,	
	2024	2023
Balance as of January 1	\$ 130	\$ 152
Provision for expected credit losses	19	21
Write-offs charged against the allowance for expected credit losses	(18)	(42)
Foreign exchange and other	1	(5)
Balance as of September 30	\$ 132	\$ 126

Note 5: Inventories

Inventories consisted of the following as of September 30, 2024 and December 31, 2023:

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Raw materials and work-in-process	\$ 143	\$ 154
Finished goods	482	458
Total	\$ 625	\$ 612

Raw materials, work-in-process and finished goods are net of valuation write-downs of \$89 million and \$87 million as of September 30, 2024 and December 31, 2023, respectively.

Note 6: Business Acquisitions, Dispositions, Goodwill and Intangible Assets

Business Acquisitions. Our acquisitions of businesses and intangible assets, net of cash, totaled \$70 million (including debt assumed) and \$27 million in the nine months ended September 30, 2024 and 2023, respectively, and were primarily in our Service segment. Transaction costs incurred were not considered significant.

Goodwill. Changes in our Goodwill balance during the nine months ended September 30, 2024 were as follows:

<i>(dollars in millions)</i>	Balance as of December 31, 2023	Goodwill Resulting from Business Combinations	Foreign Currency Translation and Other	Balance as of September 30, 2024
New Equipment	\$ 295	\$ —	\$ 1	\$ 296
Service	1,293	35	6	1,334
Total	\$ 1,588	\$ 35	\$ 7	\$ 1,630

Intangible Assets. Intangible assets cost and accumulated amortization were \$2,113 million and \$1,783 million, respectively, as of September 30, 2024, and \$2,072 million and \$1,737 million, respectively, as of December 31, 2023.

Amortization of intangible assets for the quarter and nine months ended September 30, 2024 was \$15 million and \$46 million, respectively, compared to \$17 million and \$51 million for the same periods in 2023. Excluding the impact of acquisitions, currency translation adjustments and the reclassification of \$16 million of intangibles assets, net to assets held for sale during the third quarter of 2024, there were no other significant changes in our Intangible assets during the quarters and nine months ended September 30, 2024 and 2023.

Held For Sale Assets and Liabilities. As of September 30, 2024, assets and liabilities held for sale were \$38 million and \$9 million, respectively, and are included in Other current assets and Accrued liabilities, respectively, in the Condensed Consolidated Balance Sheets. As of December 31, 2023, assets held for sale were \$11 million.

As of September 30, 2024, the operations of one of our non-U.S. subsidiaries, primarily in the Service segment, are classified as assets and liabilities held for sale. It is the Company's intention to complete the sale of these assets and liabilities within the next 12 months. These operations included assets held for sale of \$25 million and liabilities held for sale of \$9 million, respectively, as of September 30, 2024. The Company recorded an impairment loss of \$18 million related to the net assets held for sale in Other expense (income), net in the Condensed Consolidated Statements of Operations for the quarter and nine months ended September 30, 2024.

Note 7: Borrowings and Lines of Credit

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Commercial paper	\$ 316	\$ —
Other borrowings	51	32
Total short-term borrowings	\$ 367	\$ 32

Commercial Paper. As of September 30, 2024, there were \$316 million borrowings outstanding under the Company's \$1.5 billion commercial paper programs. We use our commercial paper borrowings for general corporate purposes including to finance acquisitions, pay dividends, repurchase shares 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.

For details regarding the Company's short-term borrowing activity in 2023, refer to Note 9 of the Company's audited consolidated financial statements and notes thereto included in our 2023 [Form 10-K](#).

Long-term debt.

As of September 30, 2024, we had a revolving credit agreement with various banks providing for a \$1.5 billion unsecured, unsubordinated five-year revolving credit facility, maturing March 10, 2028. As of September 30, 2024, there were no borrowings under the revolving credit agreement. As of September 30, 2024, the Company is in compliance with all covenants in the revolving credit agreement and the indentures governing all outstanding long-term debt. Long-term debt consisted of the following:

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
2.056% notes due 2025	\$ 1,300	\$ 1,300
0.37% notes due 2026 (¥21.5 billion principal value)	149	150
0.318% notes due 2026 (€600 million principal value)	672	658
2.293% notes due 2027	500	500
5.250% notes due 2028	750	750
2.565% notes due 2030	1,500	1,500
0.934% notes due 2031 (€500 million principal value)	560	548
3.112% notes due 2040	750	750
3.362% notes due 2050	750	750
Other (including finance leases)	3	4
Total principal long-term debt	6,934	6,910
Other (discounts and debt issuance costs)	(38)	(44)
Total long-term debt	6,896	6,866
Less: current portion	1,300	—
Long-term debt, net of current portion	\$ 5,596	\$ 6,866

We may redeem any series of notes at our option pursuant to certain terms. For additional details regarding the Company's debt activity in 2023, refer to Note 9 of the Company's audited consolidated financial statements and notes thereto included in our 2023 [Form 10-K](#).

Debt discounts and debt issuance costs are presented as a reduction of debt on the Condensed 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 Condensed Consolidated Statements of Operations for the quarters and nine months ended September 30, 2024 and 2023 reflects the following:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Debt issuance costs amortization	\$ 2	\$ 2	\$ 6	\$ 5
Total interest expense on external debt	43	38	129	105

The unamortized debt issuance costs as of September 30, 2024 and December 31, 2023 were \$35 million and \$42 million, respectively.

The weighted average maturity of our long-term debt as of September 30, 2024 is approximately 7.1 years. The weighted average interest expense rate on our borrowings outstanding as of September 30, 2024 and December 31, 2023 was as follows:

	September 30, 2024	December 31, 2023
Short-term commercial paper	4.9%	—%
Total long-term debt	2.5%	2.5%

The weighted average interest expense rate on our borrowings during the quarters and nine months ended September 30, 2024 and 2023 was as follows:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Short-term commercial paper	5.5%	5.4%	5.5%	5.0%
Total long-term debt	2.5%	2.1%	2.5%	2.0%

Note 8: Employee Benefit Plans

Pension and Postretirement Plans. The Company sponsors both funded and unfunded domestic and foreign defined benefit pension and other postretirement benefit plans, and defined contribution plans. Contributions to our plans were as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Defined benefit plans	\$ 10	\$ 8	\$ 34	\$ 32
Defined contribution plans	16	16	52	50
Multi-employer pension and postretirement plans	41	42	123	117

The following table illustrates the components of net periodic benefit cost for the Company's defined benefit pension plans:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Service cost	\$ 8	\$ 7	\$ 24	\$ 22
Interest cost	9	8	24	24
Expected return on plan assets	(9)	(8)	(25)	(24)
Net settlement and curtailment (gain) loss	1	—	1	—
Total net periodic benefit cost	\$ 9	\$ 7	\$ 24	\$ 22

Postretirement Benefit Plans. The Company sponsors postretirement benefit plans that provide health benefits to eligible retirees. The postretirement plans are unfunded. The net periodic benefit cost was less than \$1 million for the quarters and nine months ended September 30, 2024 and 2023.

Stock-based Compensation. The Company adopted the 2020 Long-Term Incentive Plan (the "Plan") effective April 3, 2020. As of September 30, 2024, approximately 19 million shares remain available for awards under the Plan.

The Company measures the cost of all share-based payments, including stock options, at fair value on the grant date and recognizes this cost in the Condensed Consolidated Statements of Operations over the award's applicable vesting period. 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:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock-based compensation expense (Share Based)	\$ 16	\$ 15	\$ 52	\$ 49
Less: future tax benefit	(2)	(2)	(6)	(6)
Stock-based compensation expense, net of tax	\$ 14	\$ 13	\$ 46	\$ 43

As of September 30, 2024, following our annual grant issuance on February 7, 2024, there was approximately \$115 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 2.1 years.

Note 9: Stock

Preferred Stock. There are 125 million shares of \$0.01 par value Preferred Stock authorized, of which none were issued as of September 30, 2024 and December 31, 2023.

Common Stock. There are 2 billion shares of \$0.01 par value Common Stock authorized. As of September 30, 2024 and December 31, 2023, 438.4 million and 437.0 million shares of Common Stock were issued, respectively, which includes 39.0 million and 30.4 million shares of treasury stock, respectively.

Treasury Stock. As of September 30, 2024, the Company was authorized by the Board of Directors to purchase up to \$2.0 billion of Common Stock under a share repurchase program, of which approximately \$400 million was remaining at such time.

During the quarter and nine months ended September 30, 2024, the Company repurchased 2.1 million and 8.6 million shares, respectively, for \$200 million and \$800 million, respectively, compared to the 2.6 million and 6.8 million shares, respectively, in the same periods of 2023 for \$225 million and \$575 million, respectively. Share repurchases in excess of issuances are subject to a 1% excise tax, which is included as part of the cost basis of the shares acquired in Treasury Stock on the Condensed Consolidated Balance Sheets.

The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under this program, shares may be purchased in 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").

Note 10: Accumulated Other Comprehensive Income (Loss)

A summary of the changes in each component of Accumulated other comprehensive income (loss), net of tax, for the quarters and nine months ended September 30, 2024 and 2023 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)
Quarter Ended September 30, 2024				
Balance as of June 30, 2024	\$ (686)	\$ (69)	\$ 4	\$ (751)
Other comprehensive income (loss) before reclassifications, net	(47)	—	(6)	(53)
Amounts reclassified, pre-tax	—	—	—	—
Tax benefit reclassified	—	—	—	—
Balance as of September 30, 2024	<u>\$ (733)</u>	<u>\$ (69)</u>	<u>\$ (2)</u>	<u>\$ (804)</u>

Nine Months Ended September 30, 2024

Balance as of December 31, 2023	\$ (673)	\$ (78)	\$ 1	\$ (750)
Other comprehensive income (loss) before reclassifications, net	(60)	9	(18)	(69)
Amounts reclassified, pre-tax	—	—	15	15
Tax benefit reclassified	—	—	—	—
Balance as of September 30, 2024	<u>\$ (733)</u>	<u>\$ (69)</u>	<u>\$ (2)</u>	<u>\$ (804)</u>

<i>(dollars in millions)</i>	Foreign Currency Translation	Defined Benefit Pension and Postretirement Plans	Unrealized Hedging Gains (Losses)	Accumulated Other Comprehensive Income (Loss)
Quarter Ended September 30, 2023				
Balance as of June 30, 2023	\$ (681)	\$ (8)	\$ —	\$ (689)
Other comprehensive income (loss) before reclassifications, net	39	—	1	40
Amounts reclassified, pre-tax	—	—	1	1
Tax benefit reclassified	—	—	—	—
Balance as of September 30, 2023	<u>\$ (642)</u>	<u>\$ (8)</u>	<u>\$ 2</u>	<u>\$ (648)</u>

Nine Months Ended September 30, 2023

Balance as of December 31, 2022	\$ (587)	\$ (8)	\$ 3	\$ (592)
Other comprehensive income (loss) before reclassifications, net	(56)	—	(7)	(63)
Amounts reclassified, pre-tax	1	—	8	9
Tax benefit reclassified	—	—	(2)	(2)
Balance as of September 30, 2023	<u>\$ (642)</u>	<u>\$ (8)</u>	<u>\$ 2</u>	<u>\$ (648)</u>

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 8, "Employee Benefit Plans" for additional information.

Note 11: Income Taxes

The decrease in the effective tax rate for the quarter and nine months ended September 30, 2024 is primarily due to recognition of estimated tax benefits arising as a result of the resolution of the German tax litigation. The effective tax rate for the nine months ended September 30, 2024 was also impacted by the reduction of a deferred tax liability related to the mitigation of future repatriation costs.

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, South Korea, Spain, Switzerland, the United Kingdom, and the United States. With a few exceptions, Otis is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2015.

A subsidiary of Otis engaged in tax-related 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 the 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. Following a hearing on March 20, 2023, the Antwerp Appellate Court ruled against the Company. Otis has decided not to appeal the decision, which marks the end of this litigation. Otis expects to receive the assessment for tax and interest in 2024 or 2025. The associated tax and interest have been fully reserved and are included in the range below.

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. The evaluation considers any additional worldwide uncertain tax positions, the closure of tax statutes or the re-valuation 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. Based on the preceding factors, it is reasonably possible that within the next 12 months unrecognized tax benefits could change within the range of a \$10 million increase to a \$95 million decrease and associated interest could change within the range of a \$10 million increase to a \$80 million decrease.

The decrease in unrecognized tax benefits and associated interest for the quarter and nine months ended September 30, 2024, is primarily due to the resolution of the German tax litigation. See Note 16, “Contingent Liabilities” for discussion regarding the German tax litigation.

Note 12: Restructuring and Transformation Costs

We initiate restructuring actions to keep our cost structure competitive. Charges generally arise from severance related to workforce reductions, as well as facility exit and lease termination costs associated with the consolidation of office and manufacturing operations. Due to the size, nature and frequency of these discrete actions, they are fundamentally different from the Company’s ongoing productivity initiatives.

During the quarters and nine months ended September 30, 2024 and 2023, we recorded restructuring costs for new and ongoing restructuring actions, including UpLift actions beginning in 2023, as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30, 2024			Quarter Ended September 30, 2023		
	UpLift	Other	Total	UpLift	Other	Total
Cost of products and services sold	\$ —	\$ 3	\$ 3	\$ —	\$ 9	\$ 9
Selling, general and administrative	4	2	6	—	12	12
Total	\$ 4	\$ 5	\$ 9	\$ —	\$ 21	\$ 21

<i>(dollars in millions)</i>	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	UpLift	Other	Total	UpLift	Other	Total
Cost of products and services sold	\$ 2	\$ 12	\$ 14	\$ —	\$ 11	\$ 11
Selling, general and administrative	9	17	26	—	25	25
Total	\$ 11	\$ 29	\$ 40	\$ —	\$ 36	\$ 36

Restructuring costs incurred and expected, unless otherwise indicated, are approximately 30% New Equipment and 70% Service. Although this reflects the segments to which the restructuring costs relate, refer to Note 17 for more information about our measure of segment performance (segment operating profit), which no longer includes restructuring costs, among other items, beginning in the first quarter of 2024.

UpLift Restructuring Actions and Transformation Costs. During the third quarter of 2023, we announced UpLift to transform our operating model. UpLift includes, among other aspects, the standardization of our processes and improvement of our supply chain procurement, as well as organizational changes which result in restructuring actions.

UpLift restructuring actions of up to \$55 million were approved in 2023, with additional actions initiated in 2024. These costs are primarily severance related costs. We expect these actions initiated during 2024 and 2023 to be substantially completed and cash to be paid by the end of 2024, with payments for certain actions to be completed in 2025. Expected total costs and remaining costs to incur for the actions initiated are approximately \$55 million and \$19 million, respectively.

In the quarter and nine months ended September 30, 2024, we incurred \$18 million and \$45 million, respectively, of incremental, non-restructuring costs associated with transforming our operating model as a part of UpLift ("UpLift transformation costs"), including consulting and personnel costs, which are recorded in Other income (expense), net in the Condensed Consolidated Statements of Operations. We incurred \$4 million of UpLift transformation costs in the quarter and nine months ended September 30, 2023.

Other Restructuring Actions. The other restructuring expenses incurred during the quarters and nine months ended September 30, 2024 and 2023, were primarily the result of restructuring programs initiated during 2024 and 2023 related to severance and facility exit costs. We are targeting to complete by the end of 2025 the majority of remaining other restructuring actions initiated in the quarter and nine months ended September 30, 2024 and the full year 2023, with certain utilization beyond 2025 due to contractual obligations or legal requirements in the applicable jurisdictions. Expected total costs and remaining costs to incur for the other restructuring actions initiated are \$98 million and \$28 million, respectively. Remaining costs are expected to be approximately 75% New Equipment and 25% Service.

Restructuring Accruals. The following table summarizes the accrual balance and utilization for restructuring actions, which are primarily for severance costs and most will require cash payment:

<i>(dollars in millions)</i>	UpLift Actions	Other Actions	Total Restructuring Actions
Restructuring accruals as of December 31, 2023	\$ 13	\$ 35	\$ 48
Net restructuring costs	11	29	40
Utilization, foreign exchange and other costs	(21)	(34)	(55)
Restructuring accruals as of September 30, 2024	<u>\$ 3</u>	<u>\$ 30</u>	<u>\$ 33</u>

Note 13: Financial Instruments

We enter into derivative instruments primarily for risk management purposes, including derivatives designated as hedging instruments under ASC 815, *Derivatives and Hedging*. 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 four-quarter average of the notional amount of foreign exchange contracts hedging foreign currency transactions was \$5.3 billion and \$4.6 billion as of September 30, 2024 and December 31, 2023, respectively, including net investment hedges. The four-quarter average of the notional amount of contracts hedging commodity purchases was \$14 million and \$21 million as of September 30, 2024 and December 31, 2023, respectively.

The following table summarizes the fair value and presentation on the Condensed Consolidated Balance Sheets for derivative instruments as of September 30, 2024 and December 31, 2023:

<i>(dollars in millions)</i>	Balance Sheet Classification	September 30, 2024	December 31, 2023
Derivatives designated as Cash flow hedging instruments:			
	<u>Asset Derivatives:</u>		
Foreign exchange contracts	Other current assets	\$ 3	\$ 2
Commodity contracts	Other current assets	—	1
Foreign exchange contracts	Other assets	2	2
	Total asset derivatives	<u>\$ 5</u>	<u>\$ 5</u>
	<u>Liability Derivatives:</u>		
Foreign exchange contracts	Accrued liabilities	\$ (6)	\$ (4)
Foreign exchange contracts	Other long-term liabilities	(2)	(1)
	Total liability derivatives	<u>\$ (8)</u>	<u>\$ (5)</u>
Derivatives not designated as Cash flow hedging instruments:			
	<u>Asset Derivatives:</u>		
Foreign exchange contracts	Other current assets	\$ 16	\$ 20
Foreign exchange contracts	Other assets	2	4
	Total asset derivatives	<u>\$ 18</u>	<u>\$ 24</u>
	<u>Liability Derivatives:</u>		
Foreign exchange contracts	Accrued liabilities	\$ (24)	\$ (34)
Foreign exchange contracts	Other long-term liabilities	(3)	(7)
	Total liability derivatives	<u>\$ (27)</u>	<u>\$ (41)</u>

Derivatives designated as Cash flow hedging instruments. The gains or (losses) attributable to foreign exchange and commodity contract activity reclassified from Accumulated other comprehensive income (loss) for the quarters and nine months ended September 30, 2024 and 2023 are described in Note 10, "Accumulated Other Comprehensive Income (Loss)".

The effect of cash flow hedging relationships on Accumulated other comprehensive income (loss) as of September 30, 2024 and December 31, 2023 are presented in the table below:

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Gain (loss) recorded in Accumulated other comprehensive income (loss)	\$ (2)	\$ 1

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

Assuming current market conditions continue, pre-tax losses of \$3 million are expected to be reclassified from Accumulated other comprehensive income (loss) into Cost of products sold to reflect the fixed prices obtained from foreign exchange and commodity hedging within the next 12 months. All derivative contracts accounted for as cash flow hedges as of September 30, 2024 will mature by December 2028.

Net Investment Hedges. We may use non-derivative instruments (foreign currency denominated borrowings) and derivative instruments (foreign exchange forward contracts) to hedge portions of the Company's investments in foreign subsidiaries and manage foreign exchange risk. For instruments that are designated and qualify as a hedge of net investment in foreign operations and that meet the effectiveness requirements, the net gains or losses attributable to changes in spot exchange rates are recorded in foreign currency translation within Other comprehensive income (loss) on the Condensed Consolidated Statements of Comprehensive Income, and will remain in Accumulated other comprehensive income (loss) until the hedged investment is sold or substantially liquidated. The remainder of the change in value of such instruments is recorded in earnings, including to the extent foreign currency denominated borrowings are not designated in, or are de-designated from, a net investment hedge relationship.

Our use of derivative instruments designated as hedges of the Company's net investment in foreign subsidiaries can vary depending on the Company's desired foreign exchange risk coverage.

We have ¥21.5 billion of Japanese Yen denominated long-term debt that qualifies as a net investment hedge against our investments in Japanese businesses, as well as derivative instruments that qualify as net investment hedges against our investments in certain European businesses (notional amount of €150 million) and Asian businesses (notional amounts of HK\$1.6 billion and ¥2.1 billion). The net investment hedges are deemed to be effective. The maturity dates of the current non-derivative and derivative instruments designated in net investment hedges range from 2024 to 2026.

During the quarter ended September 30, 2024, we de-designated a derivative instrument that qualified as a net investment hedge in certain Asian businesses with a notional amount of HK\$1.2 billion, which was deemed to be effective until de-designation.

Additionally, we had derivative instruments with notional amounts of €95 million that matured during the second quarter of 2023. These contracts qualified as net investment hedges which were deemed to be effective until maturity.

The following table summarizes the amounts of gains (losses) recognized in other comprehensive income (loss) related to non-derivative and derivative instruments designated as net investment hedges:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Foreign currency denominated long-term debt	\$ (14)	\$ 6	\$ 1	\$ 18
Foreign currency forward contracts	6	2	4	3
Total	\$ (8)	\$ 8	\$ 5	\$ 21

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 Condensed Consolidated Statements of Operations was as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Foreign exchange contracts	\$ 4	\$ 4	\$ 6	\$ 16

The effects of derivatives not designated as Cash flow hedge instruments within Cost of products sold on the Condensed Consolidated Statements of Operations were gains of \$2 million and less than \$1 million in the quarter and nine months ended September 30, 2024, respectively, compared to gains of \$1 million and losses of \$8 million in the same periods of 2023, respectively.

Note 14: Fair Value Measurements

Valuation Techniques. Our marketable securities include 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 marketable 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 and third party models based on observable market inputs such as forward rates, interest rates, our own credit risk and our counterparties' credit risks.

As of September 30, 2024, 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.

Due to their short-term nature, the carrying value approximated fair value for the current portion of the Company's financial instruments not carried at fair value. 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 7, "Borrowings and Lines of Credit", is measured at fair value using closing bond prices from active markets.

Recurring 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 Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023:

<i>(dollars in millions)</i>	September 30, 2024			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Marketable securities	\$ 45	\$ 45	\$ —	\$ —
Derivative assets	23	—	23	—
Derivative liabilities	(35)	—	(35)	—

<i>(dollars in millions)</i>	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Marketable securities	\$ 28	\$ 28	\$ —	\$ —
Derivative assets	29	—	29	—
Derivative liabilities	(46)	—	(46)	—

Fair Value of Financial Instruments. The following table provides carrying amounts and fair values of financial instruments that are not carried at fair value as of September 30, 2024 and December 31, 2023:

<i>(dollars in millions)</i>	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term receivables, net	\$ 47	\$ 46	\$ 55	\$ 54
Customer financing notes receivable, net	21	19	26	23
Short-term borrowings	(367)	(367)	(32)	(32)
Long-term debt, including current portion (excluding leases and other)	(6,931)	(6,347)	(6,906)	(6,224)
Long-term liabilities, including current portion	(132)	(123)	(197)	(185)

The following tables provide the valuation hierarchy classification of assets and liabilities that are not carried at fair value in the Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023:

<i>(dollars in millions)</i>	September 30, 2024			
	Total	Level 1	Level 2	Level 3
Long-term receivables, net	\$ 46	\$ —	\$ 46	\$ —
Customer financing notes receivable, net	19	—	19	—
Short-term borrowings	(367)	—	(367)	—
Long-term debt, including current portion (excluding leases and other)	(6,347)	—	(6,347)	—
Long-term liabilities, including current portion	(123)	—	(123)	—

<i>(dollars in millions)</i>	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Long-term receivables, net	\$ 54	\$ —	\$ 54	\$ —
Customer financing notes receivable, net	23	—	23	—
Short-term borrowings	(32)	—	(32)	—
Long-term debt, including current portion (excluding leases and other)	(6,224)	—	(6,224)	—
Long-term liabilities, including current portion	(185)	—	(185)	—

Note 15: Guarantees

The Company provides service and warranty on its products beyond normal service and warranty policies. The carrying amount of service and product guarantees were \$13 million and \$12 million as of September 30, 2024 and December 31, 2023, respectively.

The Company provides certain financial guarantees to third parties. As of September 30, 2024, Otis has stand-by letters of credit with maximum potential payment totaling \$139 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 ASC Topic 460: *Guarantees*, we record these liabilities at fair value. As of September 30, 2024, Otis has determined there are no estimated costs probable under these guarantees.

Note 16: 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 the below and other matters, the amounts in aggregate are not material. Legal costs generally are expensed when incurred.

For details regarding the Company's outstanding liability for environmental obligations, refer to Note 21 of the Company's audited consolidated financial statements and notes thereto included in our 2023 [Form 10-K](#).

Legal Proceedings.

German Tax Litigation

We have been involved in administrative review proceedings with the German Tax Office, which concern approximately €215 million (approximately \$239 million as of September 30, 2024) 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 \$131 million as of September 30, 2024).

In August 2012, a suit was filed in the local German Tax Court (Berlin-Brandenburg). In 2015, before our separation from our former parent United Technologies Corporation ("UTC"), now RTX Corporation ("RTX"), we 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 in July 2018, the German Federal Tax Court remanded the matter to the local German Tax Court for further proceedings. In December 2020, the local German Tax Court ruled against the Company.

On January 26, 2021, the Company filed an appeal with the German Federal Tax Court. On February 8, 2022, the Company received the decision of the German Federal Tax Court, in which the Court remanded the case for reconsideration by the local German Tax Court. The local German Tax Court held a hearing on June 12, 2023, and issued a decision in favor of Otis on July 21, 2023. On September 14, 2023, the German tax authorities filed an appeal to the German Federal Tax Court. On August 13, 2024, the German Federal Tax Court rejected the appeal, concluding the litigation in favor of the Company.

As a result of the court's decision, the Company expects to receive a refund of prepaid tax, prepaid interest, overpayment interest, and court fees of approximately €305 million net of tax (approximately \$335 million as of September 30, 2024). We expect the refund will be paid to the Company over several quarters, starting in the fourth quarter of 2024 and continuing through the end of 2025, by which time the Company expects to receive substantially all of the refund. The Company has also released the liability associated with the remaining interest of €45 million (approximately \$50 million) during the quarter ended September 30, 2024.

Any recoveries related to this matter would be allocated between RTX and the Company pursuant to the terms of the TMA with our former parent, UTC, by way of indemnification payments. Based on its understanding of the facts and contractual provisions as of this date, and taking into account its limited access to information to support the calculation, the Company has estimated the additional tax and interest to be paid by RTX as a result of this recovery to be \$194 million and has recorded this amount in its financial statements. The parties are still in process of resolving the scope of the indemnity obligation and the final indemnity amount.

See Note 1, "General" for additional information on the impacts of the litigation and TMA activity to the Condensed Consolidated Financial Statements as of and for the quarter and year ended September 30, 2024.

Asbestos Matters

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 periods ended September 30, 2024 and December 31, 2023.

The estimated range of total liabilities to resolve all pending and unasserted potential future asbestos claims through 2059 is approximately \$11 million to \$21 million as of September 30, 2024, and approximately \$20 million to \$43 million as of December 31, 2023. Since no amount within the range of estimates is more likely to occur than any other, we have recorded the minimum amounts of \$11 million and \$20 million as of September 30, 2024 and December 31, 2023, respectively, which are principally recorded in Other long-term liabilities on our Condensed Consolidated Balance Sheets. Amounts are on a pre-tax basis, not discounted, and exclude 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 \$3 million and \$5 million as of September 30, 2024 and December 31, 2023, respectively, which are principally included in Other assets on our Condensed Consolidated Balance Sheets.

Other. 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 has not been material to the business, financial condition, cash flows or results of operations. However, the future outcome of these cases cannot be determined.

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.

Refer to Note 17 for information about litigation-related settlement costs recognized in the nine months ended September 30, 2024 for certain legal matters that are outside of the ordinary course of business.

Note 17: 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 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. Otis discloses segment operating profit as its measure of segment performance, reconciled to total Otis operating profit. Segment operating profit excludes certain expenses and income that are not allocated to segments (as described below in "Corporate and Unallocated").

Effective in the first quarter of 2024, the measure of segment performance used by Otis' Chief Operating Decision Maker ("CODM") changed and, as a result, Otis' disclosed measure of segment performance (segment operating profit) was updated. The change to segment operating profit aligns with the update to how the CODM assesses performance and allocates resources for the Company's segments, and therefore is our measure of segment profitability in accordance with GAAP under ASC 280, *Segment Reporting*.

As a result of the change, restructuring costs and other items not allocated to the operating segments are presented as part of Corporate and Unallocated. The financial information presented herein reflects the impact of the measure of segment performance change for all periods presented.

Segment information for the quarters and nine months ended September 30, 2024 and 2023 are as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Sales				
New Equipment	\$ 1,309	\$ 1,435	\$ 4,010	\$ 4,346
Service	2,239	2,088	6,576	6,243
Total	<u>\$ 3,548</u>	<u>\$ 3,523</u>	<u>\$ 10,586</u>	<u>\$ 10,589</u>
Operating Performance				
New Equipment operating profit	\$ 84	\$ 104	\$ 265	\$ 292
Service operating profit	555	518	1,616	1,496
Total segment operating profit	639	622	1,881	1,788
Corporate and Unallocated				
General corporate expenses and other	(40)	(27)	(108)	(85)
UpLift restructuring	(4)	—	(11)	—
Other restructuring	(5)	(21)	(29)	(36)
UpLift transformation costs	(18)	(4)	(45)	(4)
Separation-related adjustments	(193)	—	(177)	—
Litigation-related settlement costs	—	—	(18)	—
Held for sale impairment	(18)	—	(18)	—
Other, net	2	1	2	1
Total company operating profit	363	571	1,477	1,664
Non-service pension cost (benefit)	1	—	—	1
Interest expense (income), net	(150)	39	(79)	109
Net income before income taxes	<u>\$ 512</u>	<u>\$ 532</u>	<u>\$ 1,556</u>	<u>\$ 1,554</u>

Corporate and Unallocated includes adjustments related to the separation of Otis from RTX Corporation (previously United Technologies Corporation, "RTX") (the "Separation"), Litigation-related settlement costs, impairment loss for held for sale net assets, restructuring costs and UpLift transformation costs.

Separation-related adjustments represent net adjustments of amounts due to and from RTX in accordance with the TMA. Separation-related adjustments in the quarter and nine months ended September 30, 2024 represents amounts due to RTX related to a favorable ruling received in August 2024 regarding the German tax litigation. Separation-related adjustments in the nine months ended September 30, 2024 also include a reduction of our contractual indemnity obligation payable to RTX that resulted from the TMA and receipts from RTX in accordance with the TMA. These adjustments are recorded in Other income (expense), net in our Condensed Consolidated Statements of Operations during the quarter and nine months ended September 30, 2024. See Note 11, "Income Taxes" and Note 16, "Contingencies" for additional information about the German tax litigation.

Litigation-related settlement costs in the nine months ended September 30, 2024 represent the aggregate amount of settlement costs and increase in loss contingency accruals, excluding legal costs, for certain legal matters that are outside of the ordinary course of business due to the size, complexity and unique facts of these matters.

Impairment loss related to net assets held for sale is recorded in Other expense (income), net in the Condensed Consolidated Statements of Operations for the quarter and nine months ended September 30, 2024. See Note 6, "Business Acquisitions, Dispositions, Goodwill and Intangible Assets" for additional information about the held for sale assets and liabilities.

Refer to Note 12, "Restructuring and Transformation Costs" for more information about restructuring and UpLift transformation costs.

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

Geographic 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 quarters and nine months ended September 30, 2024 and 2023.

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States Operations	\$ 1,058	\$ 1,004	\$ 3,187	\$ 3,015
International Operations				
China	469	596	1,436	1,832
Other	2,021	1,923	5,963	5,742
Total	\$ 3,548	\$ 3,523	\$ 10,586	\$ 10,589

Disaggregated Sales by Type. Segment Net sales disaggregated by product and service type for the quarters and nine months ended September 30, 2024 and 2023 are as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
New Equipment	\$ 1,309	\$ 1,435	\$ 4,010	\$ 4,346
Maintenance and Repair	1,821	1,715	5,360	5,116
Modernization	418	373	1,216	1,127
Total Service	2,239	2,088	6,576	6,243
Total	\$ 3,548	\$ 3,523	\$ 10,586	\$ 10,589

Major Customers. There were no customers that individually accounted for 10% or more of the Company's consolidated Net sales for the quarters and nine months ended September 30, 2024 and 2023.

Note 18: 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. Additionally, in December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): *Deferral of the Sunset Date of Topic 848* ("ASU 2022-06"), which allows ASU 2020-04 to be adopted and applied prospectively to contract modifications made on or before December 31, 2024. We do not expect the adoption of this standard to have a material impact on our Condensed 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 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. The Company adopted ASU 2021-08 effective January 1, 2023. The adoption of this ASU did not have a material impact on our Condensed Consolidated Financial Statements.

In September 2022, the FASB issued ASU 2022-04, Liabilities - Supplier Finance Programs (Topic 450-50): *Disclosure of Supplier Finance Program Obligations*, which requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about obligations outstanding at the end of the reporting period, including a rollforward of those obligations. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, except for the disclosure of rollforward information, which is effective for fiscal years beginning after December 15, 2023. The adoption of this ASU did not have a material impact on our Condensed Consolidated Financial Statements, as disclosed in Note 1, "General".

In August 2023, the FASB issued ASU 2023-05, Business Combinations - Joint Ventures Formations (Subtopic 805-60): *Recognition and initial measurement* ("ASU 2023-05"), which requires that joint ventures, upon formation, apply a new basis of accounting by initially measuring assets and liabilities at fair value. The amendments in ASU 2023-05 are effective for joint ventures that are formed on or after January 1, 2025. Early adoption is permitted. We are currently evaluating the impact of this standard, however we do not expect it to have a material impact on our Condensed Consolidated Financial Statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*. The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. Adoption of this ASU will result in additional disclosure, but will not impact our condensed consolidated financial position, results of operations, or cash flows.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. The amendments in this update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This update also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. Adoption of this ASU will result in additional disclosure, but will not impact our condensed consolidated financial position, results of operations, or cash flows.

Other new accounting pronouncements issued but not effective until after September 30, 2024 did not and are not expected to have a material impact on our financial position, results of operations or liquidity.

With respect to the unaudited condensed consolidated financial information of Otis Worldwide Corporation for the quarters and nine months ended September 30, 2024 and 2023, PricewaterhouseCoopers LLP ("PricewaterhouseCoopers") reported that it has applied limited procedures in accordance with professional standards for a review of such information. However, its report dated October 31, 2024, appearing below, states that the firm did not audit and does not express an opinion on that unaudited condensed consolidated financial information. PricewaterhouseCoopers has not carried out any significant or additional review procedures beyond those that would have been necessary if their report had not been included. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933, as amended ("the Act") for its report on the unaudited condensed consolidated financial information because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers within the meaning of Sections 7 and 11 of the Act.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Otis Worldwide Corporation

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Otis Worldwide Corporation and its subsidiaries (the "Company") as of September 30, 2024, and the related condensed consolidated statements of operations, of comprehensive income, and of changes in equity for the three-month and nine-month periods ended September 30, 2024 and 2023 and of cash flows for the nine-month periods ended September 30, 2024 and 2023, including the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2023, and the related consolidated statements of operations, of comprehensive income, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated February 2, 2024, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. 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 review in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
October 31, 2024

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**BUSINESS OVERVIEW****Business Summary**

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 serve our customers through a global network of employees. These include sales personnel, field technicians with separate skills in performing installation and service, as well as engineers driving our continued product development and innovation. We function under a centralized operating model whereby a global strategy is set around New Equipment and Service 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 life cycle.

The current status of significant factors affecting our business environment in 2024 is discussed below. For additional discussion, refer to the "Business Overview" section in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2023 [Form 10-K](#).

For discussion of Otis' ESG goals and risks associated therewith, see the discussion under "Environmental, Social and Governance ("ESG")" in Item 1 and under Item 1A. "Risk Factors" in our 2023 [Form 10-K](#).

UpLift

Announced in July 2023, UpLift is a program with the goal of transforming our operating model. UpLift will include the standardization of our processes and improvement of our supply chain procurement, among other aspects of the program, as well as restructuring actions. We expect UpLift to generate approximately \$175 million in annual savings by mid-year 2025, with restructuring and other incremental costs to complete the transformation ("UpLift transformation costs") over that period of at least the same amount.

UpLift costs incurred in the quarters and nine months ended September 30, 2024 and 2023 are as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
UpLift restructuring cost	\$ 4	\$ —	\$ 11	\$ —
UpLift transformation cost	18	4	45	4
Total UpLift costs	\$ 22	\$ 4	\$ 56	\$ 4

Total UpLift costs incurred to date are \$97 million, including \$36 million of restructuring costs and \$61 million of transformation costs.

UpLift restructuring costs are primarily severance costs, and are recorded primarily in Selling, general and administrative in the Condensed Consolidated Statements of Operations. UpLift transformation costs are primarily consulting and incremental personnel costs, and are recorded in Other income (expense), net in the Condensed Consolidated Statements of Operations.

For further details, refer to the discussion on restructuring costs in the "Results of Operations," as well as Note 12 to the Condensed Consolidated Financial Statements.

German Tax Litigation

In August 2024, we received a favorable ruling regarding a German tax litigation. As a result, we recorded income tax benefits of \$185 million and related interest income of \$200 million, which are included in Income tax expense (benefit), net and Interest expense (income), net, respectively, in the Condensed Consolidated Statements of Operations for the quarter and nine months ended September 30, 2024. Additionally, pursuant to the Tax Matters Agreement ("TMA") with RTX Corporation ("RTX", our former parent), the Company recorded indemnification expense of \$194 million for amounts due to RTX resulting from the outcome of the German tax litigation. This expense is included in Other expense (income), net in the Condensed Consolidated Statements of Operations for the quarter and nine months ended September 30, 2024.

For further details, refer to Note 11 and Note 16 to the Condensed Consolidated Financial Statements.

Impact of Global Macroeconomic Developments on Our Company

Global macroeconomic developments have impacted, and continue to impact, aspects of the Company's operations and overall financial performance during the quarters and nine months ended September 30, 2024 and 2023. These macroeconomic developments include, among others, inflationary pressures, high interest rates and tighter credit conditions. These macroeconomic trends could continue to impact our business, including impacts to overall financial performance during the remainder of 2024, as a result of the following, among other things:

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

We currently do not expect any significant impact to our capital and financial resources from these macroeconomic developments, including to 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 in this Form 10-Q for further detail and Item 1A. "Risk Factors" in our 2023 [Form 10-K](#) for macroeconomic risks related to our business.

Risks Associated with Ongoing Conflicts

The ongoing conflict between Russia and Ukraine has resulted in worldwide geopolitical and macroeconomic uncertainty, including volatile commodity markets, foreign exchange fluctuations, supply chain disruptions, increased risk of cyber-security incidents, reputational risk, increased operating costs (including fuel and other input costs), environmental, health and safety risks related to securing and maintaining facilities, additional sanctions and other regulations (including restrictions on the transfer of funds to and from Russia). We do not have operations in Russia.

To the extent possible, we continue to operate our business in Ukraine, which represented less than 1% of our revenue and operating profit for the nine months ended September 30, 2024 and year ended December 31, 2023.

Additionally, we do not have operations or material net sales in Israel or Gaza. Although we have operations in the Middle East and transport products through the Red Sea, we currently do not expect the recent conflicts in that region to have a material impact on our business.

We cannot predict how the events described above will evolve. Depending on the ultimate outcomes of these conflicts, which remain uncertain, they could heighten certain risks disclosed in Item 1A. "Risk Factors" in our 2023 [Form 10-K](#), including but not limited to, adverse effects on macroeconomic conditions, including increased inflation, constraints on the availability of commodities, supply chain disruption and decreased business spending; cyber-incidents; disruptions to our or our business partners' global technology infrastructure, including through cyber-attack or cyber-intrusion; adverse changes in international trade policies and relations; claims, litigation and regulatory enforcement; our ability to implement and execute our business strategy; terrorist activities; our exposure to foreign currency fluctuations; reputational risk; and constraints, volatility, or disruption in the capital markets, any of which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

CRITICAL ACCOUNTING ESTIMATES

Preparation of our Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The accounting policies that involve the most significant estimates, assumptions and management judgments used in preparation of the Condensed Consolidated Financial Statements, or are the most sensitive to change due to outside factors, are discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" included in our 2023 [Form 10-K](#). Except as disclosed in Note 18 to our Condensed Consolidated Financial Statements in this Form 10-Q, pertaining to adoption of new accounting pronouncements, there have been no material changes in these policies.

RESULTS OF OPERATIONS

Net Sales

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 3,548	\$ 3,523	\$ 10,586	\$ 10,589
Percentage change year-over-year	0.7 %		— %	

The factors contributing to the total percentage change year-over-year in total Net sales for the quarter and nine months ended September 30, 2024 are as follows:

Components of Net sales change:	Quarter Ended September 30, 2024	Nine Months Ended September 30, 2024
Organic volume	1.2 %	1.2 %
Foreign currency translation	(0.8) %	(1.4) %
Acquisitions and divestitures, net	0.3 %	0.2 %
Total % change	0.7 %	— %

The Organic volume increase of 1.2% for the quarter ended September 30, 2024 was driven by an increase of 7.7% in Service, partially offset by a decrease of (8.2)% in New Equipment. The Organic volume increase of 1.2% for the nine months ended September 30, 2024 was driven by an increase of 6.4% in Service, partially offset by a decrease of (6.3)% in New Equipment.

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

Cost of Products and Services Sold

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total cost of products and services sold	\$ 2,470	\$ 2,477	\$ 7,401	\$ 7,464
Percentage change year-over-year	(0.3)%		(0.8)%	

The factors contributing to the percentage change year-over-year for the quarter and nine months ended September 30, 2024 in total cost of products and services sold are as follows:

Components of Cost of Products and Services Sold change:	Quarter Ended September 30, 2024	Nine Months Ended September 30, 2024
Organic volume	0.7 %	0.5 %
Foreign currency translation	(0.9)%	(1.4)%
Acquisitions and divestitures, net and other	(0.1)%	0.1 %
Total % change	(0.3)%	(0.8)%

The organic increase in total cost of products and services sold for the quarter and nine months ended September 30, 2024 was primarily driven by the organic sales changes noted above. Productivity and lower commodity prices, primarily steel, were partially offset by inflationary pressures, including annual wage increases and higher Service-related material costs.

Gross Margin

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gross margin	\$ 1,078	\$ 1,046	\$ 3,185	\$ 3,125
Gross margin percentage	30.4 %	29.7 %	30.1 %	29.5 %

Gross margin percentage increased 70 and 60 basis points for the quarter and nine months ended September 30, 2024, respectively, when compared to the same periods in 2023, due to Service sales growing faster than New Equipment sales, the benefits from productivity and lower commodity prices, partially offset by the inflationary pressures described above.

See the "Segment Review" section below for discussion of operating results by segment.

Research and Development

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Research and development	\$ 40	\$ 36	\$ 115	\$ 107
Percentage of Net sales	1.1 %	1.0 %	1.1 %	1.0 %

Research and development was relatively flat for the quarter and nine months ended September 30, 2024, when compared to the same periods in 2023.

Selling, General and Administrative

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Selling, general and administrative	\$ 455	\$ 452	\$ 1,366	\$ 1,386
Percentage of Net sales	12.8 %	12.8 %	12.9 %	13.1 %

Selling, general and administrative expenses increased \$3 million for the quarter ended September 30, 2024, when compared to the same period in 2023, driven by annual wage increases, higher other employment-related costs, and higher credit loss reserves, partially offset by savings resulting from UpLift, lower restructuring costs and favorable foreign exchange impacts.

Selling, general and administrative expenses decreased \$(20) million for the nine months ended September 30, 2024, when compared to the same period in 2023, driven by savings resulting from UpLift, cost containment actions and favorable foreign exchange impacts, partially offset by annual wage increases.

Selling, general and administrative expenses as a percentage of Net sales were flat and decreased (20) basis points for the quarter and nine months ended September 30, 2024, respectively, when compared to the same periods in 2023.

Restructuring Costs

<i>(dollars in millions)</i>	Nine Months Ended September 30,	
	2024	2023
UpLift restructuring	\$ 11	\$ —
Other restructuring	29	36
Total restructuring costs	\$ 40	\$ 36

We initiate restructuring actions to keep our cost structure competitive. Charges generally arise from severance related to workforce reductions, and 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.

There were \$11 million of UpLift restructuring costs for the nine months ended September 30, 2024. We also incurred \$45 million of UpLift transformation costs in the nine months ended September 30, 2024, primarily consulting and incremental personnel costs, which are recorded in Other income (expense), net in the Condensed Consolidated Statements of Operations.

Other restructuring costs were \$29 million for the nine months ended September 30, 2024 and included \$17 million of costs related to 2024 actions and \$12 million of costs related to 2023 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. The table below presents approximate cash outflows related to the restructuring actions during the nine months ended September 30, 2024, and the expected cash payments to complete the actions announced:

<i>(dollars in millions)</i>	UpLift Actions	Other Actions	Total Restructuring
Cash outflows during the nine months ended September 30, 2024	\$ 20	\$ 25	\$ 45
Expected cash payments remaining to complete actions announced	22	58	80

The approved UpLift restructuring actions are expected to generate approximately \$55 million in annual recurring savings by 2025, primarily in Selling, general and administrative expenses, and of which approximately \$26 million was realized during the nine months ended September 30, 2024.

For other restructuring actions, we generally expect to achieve annual recurring savings within the two-year period subsequent to initiating the actions, including \$12 million for the 2024 actions and \$42 million for the 2023 actions, split evenly in Cost of Products and Services Sold and in Selling, general and administrative expenses. Approximately \$34 million of savings was realized for the 2024 and 2023 actions during the nine months ended September 30, 2024.

For additional discussion of restructuring, see Note 12 to the Condensed Consolidated Financial Statements.

Other Income (Expense), Net

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Other income (expense), net	\$ (220)	\$ 13	\$ (227)	\$ 32

The changes in Other income (expense), net, of \$(233) million and \$(259) million for the quarter and nine months ended September 30, 2024, respectively, compared to the same periods in 2023, were primarily driven by Separation-related adjustments of \$193 million and \$177 million, respectively, UpLift transformation costs of \$18 million and \$45 million, respectively, \$18 million of impairment loss related to net assets held for sale and foreign currency mark-to-market adjustments. The nine months ended September 30, 2024 was also impacted by non-recurring litigation-related settlement costs, including \$18 million in the second quarter of 2024.

For additional discussion of the Separation-related adjustments, litigation-related settlement costs and held for sale impairment, see Note 17 to the Condensed Consolidated Financial Statements. For additional discussion of the restructuring and UpLift transformation costs, see the Note 12 to the Condensed Consolidated Financial Statements.

Interest Expense (Income), Net

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest expense (income), net	\$ (150)	\$ 39	\$ (79)	\$ 109

The changes in Interest expense (income), net of \$(189) million and \$(188) million for the quarter and nine months ended September 30, 2024, respectively, compared to the same periods in 2023, were primarily driven by \$200 million related to a favorable ruling received in August 2024 regarding a tax litigation in Germany, partially offset by higher interest expense related to the \$750 million unsecured, unsubordinated debt issued in August 2023. The nine months ended September 30, 2024 was also impacted by interest reserve adjustments related to non-recurring tax items, when compared to the same period in 2023.

The average interest rate on our long-term debt for the quarters and nine months ended September 30, 2024 and 2023, was 2.5% and 2.1%, respectively. For additional discussion of borrowings, see Note 7 to the Condensed Consolidated Financial Statements.

Income Taxes

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Effective tax rate	(8.8)%	25.8 %	11.2 %	25.7 %

The decrease in the effective tax rate for the quarter and nine months ended September 30, 2024 is primarily due to recognition of estimated tax benefits arising as a result of the resolution of the German tax litigation. The effective tax rate for the nine months ended September 30, 2024 was also impacted by the reduction in a deferred tax liability related to the mitigation of future repatriation costs.

We anticipate some variability in the tax rate quarter to quarter from potential discrete items.

For additional discussion of income taxes and the effective income tax rate, see Note 11 to the Condensed Consolidated Financial Statements.

Noncontrolling Interest in Subsidiaries' Earnings and Net Income Attributable to Otis Worldwide Corporation

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Noncontrolling interest in subsidiaries' earnings	\$ 17	\$ 19	\$ 73	\$ 71
Net income attributable to Otis Worldwide Corporation	\$ 540	\$ 376	\$ 1,308	\$ 1,083

Noncontrolling interest in subsidiaries' earnings were relatively flat for the quarter and nine months ended September 30, 2024, compared to the same periods in 2023. Other than our acquisition of the noncontrolling shares of our subsidiary in Japan during the second quarter of 2024, ownership interest in the underlying non-wholly owned subsidiaries has remained generally consistent year-over-year. See Note 1 to the Condensed Consolidated Financial Statements for further discussion of the noncontrolling interest acquisition.

Net income attributable to Otis Worldwide Corporation increased for the quarter and nine months ended September 30, 2024, compared to the same periods in 2023, due to a lower effective tax rate and lower interest expense, partially offset by lower operating profit (including the impact of foreign exchange rates).

Segment Review

During the quarter ended March 31, 2024, we updated our measure of segment performance (segment operating profit) used to evaluate financial performance of the operating segments and allocate resources. The financial information presented herein reflects the impact of the measure of segment performance changes for all periods presented. See Note 17 to the Condensed Consolidated Financial Statements for additional information.

Summary performance for our operating segments, reconciled to total operating profit, for the quarters ended September 30, 2024 and 2023 was as follows:

<i>(dollars in millions)</i>	Net Sales		Operating Profit		Operating Profit Margin	
	2024	2023	2024	2023	2024	2023
New Equipment	\$ 1,309	\$ 1,435	\$ 84	\$ 104	6.4%	7.2%
Service	2,239	2,088	555	518	24.8%	24.8%
Total segment	<u>\$ 3,548</u>	<u>\$ 3,523</u>	<u>639</u>	<u>622</u>	<u>18.0%</u>	<u>17.7%</u>
Corporate and Unallocated						
General corporate expenses and other			(40)	(27)		
UpLift restructuring			(4)	—		
Other restructuring			(5)	(21)		
UpLift transformation costs			(18)	(4)		
Separation-related adjustments			(193)	—		
Held for sale impairment			(18)	—		
Other, net			2	1		
Consolidated Operating Profit			<u>\$ 363</u>	<u>\$ 571</u>	<u>10.2%</u>	<u>16.2%</u>

Summary performance for our operating segments, reconciled to total operating profit, for the nine months ended September 30, 2024 and 2023 was as follows:

<i>(dollars in millions)</i>	Net Sales		Operating Profit		Operating Profit Margin	
	2024	2023	2024	2023	2024	2023
New Equipment	\$ 4,010	\$ 4,346	\$ 265	\$ 292	6.6%	6.7%
Service	6,576	6,243	1,616	1,496	24.6%	24.0%
Total segment	<u>\$ 10,586</u>	<u>\$ 10,589</u>	<u>\$ 1,881</u>	<u>\$ 1,788</u>	<u>17.8%</u>	<u>16.9%</u>
Corporate and Unallocated						
General corporate expenses and other			(108)	(85)		
UpLift restructuring			(11)	—		
Other restructuring			(29)	(36)		
UpLift transformation costs			(45)	(4)		
Separation-related adjustments			(177)	—		
Litigation-related settlement costs			(18)	—		
Held for sale impairment			(18)	—		
Other, net			2	1		
Consolidated Operating Profit			<u>\$ 1,477</u>	<u>\$ 1,664</u>	<u>14.0%</u>	<u>15.7%</u>

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 that develop and/or design buildings for residential, infrastructure, 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 quarters and nine months ended September 30, 2024 and 2023 was as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Change	Change	2024	2023	Change	Change
Net sales	\$ 1,309	\$ 1,435	\$ (126)	(8.8)%	\$ 4,010	\$ 4,346	\$ (336)	(7.7)%
Cost of sales	1,088	1,188	(100)	(8.4)%	3,317	3,613	(296)	(8.2)%
	221	247	(26)	(10.5)%	693	733	(40)	(5.5)%
Operating expenses	137	143	(6)	(4.2)%	428	441	(13)	(2.9)%
Operating profit	\$ 84	\$ 104	\$ (20)	(19.2)%	\$ 265	\$ 292	\$ (27)	(9.2)%
Operating profit margin	6.4 %	7.2 %			6.6 %	6.7 %		

Summary analysis of the Net sales change for New Equipment for the quarter and nine months ended September 30, 2024 compared with the same periods in 2023 was as follows:

Components of Net sales change:	Quarter Ended September 30, 2024	Nine Months Ended September 30, 2024
Organic volume	(8.2)%	(6.3)%
Foreign currency translation	(0.7)%	(1.5)%
Acquisitions and divestitures, net and other	0.1 %	0.1 %
Total % change	(8.8)%	(7.7)%

Quarter Ended September 30, 2024

Net sales

The organic sales decrease of (8.2)% was primarily driven by a greater than 20% decline in China, partially offset by low single-digit organic sales growth in Americas and Asia Pacific.

Operating profit

New Equipment operating profit decreased \$(20) million. The impacts of lower volume and unfavorable regional and product mix were partially offset by favorable price, productivity, and commodity tailwinds. Operating margin decreased 80 basis points.

Nine Months Ended September 30, 2024

Net sales

The organic sales decrease of (6.3)% was driven by a greater than 20% decline in China, partially offset by mid single-digit organic sales growth in Americas and Asia Pacific.

Operating profit

New Equipment operating profit decreased \$(27) million including foreign exchange headwinds of \$(7) million. The impacts of lower volume and unfavorable regional and product mix were partially offset by favorable price, productivity, and commodity tailwinds. Operating margin decreased 10 basis points.

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 quarters and nine months ended September 30, 2024 and 2023 was as follows:

<i>(dollars in millions)</i>	Quarter Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Change	Change	2024	2023	Change	Change
Net sales	\$ 2,239	\$ 2,088	\$ 151	7.2 %	\$ 6,576	\$ 6,243	\$ 333	5.3 %
Cost of sales	1,379	1,280	99	7.7 %	4,070	3,840	230	6.0 %
	860	808	52	6.4 %	2,506	2,403	103	4.3 %
Operating expenses	305	290	15	5.2 %	890	907	(17)	(1.9)%
Operating profit	\$ 555	\$ 518	\$ 37	7.1 %	\$ 1,616	\$ 1,496	\$ 120	8.0 %
Operating profit margin	24.8 %	24.8 %			24.6 %	24.0 %		

Summary analysis of Service Net sales change for the quarter and nine months ended September 30, 2024 compared with the same periods in 2023 was as follows:

Components of Net sales change:	Quarter Ended September 30, 2024	Nine Months Ended September 30, 2024
Organic volume	7.7 %	6.4 %
Foreign currency translation	(0.8)%	(1.3)%
Acquisitions and divestitures, net	0.3 %	0.2 %
Total % change	7.2 %	5.3 %

Quarter Ended September 30, 2024

Net sales

The organic sales increase of 7.7% is due to organic sales increases in maintenance and repair of 6.4% and in modernization of 13.7%.

Components of Net sales change:	Maintenance and Repair	Modernization
Organic volume	6.4 %	13.7 %
Foreign currency translation	(0.7)%	(1.1)%
Acquisitions and divestitures, net	0.4 %	— %
Total % change	6.1 %	12.6 %

Operating profit

Service operating profit increased \$37 million including foreign exchange headwinds of (\$3) million. Higher volume, improved pricing on maintenance contracts, and productivity were partially offset by inflationary pressures, including annual wage increases and higher material costs. Operating margin was flat.

Nine Months Ended September 30, 2024

Net sales

The organic sales increase of 6.4% is due to organic sales increases in maintenance and repair of 5.7% and in modernization of 9.7%.

Components of Net sales change:	Maintenance and Repair	Modernization
Organic volume	5.7 %	9.7 %
Foreign currency translation	(1.3)%	(1.8)%
Acquisitions and divestitures, net	0.3 %	0.1 %
Total % change	4.7 %	8.0 %

Operating profit

Service operating profit increased \$120 million including foreign exchange headwinds of (\$18) million. Higher volume, improved pricing on maintenance contracts, and productivity were partially offset by inflationary pressures, including annual wage increases and higher material costs. Operating margin increased 60 basis points.

Corporate and Unallocated

<i>(dollars in millions)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
General corporate expenses and other	\$ (40)	\$ (27)	\$ (108)	\$ (85)
UpLift restructuring	(4)	—	(11)	—
Other restructuring	(5)	(21)	(29)	(36)
UpLift transformation costs	(18)	(4)	(45)	(4)
Separation-related adjustments	(193)	—	(177)	—
Litigation-related settlement costs	—	—	(18)	—
Held for sale impairment	(18)	—	(18)	—
Other, net	2	1	2	1
Total Corporate and Unallocated	\$ (276)	\$ (51)	\$ (404)	\$ (124)

General corporate expenses and other for the quarter and nine months ended September 30, 2024 increased \$13 million and \$23 million, respectively, compared to the same periods in 2023, primarily due to the impact of foreign currency mark-to-market adjustments and higher corporate costs.

For additional discussion of the Separation-related adjustments, litigation-related settlement costs and held for sale impairment, see Note 17 to the Condensed Consolidated Financial Statements. For additional discussion of the restructuring and UpLift transformation costs, see the Note 12 to the Condensed Consolidated Financial Statements.

LIQUIDITY AND FINANCIAL CONDITION

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 capital markets.

As of September 30, 2024, we had cash and cash equivalents of \$827 million, of which approximately 95% 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 September 30, 2024 and December 31, 2023, the amount of such restricted cash was approximately \$5 million and \$6 million, respectively.

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 September 30, 2024 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 tighter credit conditions. There can be no assurance that we will continue to have access to the capital markets on terms acceptable to us.

The following table contains several key measures of our financial condition and liquidity:

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 827	\$ 1,274
Total debt	7,263	6,898
Net debt (total debt less cash and cash equivalents)	6,436	5,624
Total equity	(4,835)	(4,855)
Total capitalization (total debt plus total equity)	2,428	2,043
Net capitalization (total debt plus total equity less cash and cash equivalents)	1,601	769
Total debt to total capitalization	299 %	338 %
Net debt to net capitalization	402 %	731 %

The Company does not intend 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.

Borrowings and Lines of Credit

As of September 30, 2024, we had a revolving credit agreement with various banks providing for a \$1.5 billion unsecured, unsubordinated five-year revolving credit facility. As of September 30, 2024, there were no borrowings under the revolving credit agreement. The undrawn portion of the revolving credit agreement serves as a backstop for the issuance of commercial paper.

There was \$316 million of commercial paper outstanding as of September 30, 2024. For additional discussion of borrowings, see Note 7 to the Condensed Consolidated Financial Statements.

Share Repurchase Program

On December 1, 2022, our Board of Directors approved a share repurchase program for up to \$2.0 billion of Common Stock, of which approximately \$400 million was remaining as of September 30, 2024. 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.

Discussion of Cash Flows

The following table reflects the major categories of cash flows. For additional details, see the Condensed Consolidated Statements of Cash Flows.

<i>(dollars in millions)</i>	Nine Months Ended September 30,	
	2024	2023
Net cash flows provided by (used in):		
Operating activities	\$ 873	\$ 1,030
Investing activities	(210)	(132)
Financing activities	(1,102)	(418)
Effect of foreign exchange rate changes on cash and cash equivalents	(9)	(34)
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>\$ (448)</u>	<u>\$ 446</u>

Operating activities

Cash flows from operating activities primarily represent inflows and outflows associated with our operations. Primary activities include net income from operations adjusted for non-cash transactions, working capital changes and changes in other assets and liabilities.

The year-over-year decrease in net cash provided by operating activities was primarily driven by working capital balances during the periods, including a larger decrease in Accounts payable in the nine months ended September 30, 2024 compared to the decrease the same period in 2023 due to the timing of payments to suppliers, as well as the timing of income tax payments and the related income tax expense in the nine months ended September 30, 2024 compared to the same period in 2023. Additionally, Separation-related and UpLift-related net payments were approximately \$49 million and \$54 million, respectively, in the nine months ended September 30, 2024, compared to net payments of approximately \$25 million and \$2 million, respectively, in the same period in 2023. These were partially offset by a smaller increase in Accounts receivable, net, in the nine months ended September 30, 2024 compared to the increase the same period in 2023 due to the timing of billings and collections.

During the nine months ended September 30, 2024, net cash provided by operating activities was \$873 million. Net income of \$1.4 billion includes \$185 million of income taxes benefits, \$200 million of interest income and \$194 million of indemnification expense resulting from the outcome of the German tax litigation during the third quarter of 2024, none of which resulted in cash flow activity during the nine months ended September 30, 2024. Net income was also partially offset by a decrease in Accounts payable due to the timing of payments to suppliers, an increase in Accounts receivable, net, due to the timing of billings and collections, a decrease in Accrued liabilities and an increase in Other current assets due to the timing of payments, including employee-related benefits, income taxes and supplier payments. For additional discussion of the German tax litigation, see Note 1 and Note 16 to the Condensed Consolidated Financial Statements.

During the nine months ended September 30, 2023, net cash provided by operating activities was \$1.0 billion. The primary drivers of the inflow related to \$1.2 billion of net income and changes in Contract assets and liabilities, net, due to the timing of billings on contracts compared to the progression on current contracts. These were partially offset by an increase in Accounts receivable, net, due to the timing of billings.

Investing activities

Cash flows from investing activities primarily represent inflows and outflows associated with long-term assets, including capital expenditures, investments in businesses and securities, proceeds from the sale of fixed assets and the settlement of derivative contracts.

During the nine months ended September 30, 2024, net cash used in investing activities was \$210 million. The primary drivers of the outflow related to \$87 million of capital expenditures, \$70 million of acquisitions of businesses and intangible assets and \$47 million of net cash payments from the settlement of derivative instruments.

During the nine months ended September 30, 2023, net cash used in investing activities was \$132 million. The primary drivers of the outflow related to \$96 million of capital expenditures, \$27 million of acquisitions of businesses and intangible assets and \$21 million of net cash payments from the settlement of derivative instruments.

As discussed in Note 13 to the Condensed 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.

Financing activities

Cash flows from financing activities primarily represent inflows and outflows associated with equity and borrowings. Primary activities include short-term and long-term borrowing activity, paying dividends to shareholders, the repurchase of our Common Stock and dividends or other payments to noncontrolling interests.

During the nine months ended September 30, 2024, net cash used in financing activities was \$1.1 billion. The primary drivers of the outflow were the repurchases of our Common Stock of \$800 million, dividends paid on our Common Stock and to noncontrolling shareholders of \$450 million and \$81 million, respectively, and acquisitions of noncontrolling interest shares of \$75 million, including approximately \$70 million for our subsidiary in Japan. These were partially offset by short term borrowings of \$325 million.

During the nine months ended September 30, 2023, net cash used in financing activities was \$418 million. The primary drivers of the outflow were repurchases of our Common Stock of \$575 million, dividends paid on our Common Stock and to noncontrolling shareholders of \$400 million and \$76 million, respectively, and net repayments of short-term borrowings of \$90 million. These were partially offset by \$741 million of net proceeds from the issuance of long-term debt, a portion of which was used to fund the repayment at maturity of the €500 million 0.000% notes due November 12, 2023.

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 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 9: Borrowings and Lines of Credit" in Item 8 in our 2023 [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 nine months ended September 30, 2024 and as of December 31, 2023 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>	Nine Months Ended September 30, 2024
<i>OWC Statement of Operations - Standalone and Unconsolidated</i>	
Revenue	\$ —
Cost of revenue	—
Operating expenses	10
Income from consolidated subsidiaries	49
Income (loss) from operations excluding income from consolidated subsidiaries	(228)
Net income (loss) excluding income from consolidated subsidiaries	(330)

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
<i>OWC Balance Sheet - Standalone and Unconsolidated</i>		
Current assets (intercompany receivables from non-guarantor subsidiaries)	\$ —	\$ —
Current assets (excluding intercompany receivables from non-guarantor subsidiaries)	106	63
Noncurrent assets (investments in consolidated subsidiaries)	1,241	1,236
Noncurrent assets (excluding investments in consolidated subsidiaries)	37	43
Current liabilities (intercompany payables to non-guarantor subsidiaries)	4,825	3,753
Current liabilities (excluding intercompany payables to non-guarantor subsidiaries)	1,962	119
Noncurrent liabilities (intercompany payables to non-guarantor subsidiaries)	—	—
Noncurrent liabilities (excluding intercompany payables to non-guarantor subsidiaries)	4,510	5,880

<i>(dollars in millions)</i>	Nine Months Ended September 30, 2024	
Highland Statement of Operations - Standalone and Unconsolidated		
Revenue	\$	—
Cost of revenue		—
Operating expenses		—
Income from consolidated subsidiaries		365
Income (loss) from operations excluding income from consolidated subsidiaries		—
Net income (loss) excluding income from consolidated subsidiaries		(187)

<i>(dollars in millions)</i>	September 30, 2024	December 31, 2023
Highland Balance Sheet - Standalone and Unconsolidated		
Current assets (intercompany receivables from non-guarantor subsidiaries)	\$ 33	\$ 75
Current assets (excluding intercompany receivables from non-guarantor subsidiaries)	—	—
Noncurrent assets (investments in consolidated subsidiaries)	15,711	15,711
Noncurrent assets (intercompany receivables from non-guarantor subsidiaries)	496	518
Noncurrent assets (excluding investments in consolidated subsidiaries)	—	—
Current liabilities (intercompany payables to non-guarantor subsidiaries)	—	—
Current liabilities (excluding intercompany payables to non-guarantor subsidiaries)	6	1
Noncurrent liabilities (intercompany payables to non-guarantor subsidiaries)	3,721	3,467
Noncurrent liabilities (excluding intercompany payables to non-guarantor subsidiaries)	1,226	1,199

Off-Balance Sheet Arrangements and Contractual Obligations

Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 [Form 10-K](#) discloses our off-balance sheet arrangements and contractual obligations. As of September 30, 2024, there have been no material changes to these off-balance sheet arrangements and contractual obligations, outside the ordinary course of business except for those disclosed in "Note 7, Borrowings and Lines of Credit" within Item 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's market risk during the quarter and nine months ended September 30, 2024. For a discussion of the Company's exposure to market risk, refer to the Company's market risk disclosures set forth in Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our 2023 [Form 10-K](#).

Item 4. Controls and Procedures

As required by Rule 13a-15 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 Senior Vice President and Chief Accounting Officer ("CAO"), of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2024. 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 September 30, 2024, 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.

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Cautionary Note Concerning Factors That May Affect Future Results

This Form 10-Q 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. 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, restructuring actions (including UpLift), credit ratings, net indebtedness and other measures of financial performance or potential future plans, strategies or transactions, 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 and any changes therein, including financial market conditions, fluctuations in commodity prices, and other inflationary pressures, interest rates and foreign currency exchange rates, levels of end market demand in construction, pandemic health issues, natural disasters, whether as a result of climate change or otherwise, and the financial condition of Otis’ customers and suppliers;
- the effect of changes in political conditions in the U.S., including in connection with the results of the 2024 election or otherwise, and other countries in which Otis and its businesses operate, including the effects of the conflict between Russia and Ukraine, the conflicts in the Middle East, and tensions between the U.S. and China, on general market conditions, commodity costs, global trade policies and related sanctions and export controls, and currency exchange rates in the near term and beyond;
- 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 or costs thereof, including 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 changes in general economic conditions, geopolitical conflicts or otherwise;
- cost reduction or containment actions, restructuring costs and related savings and other consequences thereof, including with respect to UpLift;
- 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 and labor inflation in the markets in which Otis and its businesses operate globally;
- the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S., including in connection with the results of the 2024 election, 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, the integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs;
- the determination by the Internal Revenue Service (the “IRS”) and other tax authorities that the distribution or certain related transactions in connection with the Separation should be treated as taxable transactions; and
- our obligations and our 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 "Notes to Condensed Consolidated Financial Statements" under the headings "Note 1: General" and "Note 16: Contingent Liabilities" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q and in our 2023 [Form 10-K](#) under the headings "Item 1. Business," "Item 1A. Risk Factors," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" under the headings "Note 1: Business Overview" and "Note 21: Contingent Liabilities" and elsewhere in each of these filings. 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.

PART II – OTHER INFORMATION**Item 1. Legal Proceedings**

See Note 16, "Contingent Liabilities to the Condensed Consolidated Financial Statements" for discussion regarding material legal proceedings.

Except as otherwise noted above, there have been no material developments in legal proceedings. For previously reported information about legal proceedings refer to "Part II - Other Information, Item 1. Legal Proceedings" in our Forms 10-Q for the quarters ended June 30, 2024 and March 31, 2024 and Item 3 "Legal Proceedings" in our 2023 [Form 10-K](#).

Item 1A. Risk Factors

Additional information regarding risk factors can be found under "Recent Developments" in the "Business Overview" and "Cautionary Note Concerning Factors That May Affect Future Results" sections of Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

Except as otherwise noted above, there have been no material changes in the Company's risk factors from those disclosed in Item 1A "Risk Factors," in our 2023 [Form 10-K](#).

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

The following table provides information about our purchases during the quarter ended September 30, 2024 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

2024	Total Number of Shares Purchased (thousands)	Average Price Paid per Share ⁽¹⁾	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)
July 1 - July 31	1,282	\$ 96.70	1,282	\$ 476
August 1 - August 31	811	93.72	811	\$ 400
September 1 - September 30	—	—	—	\$ 400
Total	2,093	\$ 95.55	2,093	

⁽¹⁾ Average price paid per share includes any broker commissions associated with the repurchases.

On December 1, 2022, our Board of Directors ("the Board") approved a share repurchase program for up to \$2.0 billion of Common Stock. As of September 30, 2024, the maximum dollar value of shares that may yet be purchased under this current program was approximately \$400 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.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the fiscal quarter ended September 30, 2024, except for Ms. Marks, our Chair, President and Chief Executive Officer, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K. On July 30, 2024, Ms. Marks adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). Under the trading plan, the shares received by Ms. Marks upon the vesting of the performance stock units (PSUs) granted to her by the Company on February 3, 2022 (after giving effect to tax withholding and a previous election to defer 50% of the PSU shares earned) and 24,000 shares that Ms. Marks previously received upon the vesting of other awards she received will be sold if a limit price is achieved. In addition, the trading plan provides for Ms. Marks to exercise and then sell, if limit prices are achieved, shares received (after giving effect to tax withholding) upon the exercise of 101,096 stock appreciation rights granted to her in 2018 and 191,799 stock appreciation rights granted to her in 2019. The number of shares that could be sold in respect of the stock appreciation rights will depend on the Company’s stock price and applicable tax rates. The trading plan will terminate on February 10, 2025.

The number of shares that may be sold by Ms. Marks upon vesting of the PSUs will depend upon the Company’s achievement of the underlying financial performance goals and the application of a multiplier factor based on our relative total shareowner return over the 2022-2024 performance period, and can range from 0 to 200% of the sum of the target PSUs granted plus additional PSUs credited for dividend equivalents. Ms. Marks was granted 59,404 “target” PSUs on February 3, 2022. However, because Ms. Marks previously elected to defer receipt of 50% of the PSUs to be earned under our PSU Deferral Plan, the number of shares delivered to her at vesting and available for sale will be accordingly reduced. Assuming the limit price required is achieved, we estimate, based on our projected performance against the underlying financial goals, our relative total shareholder return through September 30, 2024, current tax withholding rates, future crediting of dividend equivalents assuming our current dividend remains unchanged and a stock price of \$103.94 (the closing price of our stock on September 30, 2024), and Ms. Marks election to defer 50% of the PSUs, that 13,960 shares could be sold under the trading plan in respect of the PSUs.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.1	Amended and Restated Employment Agreement, dated September 18, 2024, between Cristina Méndez and Otis International Sàrl, incorporated by reference to Exhibit 10.1 of Otis' Current Report on Form 8-K (Commission File No. 001-39221) filed with the commission on September 20, 2024.
10.2	Letter of Assignment for Cristina Méndez, effective December 1, 2024, incorporated by reference to Exhibit 10.2 of Otis' Current Report on Form 8-K (Commission File No. 001-39221) filed with the commission on September 20, 2024.
15	Letter re: unaudited interim financial information.*
31.1	Rule 13a-14(a)/15d-14(a) Certification.*
31.2	Rule 13a-14(a)/15d-14(a) Certification.*
31.3	Rule 13a-14(a)/15d-14(a) Certification.*
32	Section 1350 Certifications.*
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) Condensed Consolidated Statements of Operations for the quarters and nine months ended September 30, 2024 and 2023, (ii) Condensed Consolidated Statements of Comprehensive Income for the quarters and nine months ended September 30, 2024 and 2023, (iii) Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023, (v) Condensed Consolidated Statements of Changes in Equity for the quarters and nine months ended September 30, 2024 and 2023 and (vi) Notes to Condensed Consolidated Financial Statements.

October 31, 2024

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated October 31, 2024 on our review of interim financial information of Otis Worldwide Corporation, which appears in this Quarterly Report on Form 10-Q, is incorporated by reference in the Registration Statements on Form S-3 (Nos. 333-270830 and 333-270834) and Form S-8 (No. 333-237551) of Otis Worldwide Corporation.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut

CERTIFICATION

I, Judith F. Marks, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: October 31, 2024

/s/ JUDITH F. MARKS

Judith F. Marks

Chair, President and Chief Executive Officer

CERTIFICATION

I, Cristina Méndez, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: October 31, 2024

/s/ CRISTINA MÉNDEZ

Cristina Méndez

Executive Vice President and Chief Financial Officer

CERTIFICATION

I, Michael P. Ryan, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: October 31, 2024

/s/ MICHAEL P. RYAN

Michael P. Ryan

Senior Vice President and Chief Accounting Officer

Section 1350 Certification
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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: October 31, 2024

/s/ JUDITH F. MARKS

Judith F. Marks

Chair, President and Chief Executive Officer

Date: October 31, 2024

/s/ CRISTINA MÉNDEZ

Cristina Méndez

Executive Vice President and Chief Financial Officer

Date: October 31, 2024

/s/ MICHAEL P. RYAN

Michael P. Ryan

Senior Vice President and Chief Accounting Officer