



OTIS

Investor Day

February 15, 2022

Forward-Looking Statements

Note: All results and expectations in this presentation reflect continuing operations unless otherwise noted.

This communication contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management's current expectations or plans for Otis' future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "outlook," "medium-term," "near-term," "confident," "goals" and other words of similar meaning in connection with a discussion of future operating or financial performance, the proposed tender offer by Otis to acquire all of the issued and outstanding shares of Zardoya Otis, S.A (the "Tender Offer") and the separation (the "Separation") from United Technologies Corporation (now known as Raytheon Technologies Corporation ("RTX")). 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, research & development spend, credit ratings, net indebtedness and other measures of financial performance or potential future plans, strategies or transactions of Otis following the Separation or in connection with the Tender Offer, including the estimated costs associated with the Separation and the Tender Offer, or statements that relate to climate change and our intent to achieve certain environmental, social and governance 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: (1) the effect of economic conditions in the industries and markets in which Otis and its businesses operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, pandemic health issues (including COVID-19 and variants thereof and the ongoing economic recovery therefrom and their effects on, among other things, global supply, demand and distribution), natural disasters and the financial condition of Otis' customers and suppliers; (2) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services; (3) future levels of indebtedness, capital spending and research and development spending; (4) future availability of credit and factors that may affect such availability, credit market conditions and Otis' capital structure; (5) 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; (6) fluctuations in prices and delays and disruption in delivery of materials and services from suppliers, whether as a result of COVID-19 or otherwise; (7) cost reduction or containment actions, restructuring costs and related savings and other consequences thereof; (8) new business and investment opportunities; (9) the outcome of legal proceedings, investigations and other contingencies; (10) pension plan assumptions and future contributions; (11) the impact of the negotiation of collective bargaining agreements and labor disputes; (12) the effect of changes in political conditions in the U.S. and other countries in which Otis and its businesses operate on general market conditions, global trade policies and currency exchange rates in the near term and beyond; (13) the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which Otis and its businesses operate; (14) the ability of Otis to retain and hire key personnel; (15) the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs; (16) the timing of closing, if any, of the Tender Offer and the ability to achieve the expected benefits of the Tender Offer and the timing thereof; (17) the ability to achieve the expected benefits of the Separation; (18) the determination by the Internal Revenue Service and other tax authorities that the distribution or certain related transactions should be treated as taxable transactions; and (19) the amount of our obligations and nature of our contractual restrictions pursuant to, and disputes that have or may hereafter arise under the agreements we entered into with RTX and Carrier Corporation in connection with the Separation. The above list of factors is not exhaustive or necessarily in order of importance. For additional information on identifying factors that may cause actual results to vary from those stated in forward-looking statements, see Otis' registration statement on Form 10 and the reports of Otis on Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time. Any forward-looking statement speaks only as of the date on which it is made, and Otis assumes no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Today's presenters



Judy Marks
Chair, CEO
& President



Robin Fiala
VP, Sales
& Marketing



Rahul Ghai
CFO

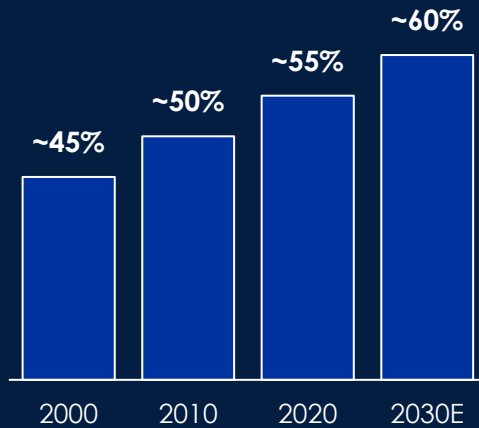


Otis Overview

Judy Marks

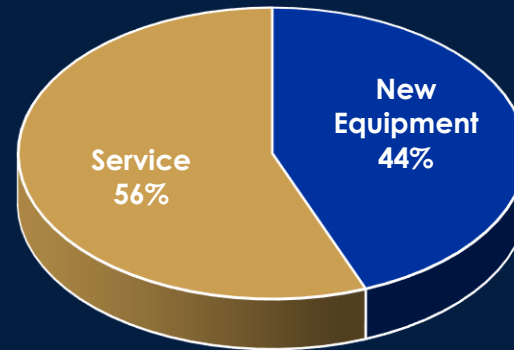
An attractive industry...

Strong urbanization trend



Global urban population (%)

Industry mix



Sales

~\$80B industry

Industry highlights

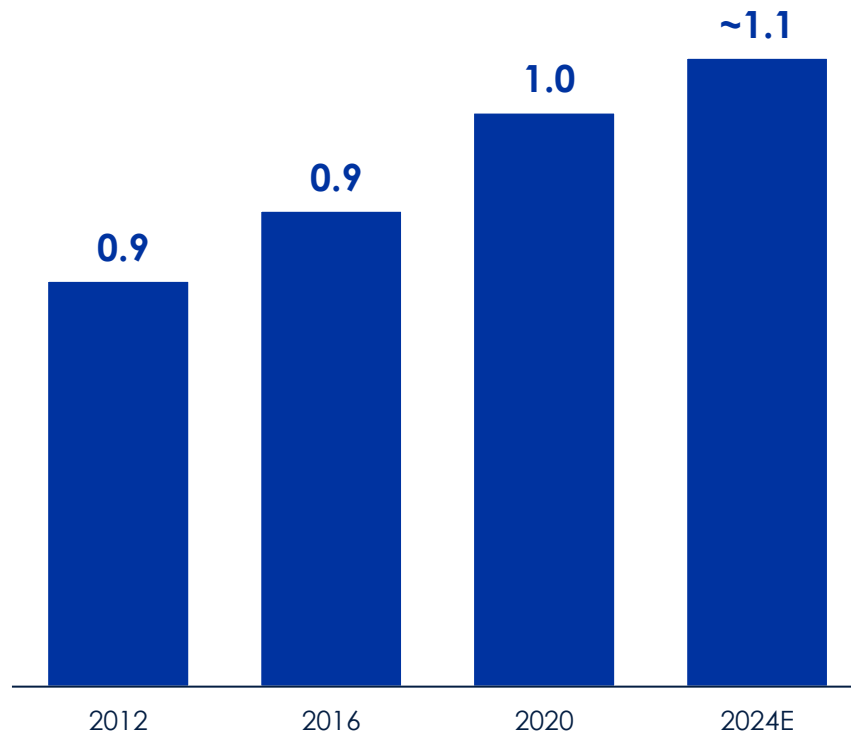
- Strong fundamentals supported by global growth trends, including urbanization
- Highly regulated, life-safety business
- Top 5 participants represent ~70% of the industry
- Concentrated New Equipment market
- Fragmented Service base

Source: World Bank.
2021 estimates based on Otis internal analysis and public company disclosures.

... driven by recurring Service

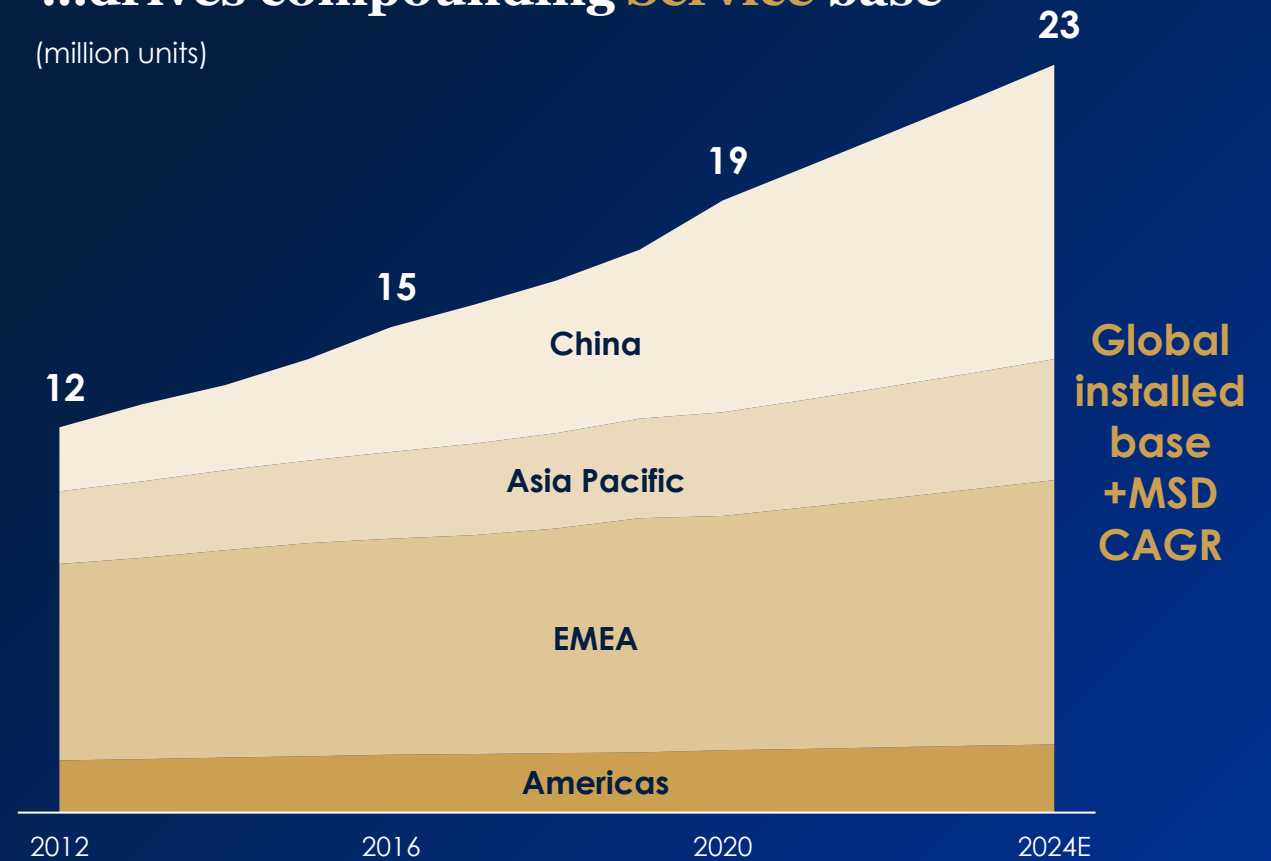
LSD New Equipment market growth...

(million units)



...drives compounding **Service** base

(million units)



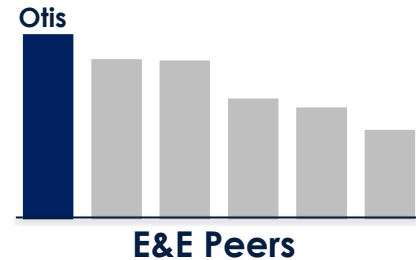
LSD = low single digits; MSD = mid single digits
Source: Otis internal analysis and public company disclosures.

Otis: An iconic industry leader

Leading industry across all key metrics¹...

...driven by Service

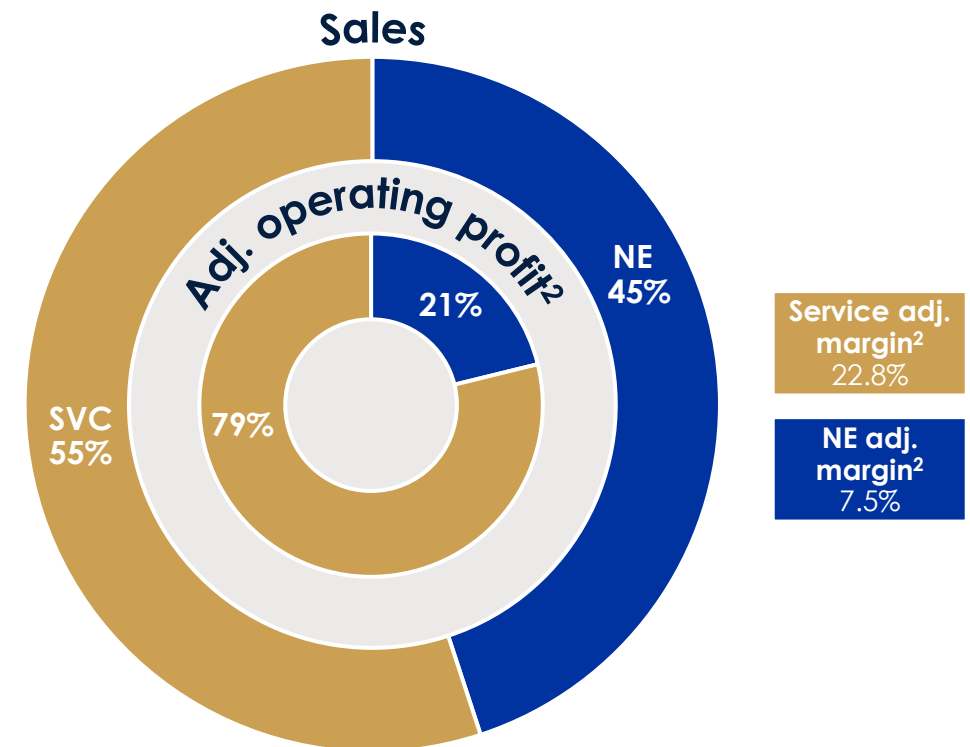
 Sales
\$14.3B



 Portfolio
>2.1M units



 Adj. operating profit margin²
15.3%



2021 results

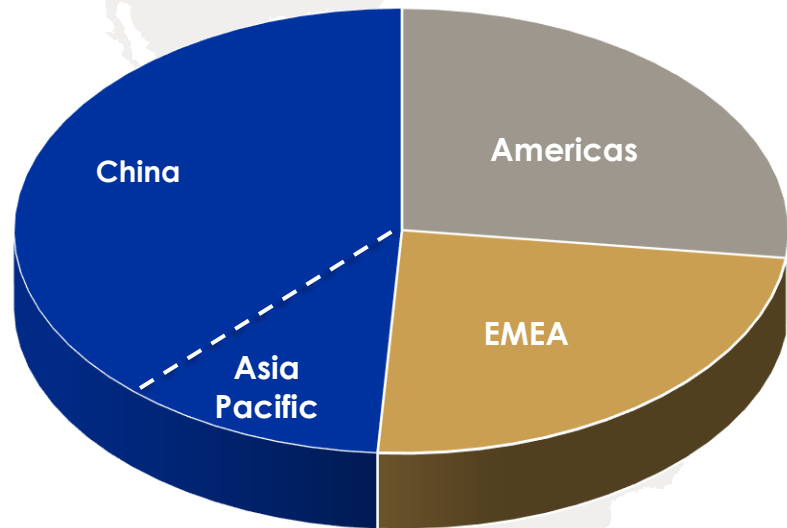
¹ Based on Otis internal analysis, public company disclosures and estimates.

² See appendix for additional information regarding these non-GAAP financial measures.

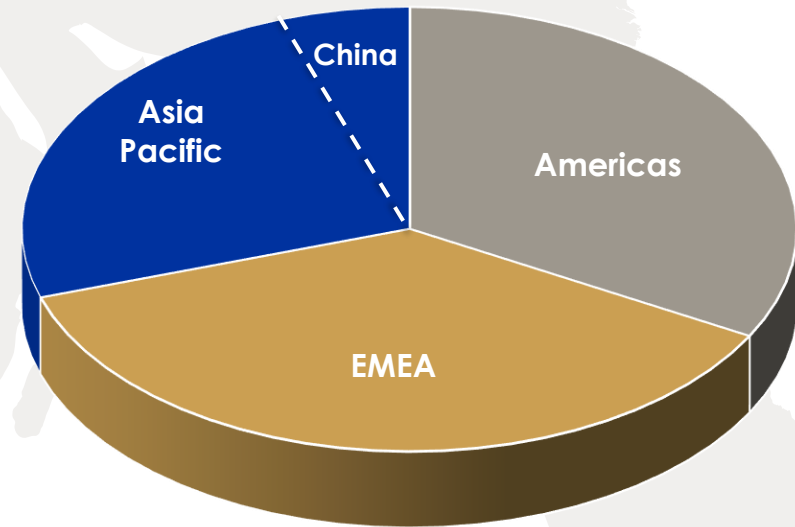
Strong geographic diversity

OTIS 2021 NET SALES

New Equipment
\$6.4B



Service
\$7.9B



Our collective commitment & vision in motion

INTEGRATING OUR STRATEGIC PILLARS AND OUR ESG COMMITMENTS TO DRIVE SHAREHOLDER VALUE



Invest in innovation... supporting sustained New Equipment growth

Gen2® Enhancements



Various enhancements to our best-selling Gen2 platform to address customer needs

Gen3™



Gen2 platform with built-in Otis ONE™ connectivity, digital options & improved aesthetics

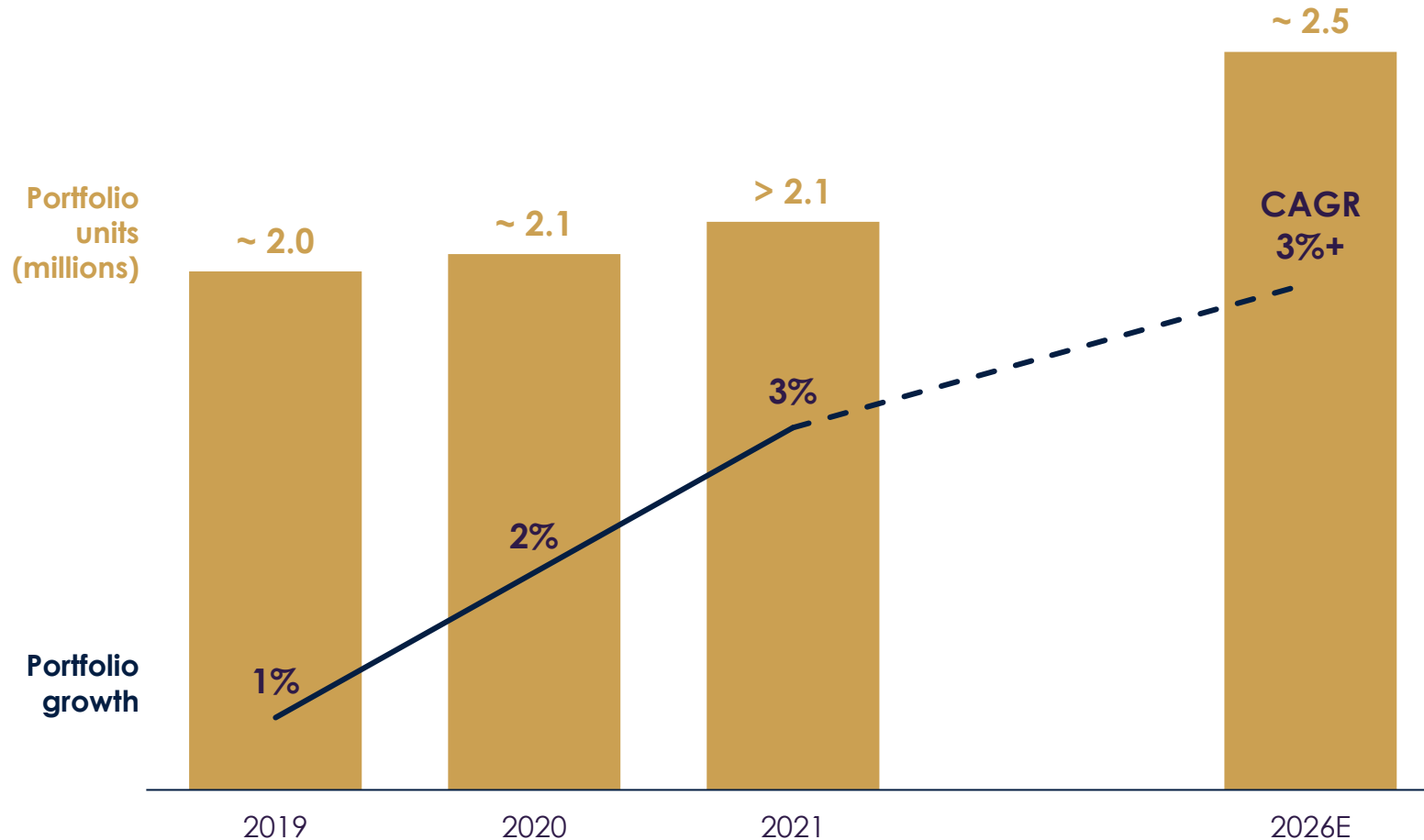
Gen360™



Next-generation, digitally enhanced, space optimal elevator platform

Strategic new product introductions driving geographic and digital expansion

Accelerate service portfolio growth



Drive profitable
service growth...
improving
retention,
conversion &
recapture

Advance Digitalization

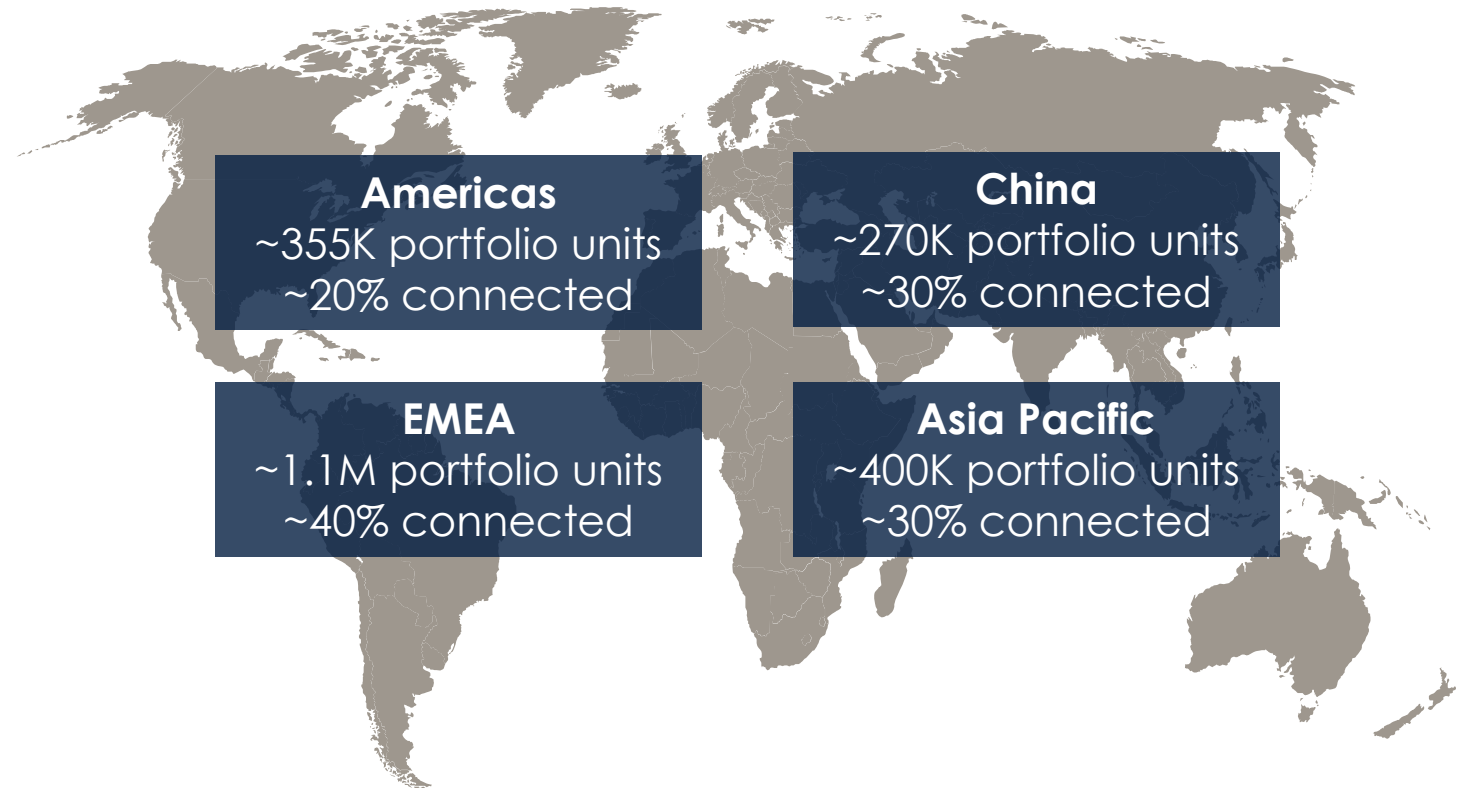
Intelligent, connected products...

...& Otis ONE™ targeted deployment strategy building momentum

Increase stickiness
Improve conversion
Enhance productivity
Expand subscription sales



Otis ONE
multimedia solution



1/3 of global units connected at the end of 2021...targeting 60%+ of units over the medium-term

Focus and empower the organization

Productivity tools & apps

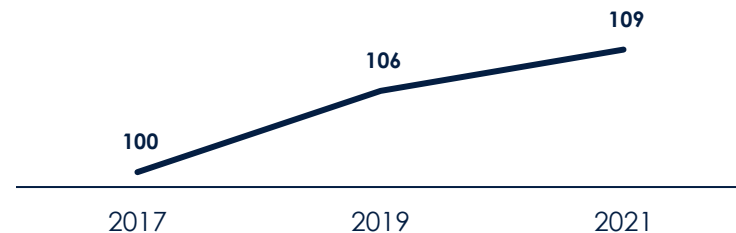


Accelerate diagnostics >420K analyses in 2021, up 26x vs. 2018

Facilitate repair sales >\$130M sold via app in 2021, up 3x vs. 2018

Improving productivity of service technicians

Maintenance & repair sales / # Service technicians (indexed)



Favorable Pulse survey scores

Success

74

Safety

89

Ethics

77

Quality

72

Prior¹ Current (September 2021)

Mid-single digit workforce attrition rate in 2021...
Improved 1 point versus 2019

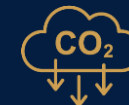
¹ Success (September 2019); Safety; Ethics and Quality (March 2021)

Advancing ESG initiatives

MAKING MEANINGFUL PROGRESS ON ESG JOURNEY...

2020	2021	2022
Formed a diverse and experienced Board of Directors Signed Paradigm for Parity Shared Our Commitment to Change Launched Made to Move Communities™	Signed U.N. Global Compact Completed materiality assessment Published Investor Download with long-term ESG goals Submitted CDP Climate response Recognized by Human Rights Campaign Corporate Equality Index "Best Places to Work for LGBTQ+ Equality" Launched electric vehicle pilots	Publish first ESG Report, complete with initial Task Force on Climate-Related Financial Disclosures (TCFD) submittal Tie executive compensation to select ESG goal performance Achieve 100% coverage globally in Employee Assistance Program (EAP) Launch volunteer policy and program

...AND AGAINST LONG-TERM GOALS



50% reduction of Scope 1 & Scope 2 GHG emissions by 2030

Progress To-Date:

- ~7% reduction of Scope 1 & 2 emissions from 2019 baseline¹



Achieve gender parity in our executive ranks by 2030

Progress To-Date:

- 36% of our executives are women



100% of factories are ISO 14001 certified by 2025

Progress To-Date:

- ✓ Goal Achieved in 2021

¹ Results pending third-party verification.

Delivering strong financial results

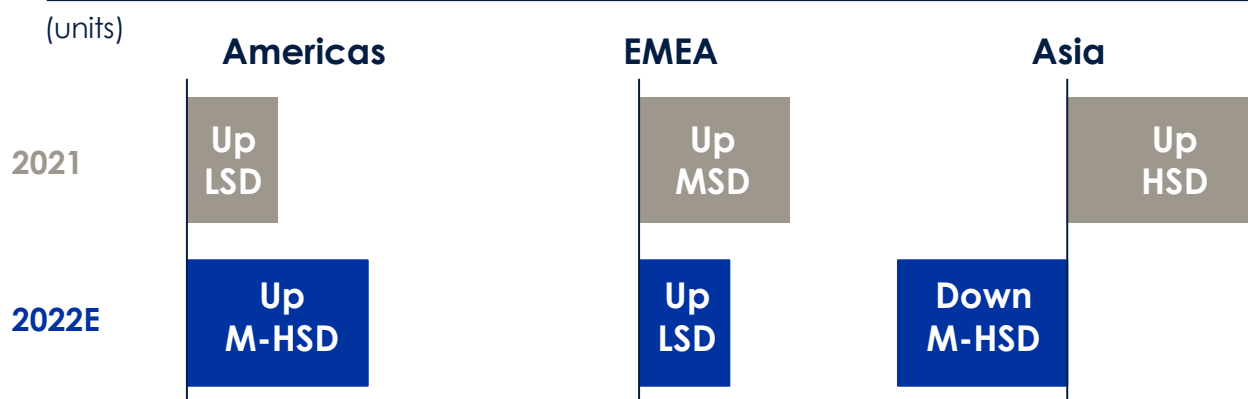
	Prior medium-term outlook (Feb. 2020)	2020 & 2021 Results
Organic ¹ sales	up L - MSD	3% CAGR vs. 2019
Adjusted operating profit ¹ margin	up 20 – 30 bps annually	up 50 bps annually, on average, vs. 2019
Adjusted EPS ¹	up HSD	16% CAGR vs. 2019
Free cash flow ¹ & capital deployment	Free cash flow¹ conversion 110 – 120% Dividend ~40% payout ratio Excess cash share repurchases & bolt-on M&A	Free cash flow¹ conversion 134% Dividend ~32% payout ratio² Excess cash ~\$725M share repurchases & ~\$135M bolt-on M&A

¹ See appendix for additional information regarding these non-GAAP financial measures.

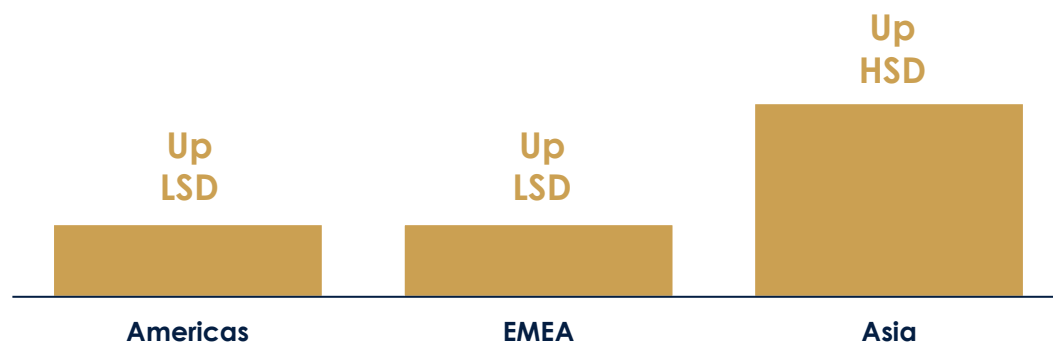
² 2021 dividend payout ratio

2022 outlook

Industry New Equipment growth¹



Industry installed base growth¹



¹ Based on Otis internal estimates. LSD: low single digits; MSD: mid-single digits; HSD: high single digits

² See appendix for additional information regarding these non-GAAP financial measures.

Otis

- **Net sales** of \$14.4 to \$14.7B, up 1 to 3% at actual currency; organic² up 2.5 to 4.5%
- **Adjusted operating profit²** of \$2.24 to \$2.3B, up \$95 to \$165M at constant currency²; up \$50 to \$120M at actual currency
- **Adjusted EPS²** \$3.20 to \$3.30, up 6 to 10%
- **Free cash flow²** ~\$1.6B, conversion 115 to 120%
- **Disciplined capital allocation**

Medium-term outlook¹

Organic sales CAGR

Up low to mid single digits

New Equipment
Up low single digits

Service
Up mid single digits

Average adjusted operating profit margin expansion

~40 bps

New Equipment
10 to 20 bps

Service
40 to 50 bps

Adjusted EPS CAGR

Up 10%+

Free cash flow

100 to 110% Conversion

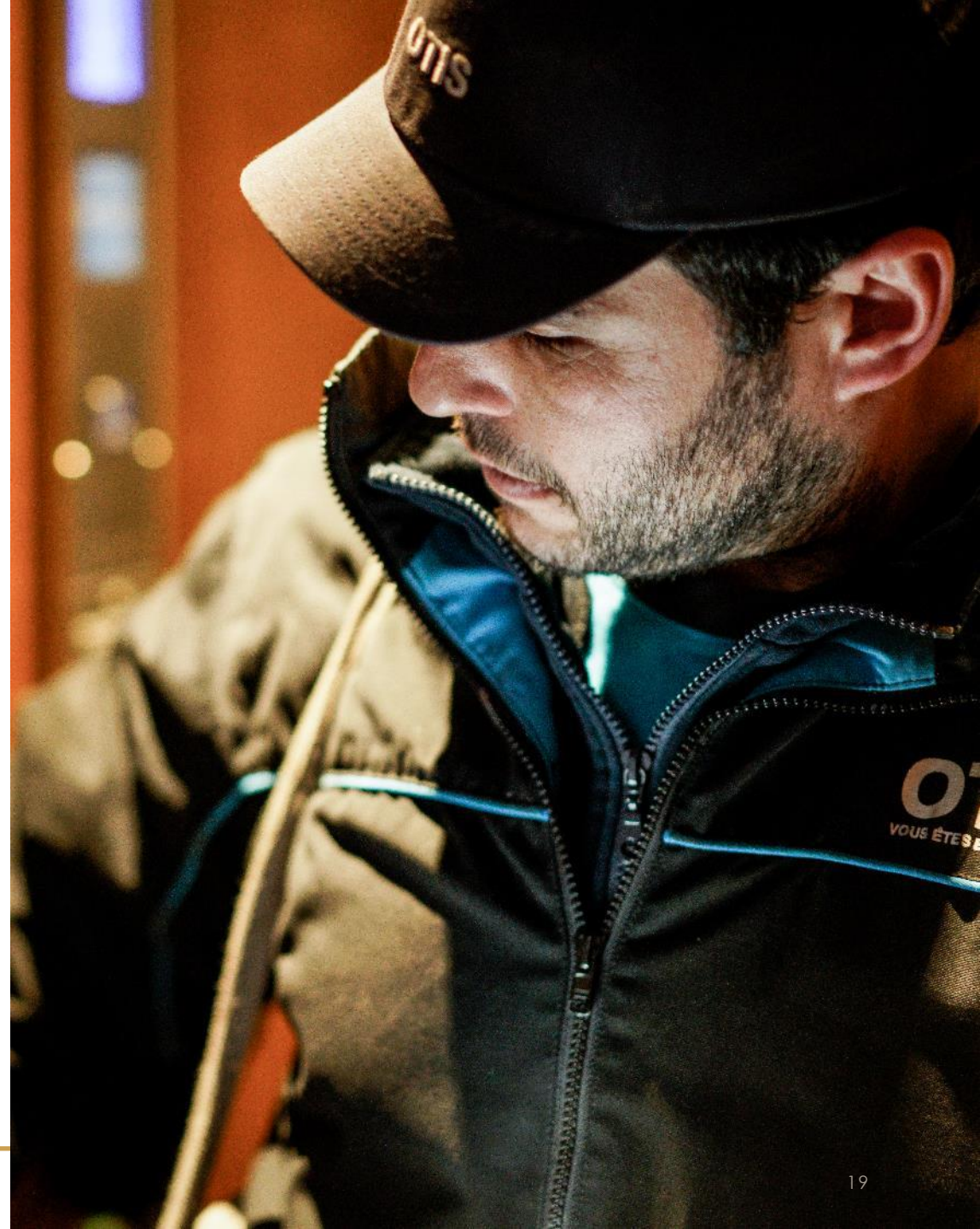
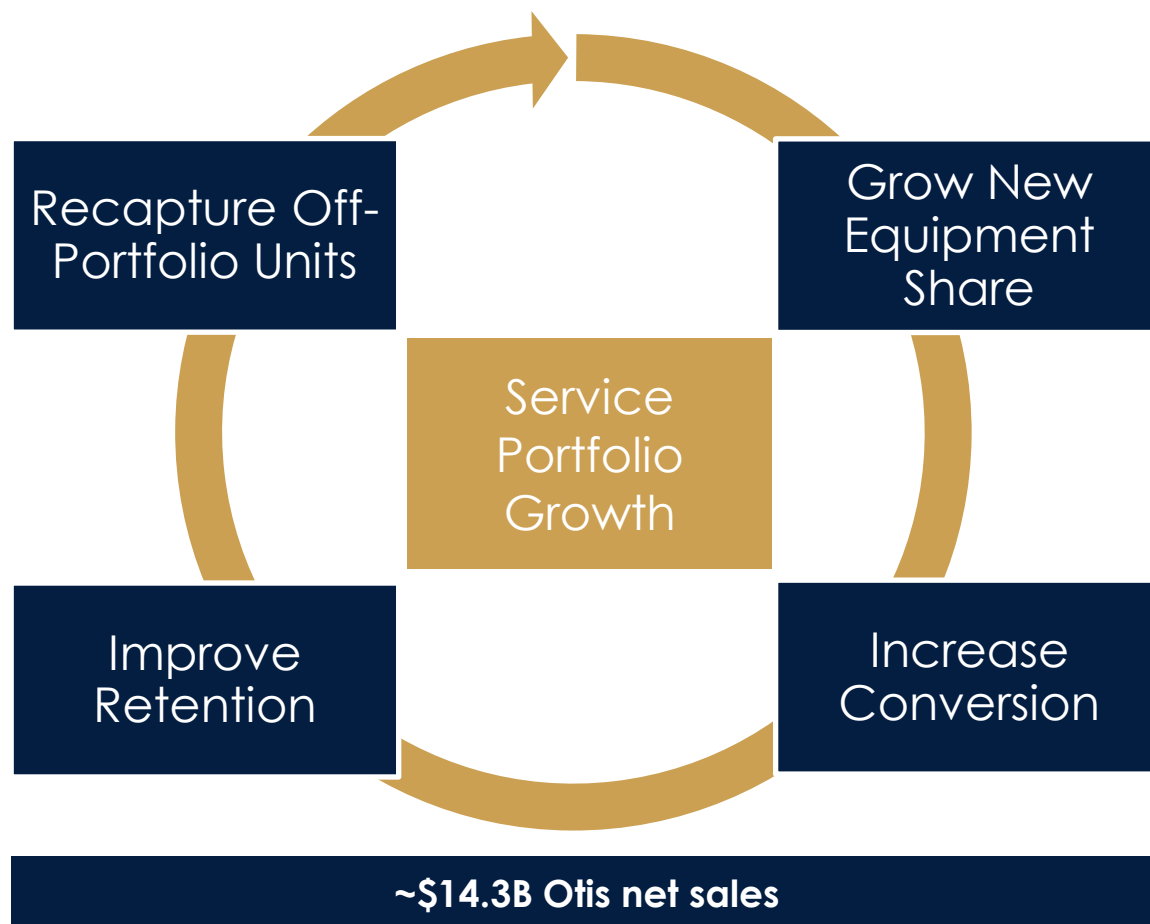
¹ See appendix for additional information regarding these non-GAAP financial measures.



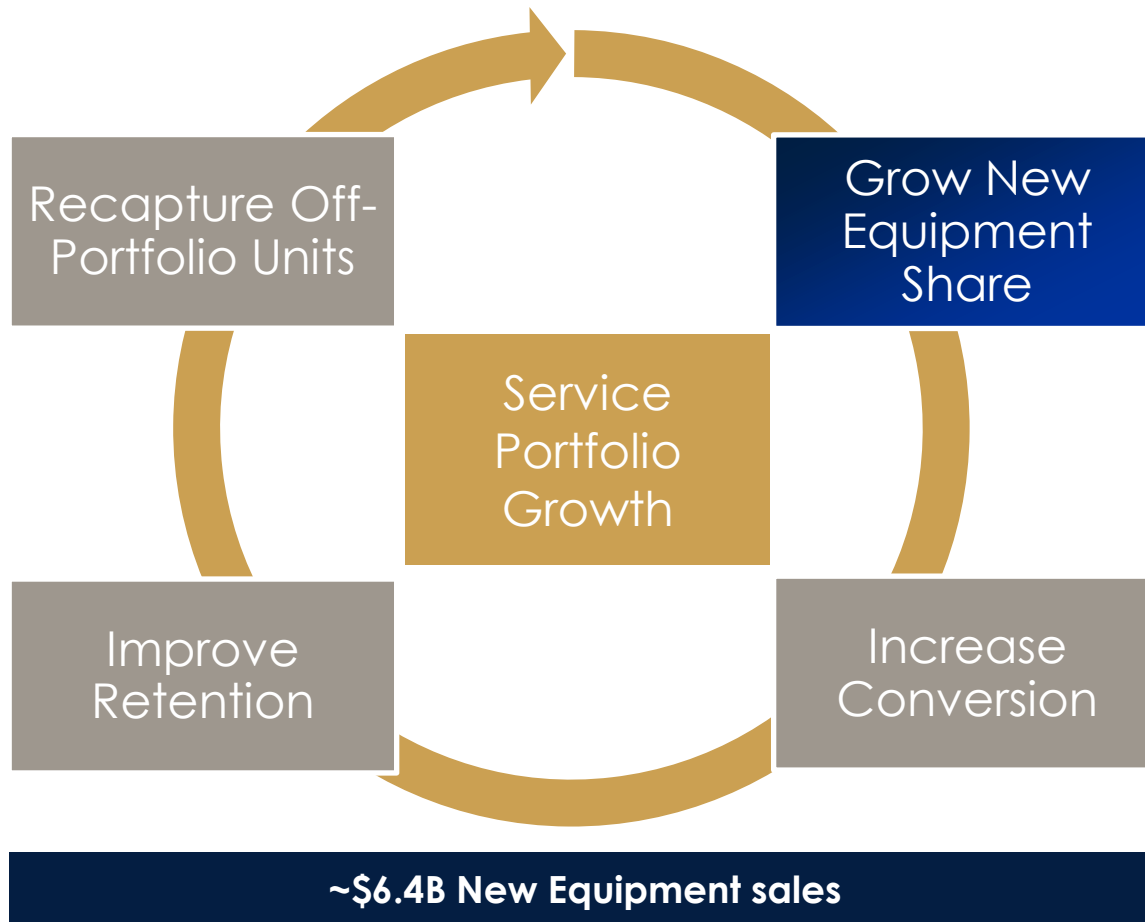
Global Growth Strategy

Robin Fiala

Otis: Service driven business model



Otis: Service driven business model



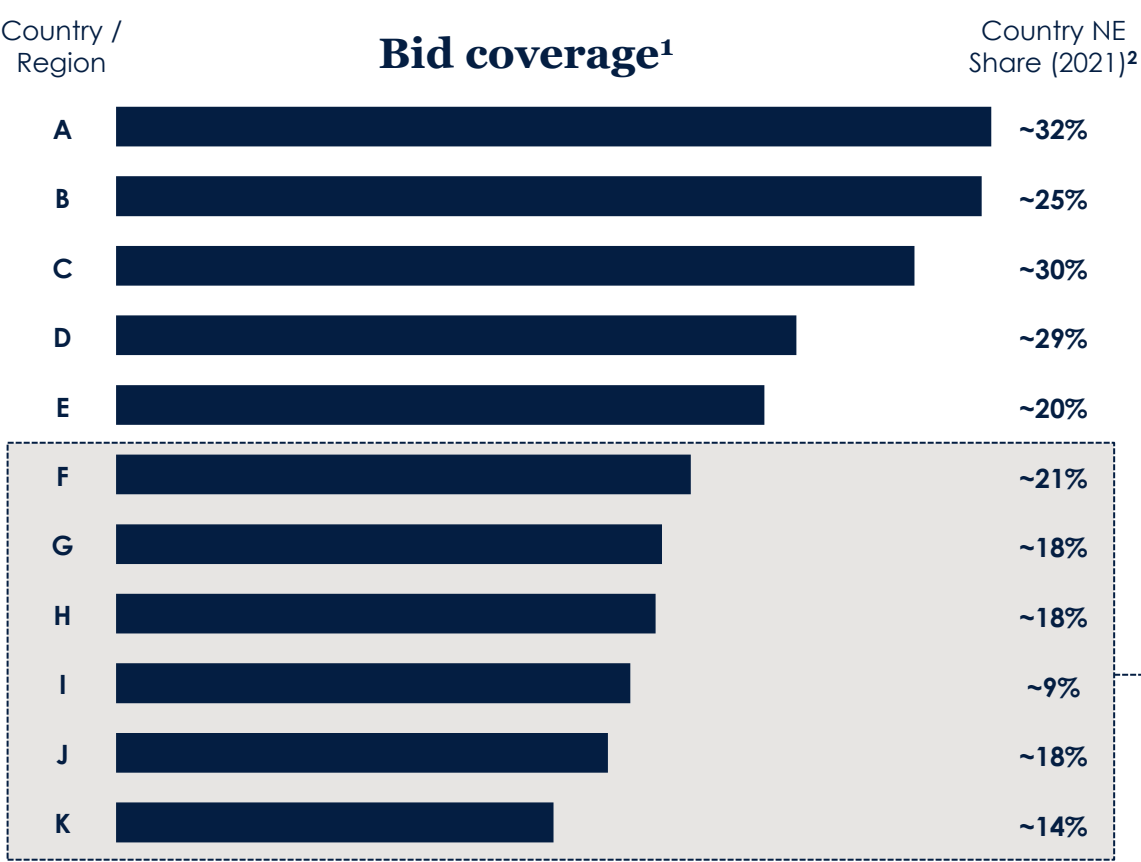
Strategies to grow New Equipment

Salesforce coverage & effectiveness

Expand addressable market

Industry leading product platforms

Increase sales coverage & effectiveness

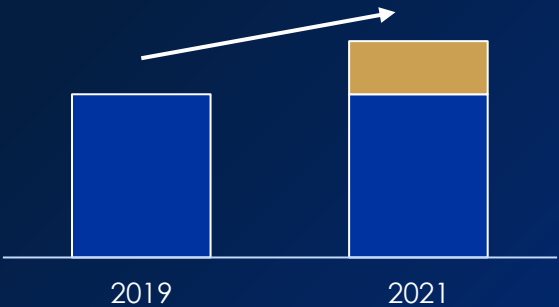


Opportunity for another 5-10% total unit coverage

1 Bids seen as a % of country size.
2 Bookings as a % of country size.

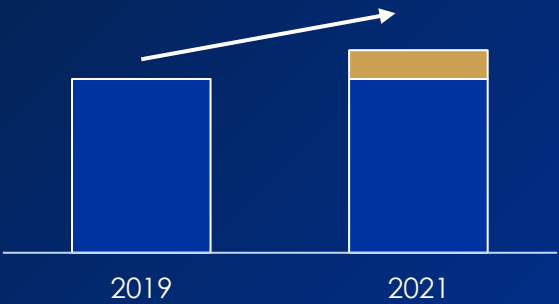
Focused coverage improvements

Increased coverage ~ 10 pts



Share increase

Gained 2 pts share



Expanding addressable market

GEN2® PRIME: Entry level product



~30% Cost reduction¹

16 New countries

15 passenger Capacity...
increase from 4 passengers with
speeds up to 1.75m/s

+5pts Expanded NE market
opportunity

Thousands of units sold since launch

COMPASS® 360: Destination dispatching



20%+ Cost reduction²

>15 Algorithm upgrades

99%+ Retention rate

~4x Expanded market
opportunity...introduced into mid-
rise market for 10+ stories

30% increase in units sold since 2019

¹ Versus Gen2 Nova machine roomless (MRL) elevators manufactured in the India factory.

² Versus CompassPlus.

Industry leading innovation...

Otis Gen360™

Step function change in digital

1st

in industry to implement drive-by-wire technology...mechanical to electronic safety brake

2X

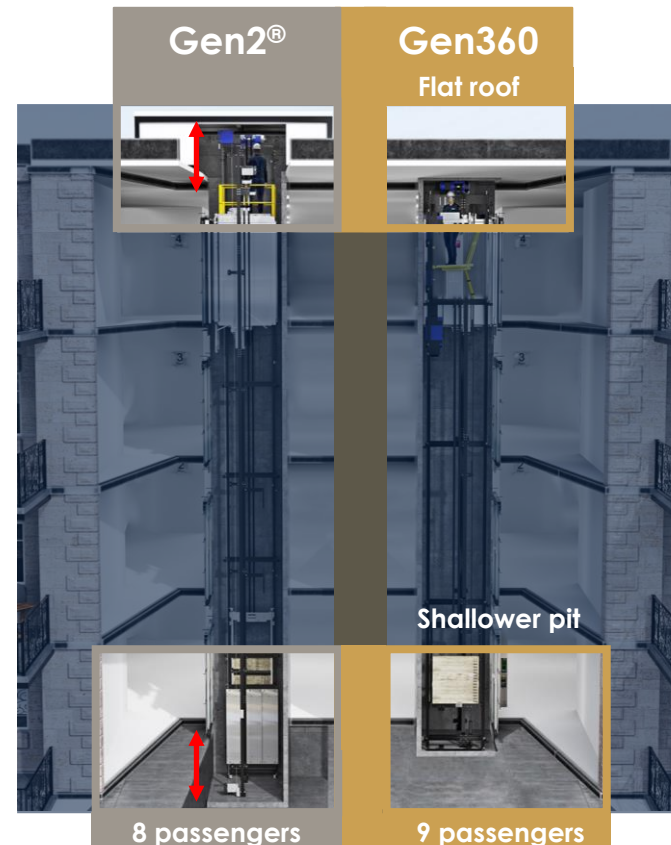
Number of power & control boards

2.5X

Lines of software code

Digitalization leads to higher new equipment share and service stickiness...supporting growth of Otis' portfolio

Revolutionary platform

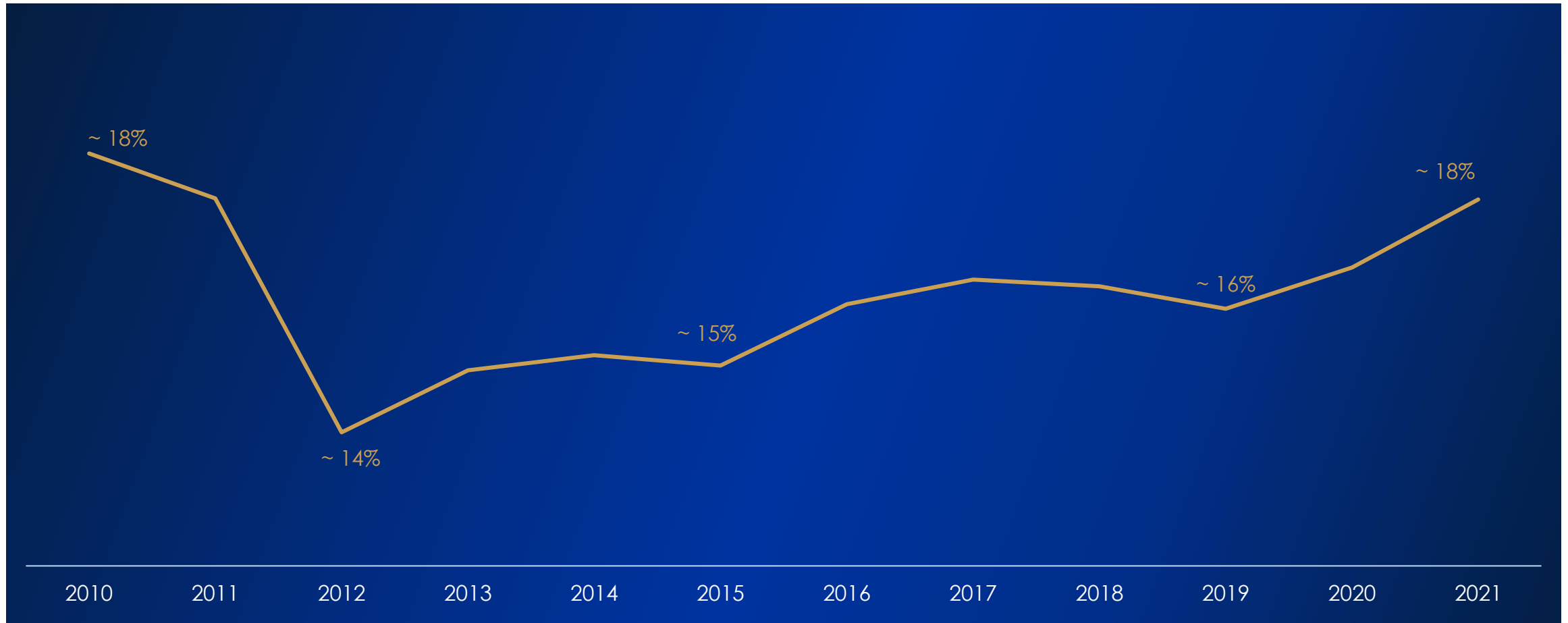


New Equipment & Service benefits

- Flat roof and decreased pit depth reduces construction cost and provides building design flexibility
- Up to 50% reduction in entrapments
- Over the air enhancements improve quality and increases subscription sales
- Expanded remote capabilities... improves customer up-time and Otis productivity
- Energy efficiency...lower environmental impact

Unleashing Otis potential

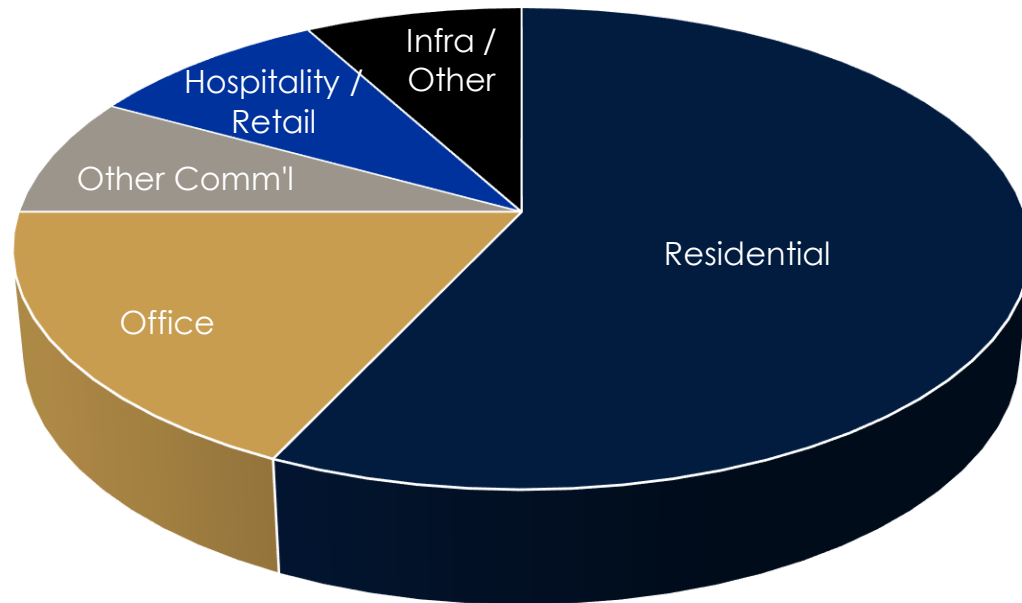
NEW EQUIPMENT SHARE %¹



¹ Based on Otis internal analysis and public company disclosures.

Otis Service overview

> 2.1M Service units



Largest service portfolio globally

~\$6.5B

Maintenance & repair sales

#1

Service share

~4Yrs

Average contract length with
inflation adjustments

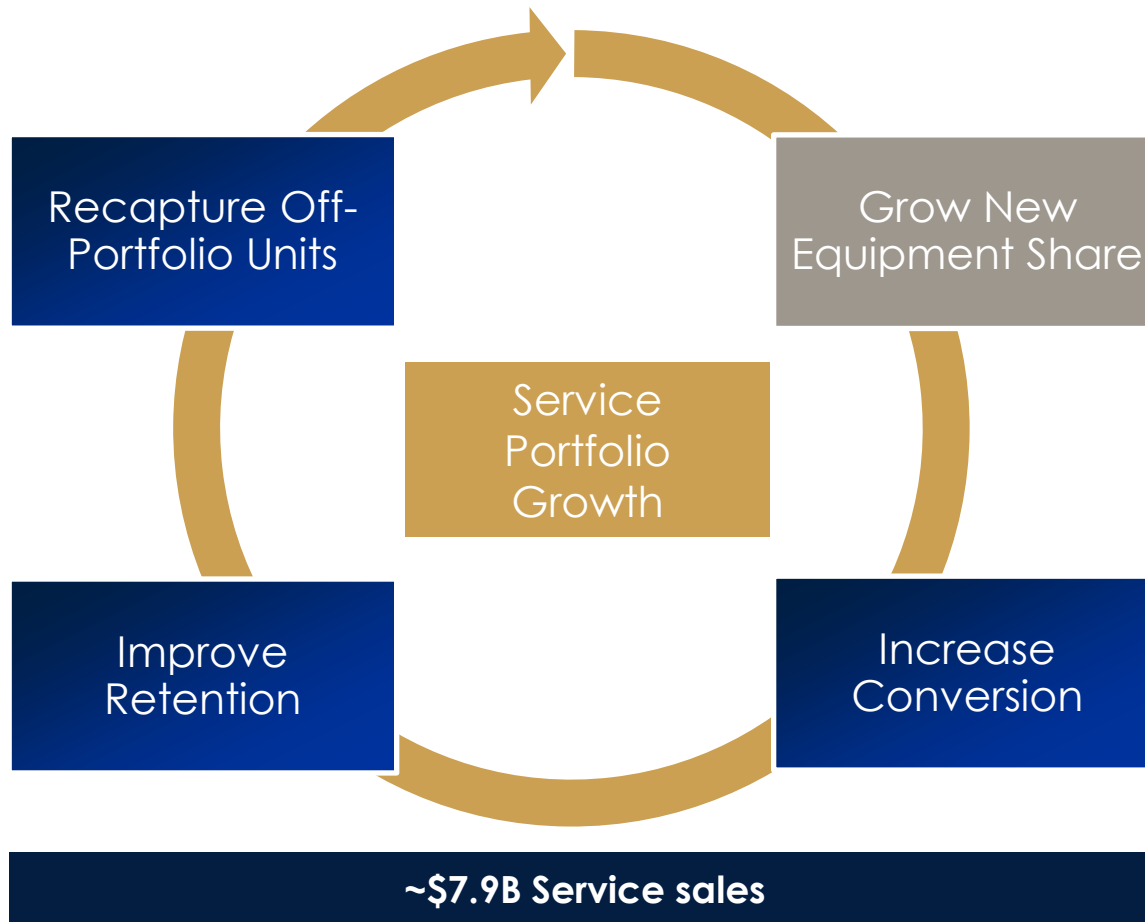
~94%

Retention rate

62%

Conversion Rate

Otis: Service driven business model



Strategies for growth

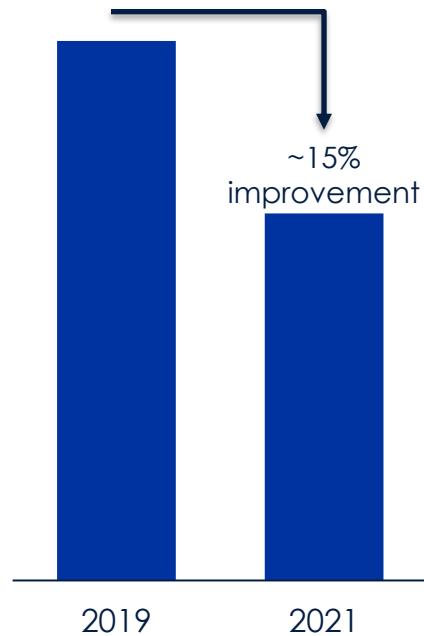
Improving customer experience

Digital offerings increase recurring revenue

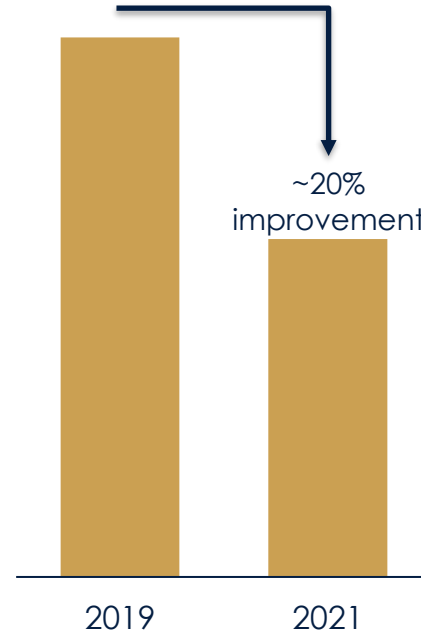
Capitalize on Modernization

Improving customer experience

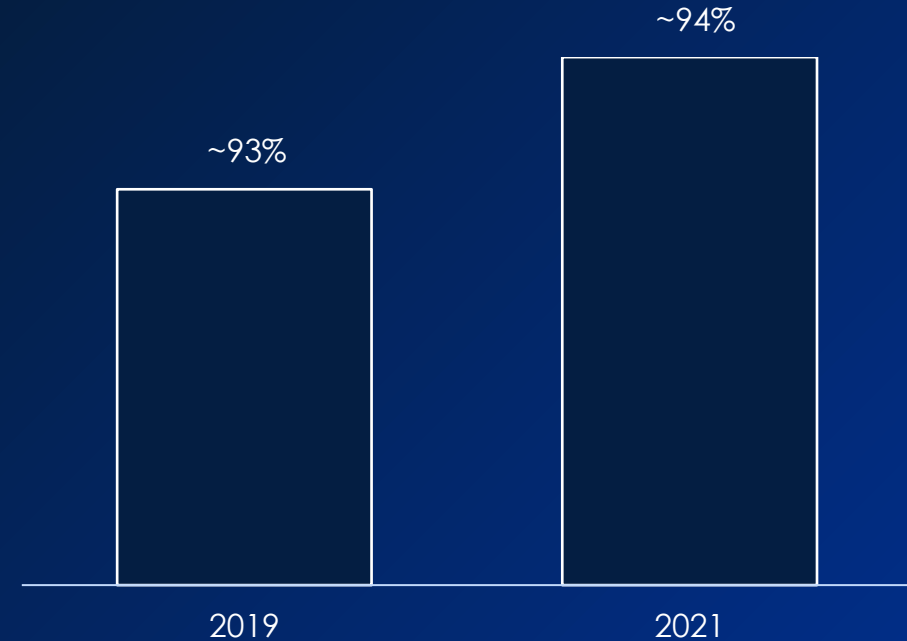
Unplanned shutdowns
(Indexed, 2019 = 100)



Service response time
(Indexed, 2019 = 100)



Retention rates



Focus on better customer experience leads to higher retention

Otis ONE™: improving the Service experience

Otis Experts & A.I.: Improving Otis productivity



- Determine unhealthy elevators
- Remotely fix and maintain
- Dispatch technician with diagnostics

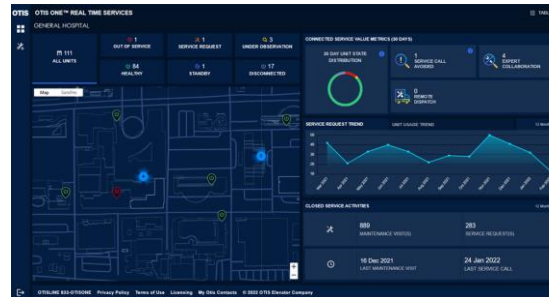


Field technician app

Otis Customers: Driving customer value & stickiness



- Reduces unplanned service calls
- Improves service response time
- Increases visibility



Customer portal

Otis ONE in China: (2021 v 2019)

~75K Otis ONE units deployed ...
~30% of portfolio

~5% Reduction in unplanned
service call rate

~10% Reduction in service
hours per unit

Real-time active monitoring & cloud-based analytics

Digital offerings also increase recurring revenue

Expand digital offering...



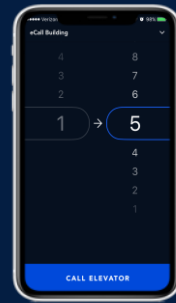
Otis ONE™



Otis eView™ Multimedia

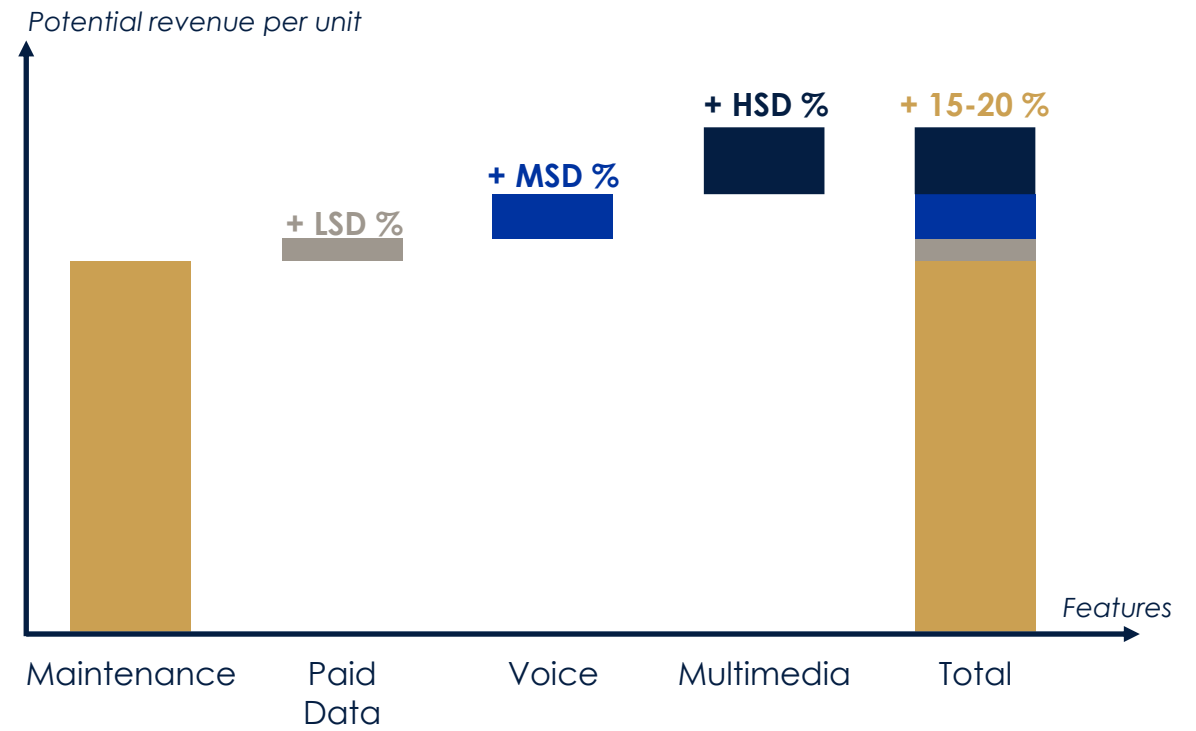


Compass® 360



Otis eCall™

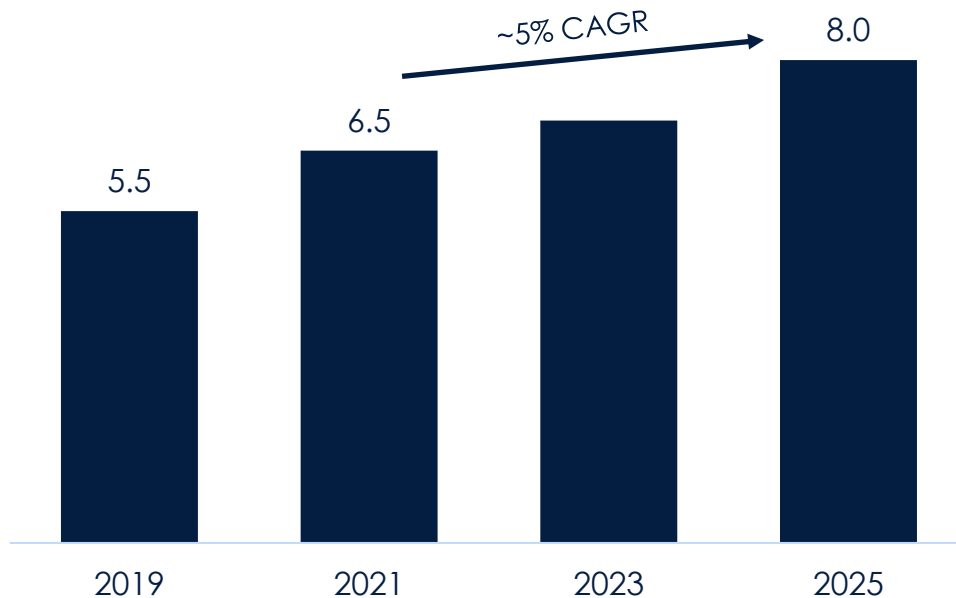
...higher recurring revenues through Otis ONE™



Modernization opportunity

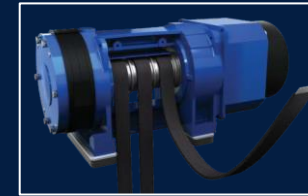
Large and growing modernization prospects...

Aging installed base ripe for modernization work (M units)



~6.5M units > 20 years old...~8M by 2025

...Otis has the products & tools to capitalize



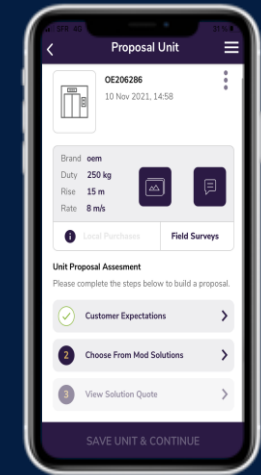
Geared to gearless



ReGen™



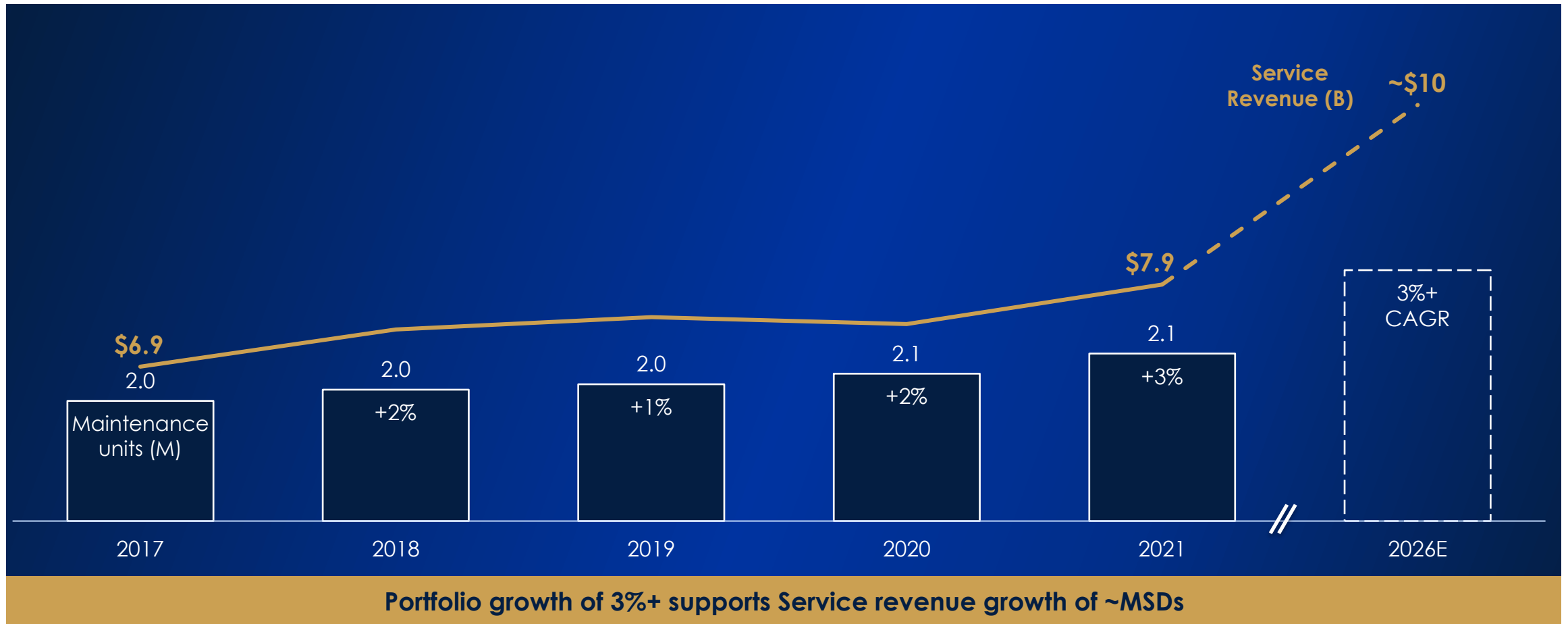
Machine-Roomless



My Mod App

MSD+ % Modernization revenue CAGR

Otis driving Service growth

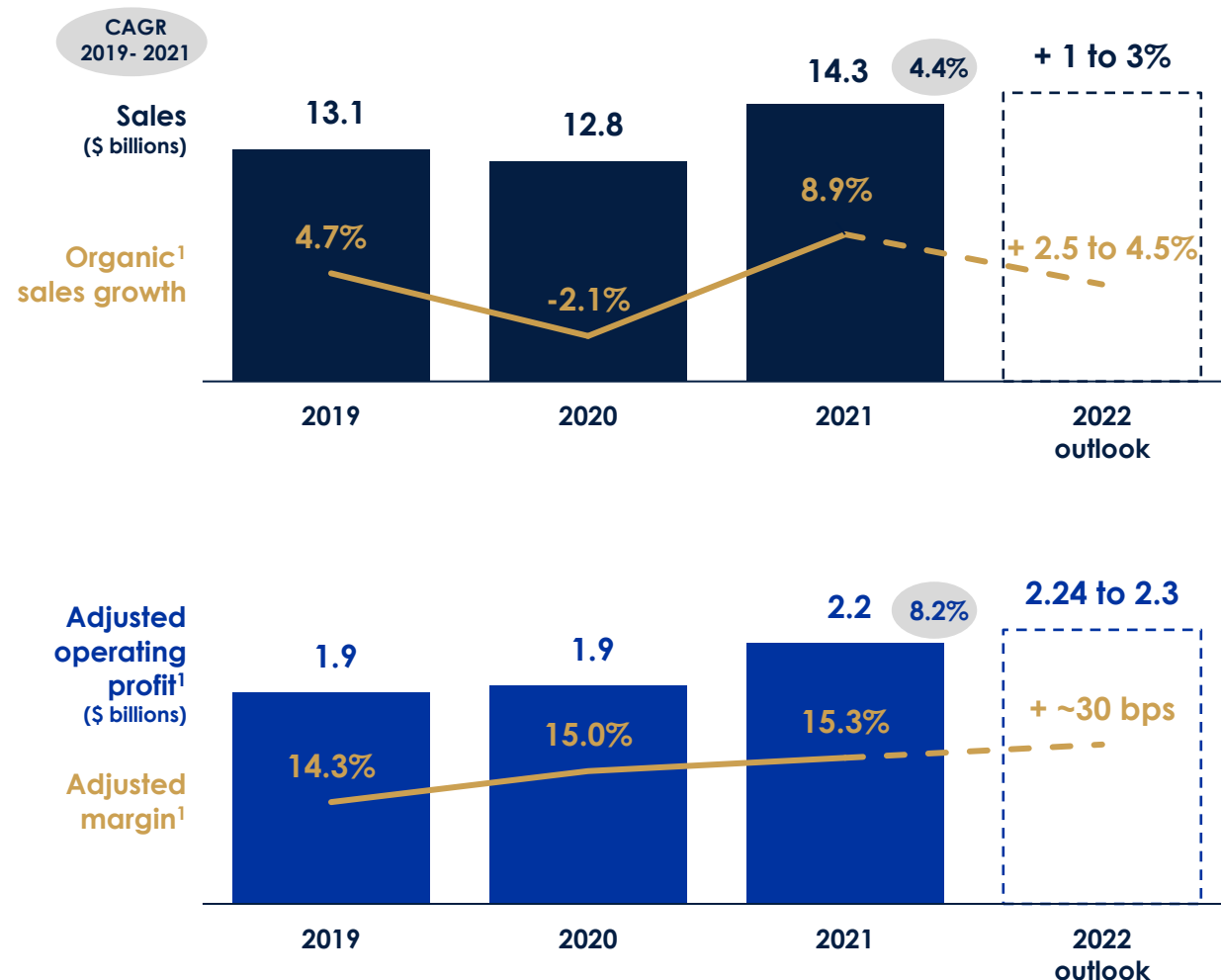




Financial Overview

Rahul Ghai

Financial performance



¹ See appendix for additional information regarding these non-GAAP financial measures.

2022 Outlook

Organic sales¹

New Equipment + 0.5 to 3.0%

Service + 4.0 to 6.0%

Adjusted operating profit margin¹

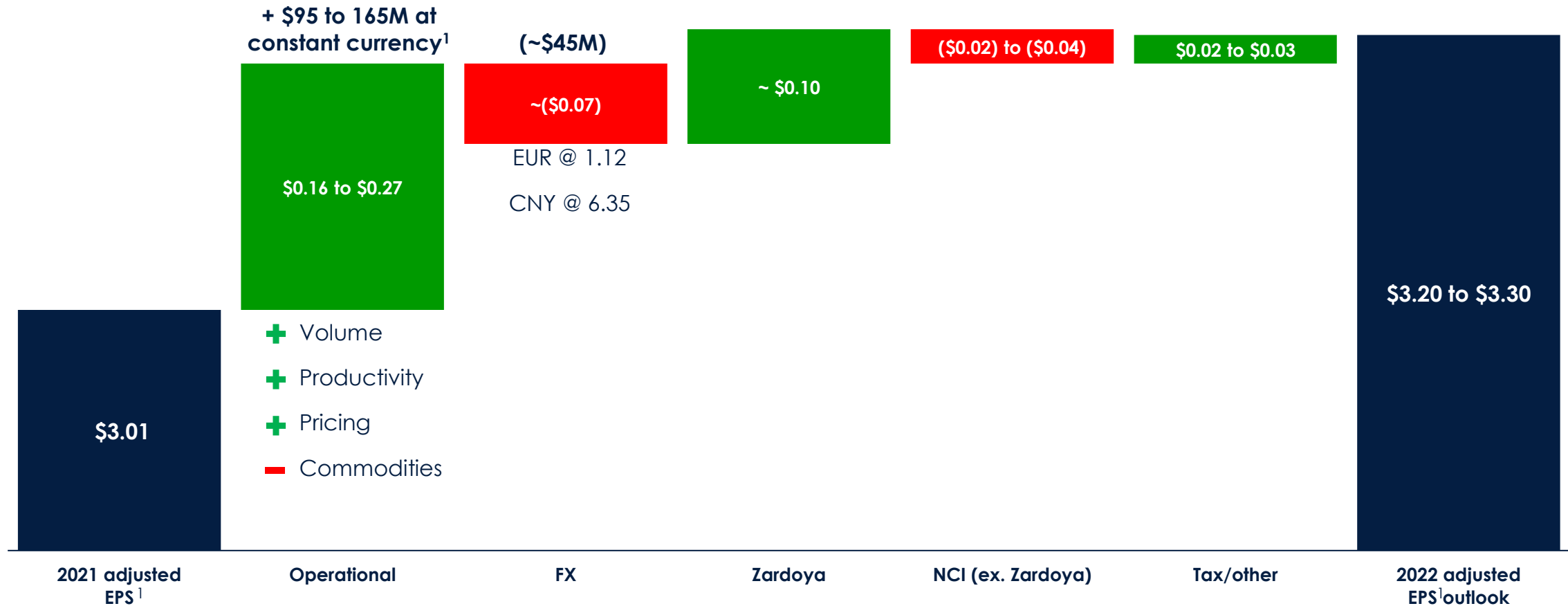
New Equipment flat to + 20 bps

Service + ~50 bps

Adjusted EPS¹ \$3.20 to \$3.30, up 6 to 10%

Free cash flow¹ \$1.6 billion, 115 to 120% conversion

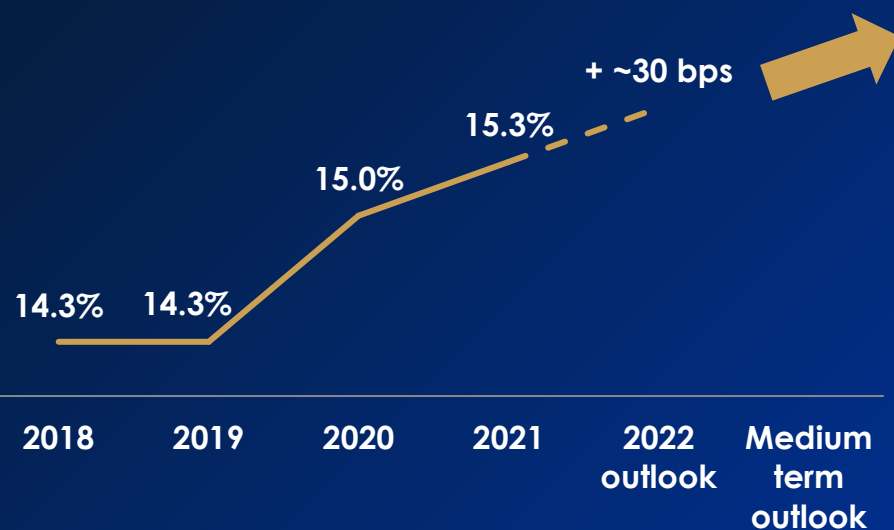
High single digit adjusted EPS¹ growth in 2022...3-year CAGR of ~13%



¹ See appendix for additional information regarding these non-GAAP financial measures.

Expand operating margins

Adjusted operating margin¹



Mitigated COVID-related headwinds to expand margins 100 bps from 2019 to 2021

Average medium-term margin expansion outlook of ~40 bps per year

Grow volume...benefit from higher Service growth mix

Maintain New Equipment profitability...modest margin expansion driven by volume and productivity

Expand Service profitability...solid margin expansion through productivity initiatives and pricing increases

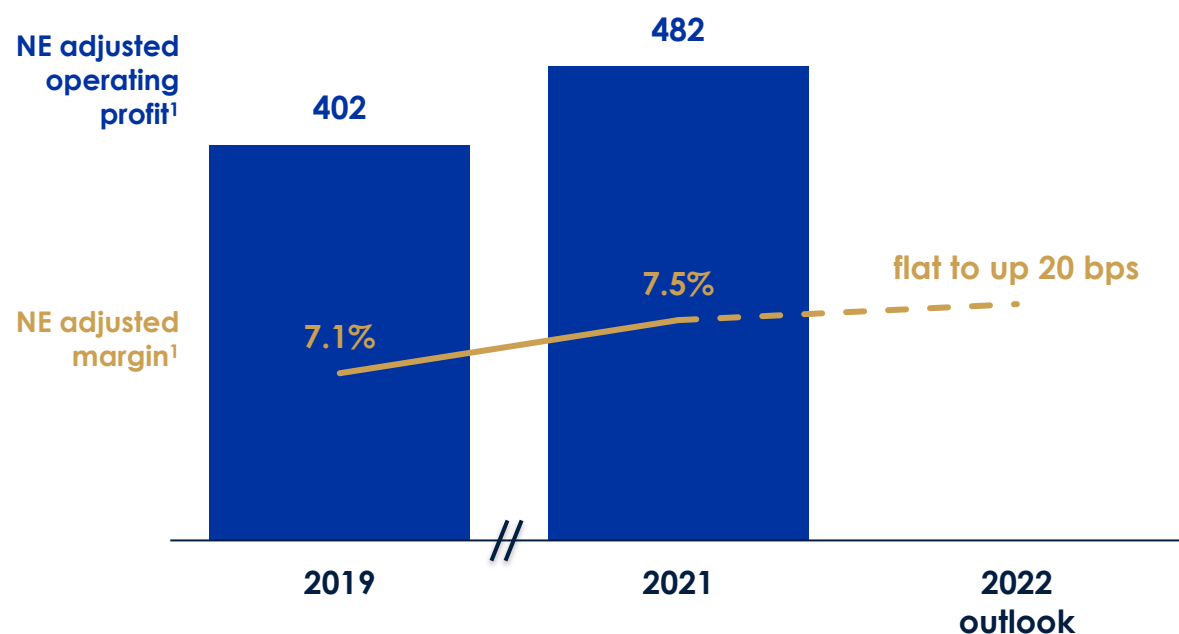
Focused cost containment

¹ See appendix for additional information regarding these non-GAAP financial measures.

Mitigating New Equipment cost headwinds

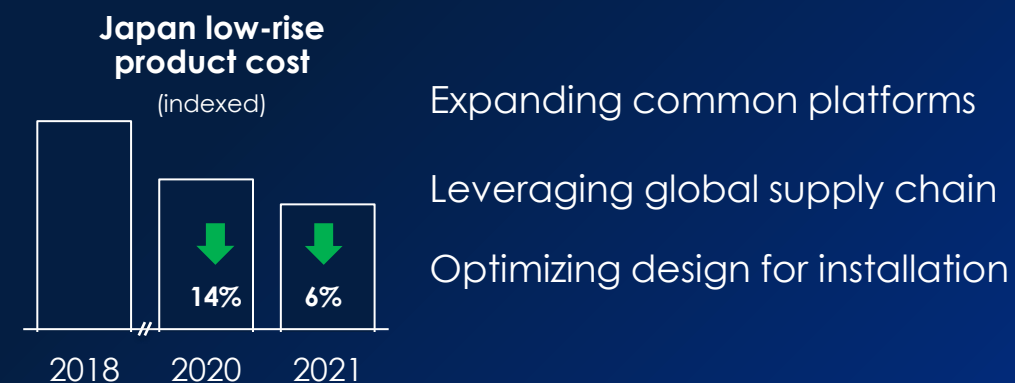
New Equipment adjusted operating profit¹

(\$ millions)



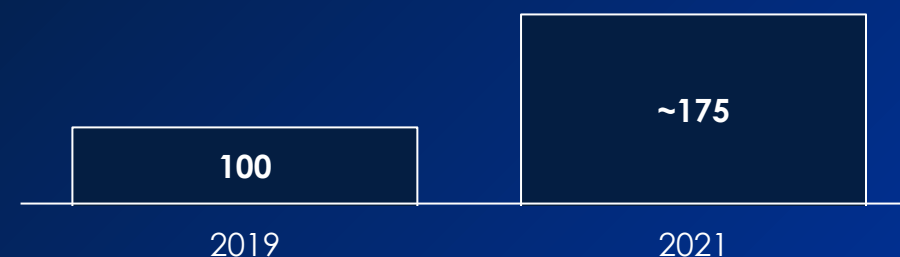
¹ See appendix for additional information regarding these non-GAAP financial measures.

Driving product cost down...



...and improving installation execution

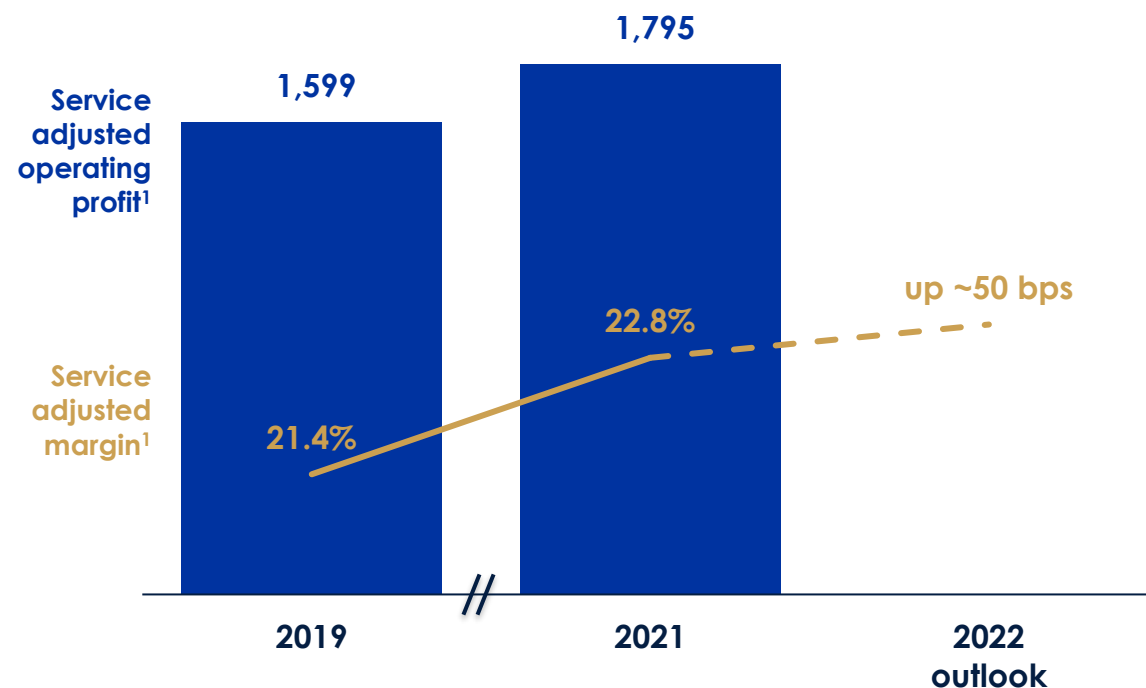
(indexed, installation productivity \$)



Drive Service productivity

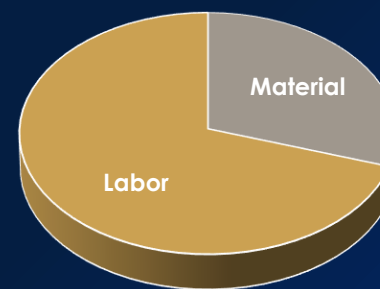
Service adjusted operating profit¹

(\$ millions)



¹ See appendix for additional information regarding these non-GAAP financial measures.

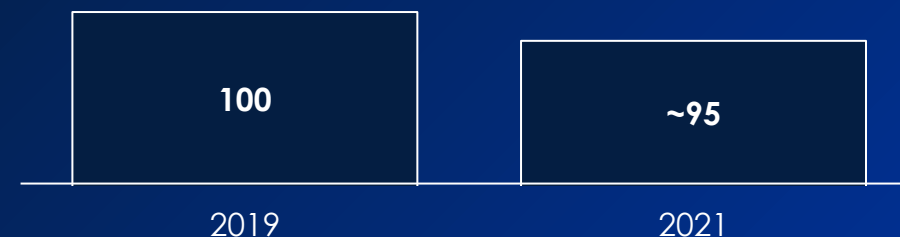
Several initiatives to drive down labor cost...



- Deploy Otis ONE™
- Enhance digital tools
- Specialize mechanic activity
- Optimize service routes

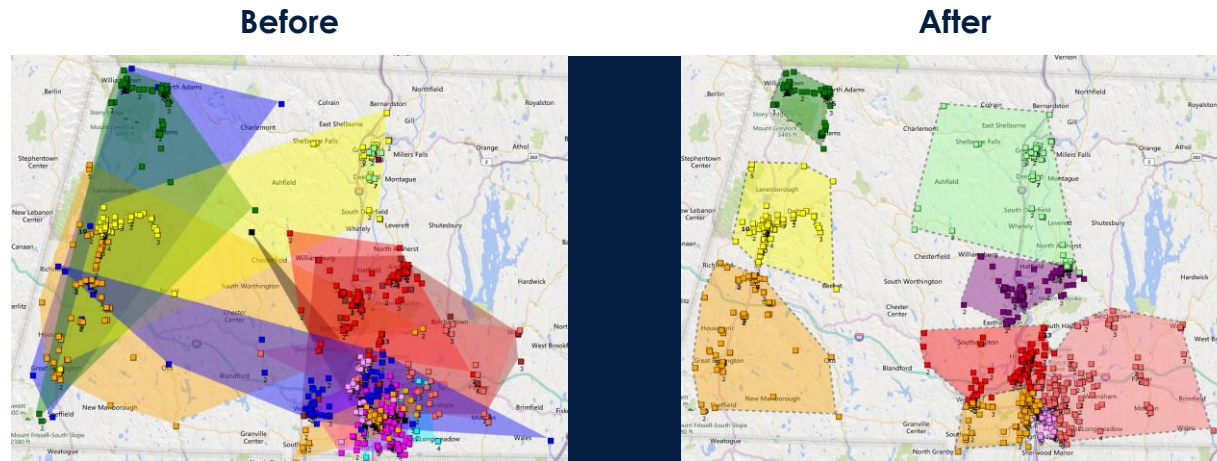
...with demonstrated benefits

(indexed, hours/unit adjusted for mix)



Digitalization enabling route optimization

CASE STUDY: ROUTE OPTIMIZATION IN NORTH AMERICA



Northeast U.S. branch

~30%
Reduction in
travel time

~1/4
Reduction in
number of routes

Route optimization benefits¹

~9% of portfolio units optimized

~150 routes eliminated...
mechanics redeployed

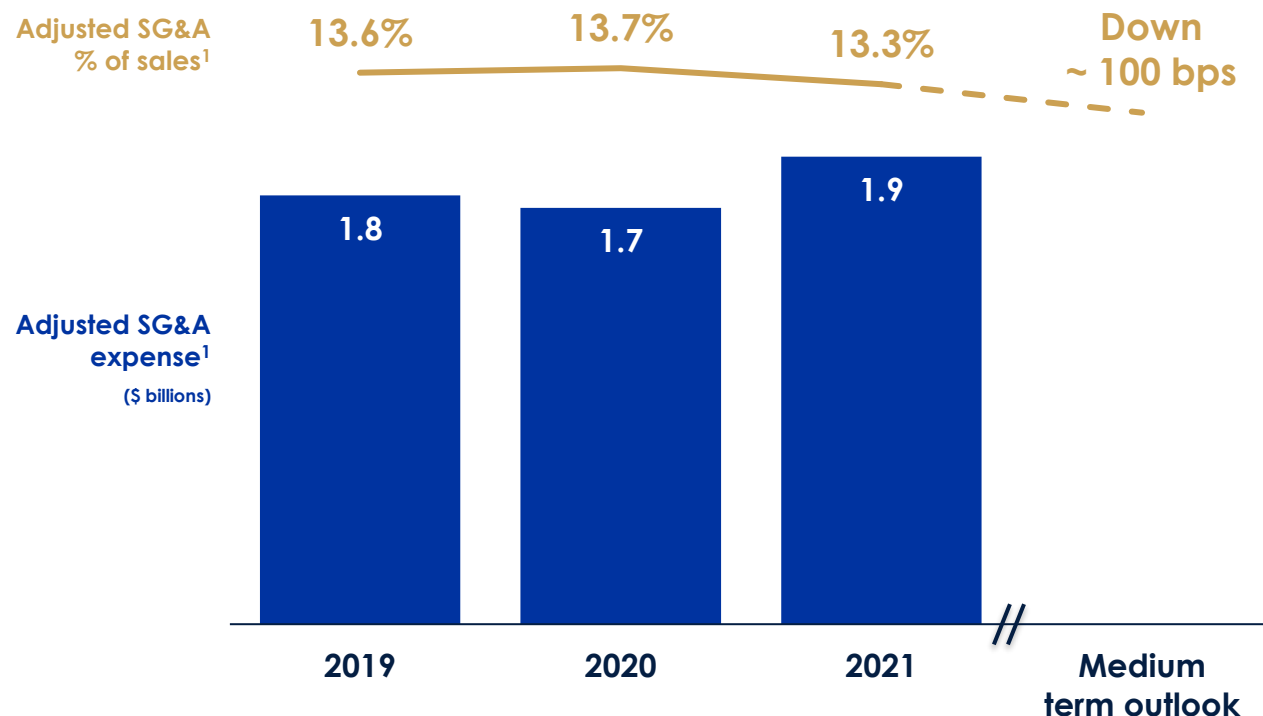
~225K reduction in miles traveled

Balancing workload and driving
improvements in response time and
maintenance completion

Deployed to ~40 branches...targeting deployment to an additional ~300 branches in 2022

¹ Simulated benefits based on 80 branches

Rationalize SG&A



Reduced 2021 adjusted SG&A¹ as a % of sales by 40 bps versus prior year

¹ See appendix for additional information regarding these non-GAAP financial measures.

Structural

- Leveraging scale & aligning global processes
- Increasing usage of shared service centers
- Established sales center of excellence

ERP & digital

- Driving process and analytics efficiencies
- Managing ~70% of sales on a common ERP...targeting ~80% in 2022

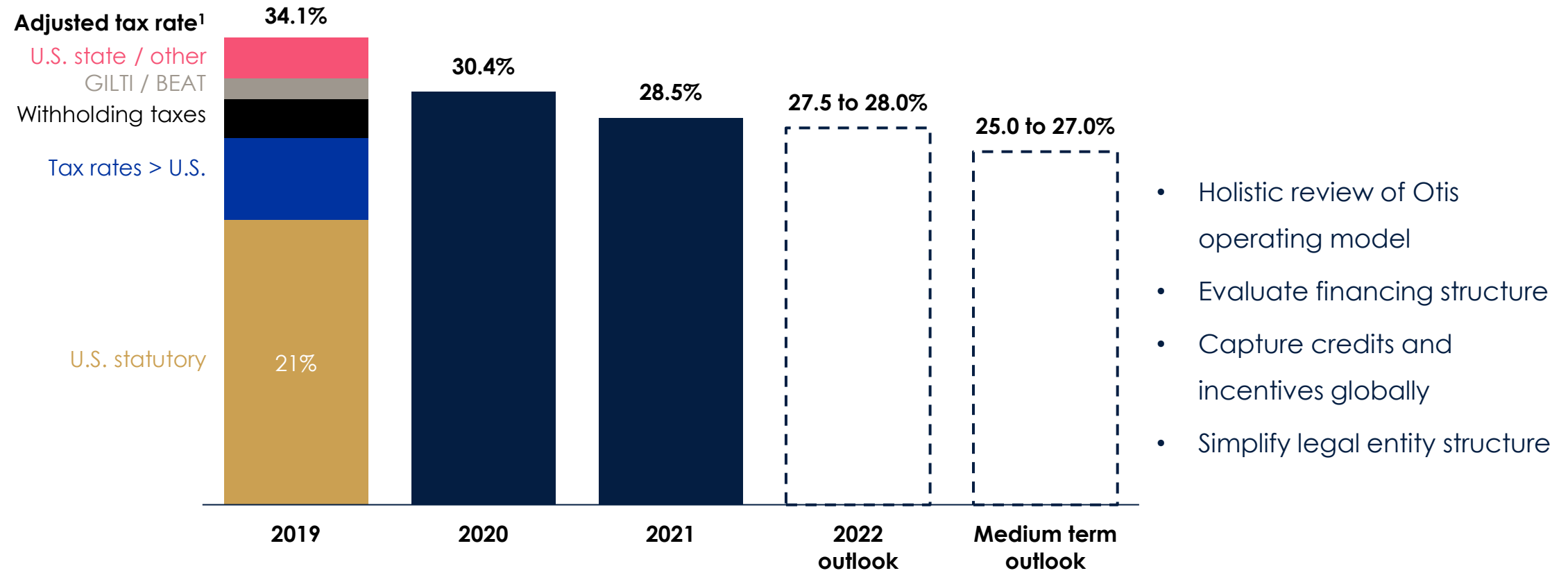
Standalone costs

- Continuing to drive down incremental cost
- Optimizing IT infrastructure

Effective tax rate evolution

Strong progress since spin...

...continuing to target reduction over the medium-term



¹ See appendix for additional information regarding these non-GAAP financial measures.

Capital allocation

Medium-term priorities

Debt repayment

\$500M completed in Q1 2022

Dividend

~35 - 40% Payout ratio²

Bolt-on M&A

\$50 - \$100M annually

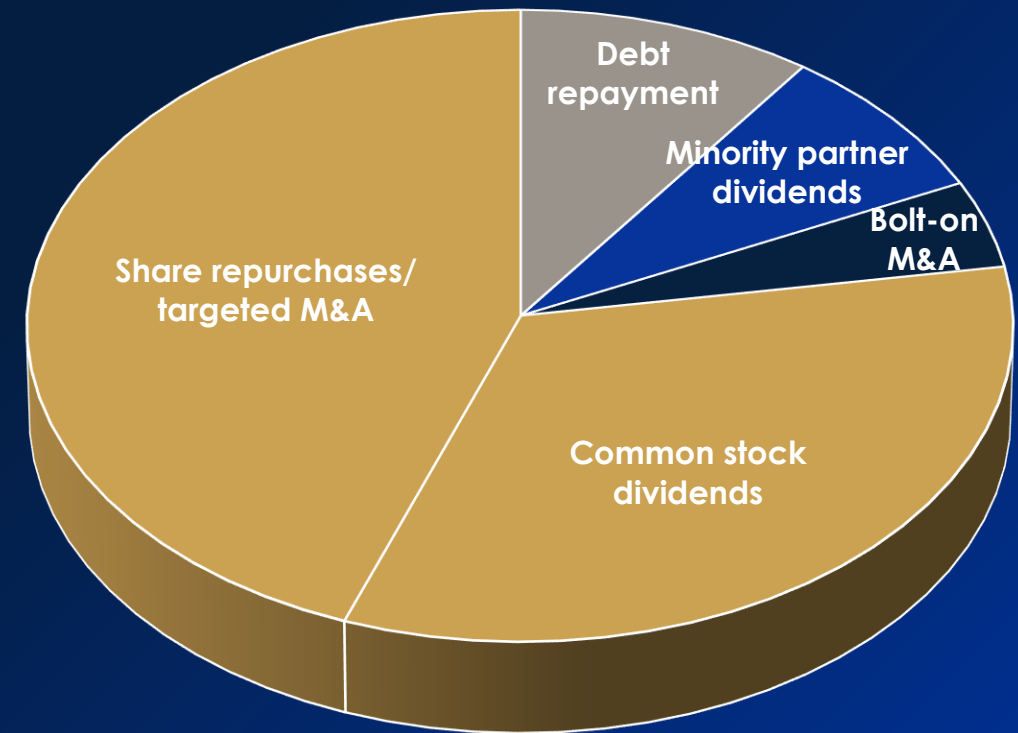
Excess cash

Share repurchases & targeted M&A

¹ See appendix for additional information regarding these non-GAAP financial measures.

² As a percentage of GAAP net income

Free cash flow¹ of ~\$5B generated
between 2022 to 2024



Medium-term outlook

Organic sales¹ CAGR

Otis up low to mid single digits

New Equipment up low single digits

Service up mid single digits

Average adj. operating profit¹ margin expansion

Otis ~40 bps

New Equipment 10 to 20 bps

Service 40 to 50 bps

Adjusted EPS¹ CAGR

10%+

Free cash flow¹

100 to 110% conversion

Dividend

35 to 40% payout ratio²

Excess cash

Share repurchases and targeted M&A

¹ See appendix for additional information regarding these non-GAAP financial measures.

² As a percentage of GAAP net income

Q&A Session

Participant Toll-Free Dial-In Number: +1 (877) 735-3703

Participant International Dial-In Number: +1 (602) 563-8793

Conference ID: 6517978

To enter the queue: press *1 on your telephone

Validated recurring service model drives continued value creation¹

Sales

- Invest in innovation
- Gain New Equipment share
- Accelerate portfolio growth

Sustainable growth

Operating Profit

- Drop through from volume
- Optimize supply chain & installation process
- Drive service productivity
- Rationalize SG&A

Expand operating margin

Cash & Capital Deployment

- Reduce effective tax rate
- Make targeted investments
- Raise dividends
- Continue share repurchases

Return cash to shareholders

¹ Based on Otis internal estimates and expectations.

OTIS

2022 organic¹ sales outlook

	2021 Actual	Outlook
New Equipment	up 15.5%	up 0.5 to 3.0%
Americas	up 14.1%	up low single
EMEA	up 7.1%	up mid single
Asia	up 19.7%	up or down slightly
Service	up 4.1%	up 4.0 to 6.0%
Maintenance & repair	up 4.5%	up 4.0 to 6.0%
Modernization	up 2.5%	up 4.0 to 6.0%
Otis	up 8.9%	up 2.5 to 4.5%

¹ See additional information regarding these non-GAAP financial measures in this appendix.

Outlook drivers

- Backlog conversion...2021 New Equipment backlog up 3%, modernization up 6% at constant currency¹
- New Equipment and Service pricing tailwinds
- Accelerated maintenance portfolio growth...up 3% in 2021
- Continued recovery on discretionary repair
- Increased modernization demand and backlog conversion

Additional information

	Actuals					FY22 outlook
	1Q21	2Q21	3Q21	4Q21	FY21	
Restructuring expense	\$15M	\$11M	\$9M	\$21M	\$56M	\$70 to \$75M
Non-service pension expense	\$2M	\$2M	\$2M	\$5M	\$11M	~\$8M
Adjusted net interest expense (a)	\$32M	\$27M	\$33M	\$30M	\$122M	\$130 to \$135M
Adjusted effective tax rate (b)	28.7%	26.9%	28.2%	30.1%	28.5%	27.5 to 28.0%
Noncontrolling interest expense	\$44M	\$53M	\$48M	\$29M	\$174M	\$135 to \$145M
Capital expenditures	\$44M	\$40M	\$31M	\$41M	\$156M	\$170 to \$180M
Diluted shares outstanding	433.7M	431.6M	430.6M	429.1M	431.4M	~432M

Currency exposure	2021 sales
USD	26%
EUR	21%
CNY	20%
Other	33%

(a) Adjusted net interest expense represents net interest expense (a GAAP measure), adjusted for the impacts of non-recurring acquisition related financing costs and net interest expense in Q321 and Q421 related to the pending Zardoya Otis transaction.

(b) The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs, other significant non-recurring items and includes rounding.

Use and Definitions of Non-GAAP Financial Measures

Otis Worldwide Corporation ("Otis") reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). We supplement the reporting of our financial information determined under GAAP with certain non-GAAP financial information. The non-GAAP information presented provides investors with additional useful information, but should not be considered in isolation or as substitutes for the related GAAP measures. Moreover, other companies may define non-GAAP measures differently, which limits the usefulness of these measures for comparisons with such other companies. We encourage investors to review our financial statements and publicly filed reports in their entirety and not to rely on any single financial measure. A reconciliation of the non-GAAP measures (referenced in this press release) to the corresponding amounts prepared in accordance with GAAP appears in the attached tables. These tables provide additional information as to the items and amounts that have been excluded from the adjusted measures. Organic sales, adjusted selling, general and administrative ("SG&A") expense, earnings before interest taxes and depreciation ("EBITDA"), adjusted EBITDA, adjusted operating profit, adjusted net income, adjusted diluted earnings per share ("EPS"), adjusted effective tax rate and free cash flow are non-GAAP financial measures. Organic sales represents consolidated net sales (a GAAP measure), excluding the impact of foreign currency translation, acquisitions and divestitures completed in the preceding twelve months and other significant items of a non-recurring and/or nonoperational nature ("other significant items"). Management believes organic sales is a useful measure in providing period-to-period comparisons of the results of the Company's ongoing operational performance. Adjusted SG&A expense represents SG&A expense (a GAAP measure), excluding restructuring costs, other significant items and allocated costs for certain functions and services previously performed by United Technologies Corporation ("UTC") prior to our separation ("UTC allocated costs") and including solely for fiscal years prior to 2020 estimated standalone public company costs, as though Otis' operations had been conducted independently from UTC ("standalone costs"). Standalone costs for fiscal years prior to 2020 are based on quarterly estimates determined during Otis' annual planning process for the 2020 fiscal year. Recurring standalone costs for 2021 and 2020 are not adjusted. Adjusted operating profit represents income from continuing operations (a GAAP measure), excluding restructuring costs, other non-recurring significant items, UTC allocated costs and including solely for fiscal years prior to 2020 estimated standalone public company costs. Adjusted net interest expense represents net interest expense (a GAAP measure), adjusted for the impacts of non-recurring acquisition related financing costs and related net interest expense pending the completion of a transaction. Adjusted net income represents net income from continuing operations (a GAAP measure), excluding restructuring costs and other non-recurring significant items, UTC allocated costs, adjusted net interest expense and including solely for fiscal years prior to 2020 estimated standalone public company costs, estimated adjustments to non-service pension expense, net interest expense and income tax expense as if Otis was a standalone public company ("standalone operating income adjustments"). Adjusted EPS represents diluted earnings per share from continuing operations (a GAAP measure), adjusted for the per share impact of restructuring, other significant items and solely for fiscal years prior to 2020 standalone operating income adjustments. The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs, non-recurring significant items, adjusted net interest expense and solely for fiscal year prior to 2020 the tax impact of the additional adjustments (estimated standalone public company costs, interest expense and non-service pension expense). EBITDA represents net income from operations (a GAAP measure), adjusted for noncontrolling interests, income tax expense, net interest expense, non-service pension expense and depreciation and amortization. Adjusted EBITDA represents EBITDA, as calculated above, adjusted for the impact of restructuring, other significant items and UTC allocated costs, including solely for fiscal years prior to 2020 estimated standalone public company costs. Management believes that adjusted SG&A, EBITDA, adjusted EBITDA, adjusted operating profit, adjusted net income, adjusted EPS and the adjusted effective tax rate are useful measures in providing period-to-period comparisons of the results of the Company's ongoing operational performance and to the extent applicable as if it had been a standalone public company for fiscal years prior to 2020. Additionally, GAAP financial results include the impact of changes in foreign currency exchange rates ("AFX"). We use the non-GAAP measure "at constant currency" or "CFX" to show changes in our financial results without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, income statement results are translated in U.S. dollars at the average exchange rate for the period presented. Management believes that this non-GAAP measure is useful in providing period-to-period comparisons of the results of the Company's ongoing operational performance. Free cash flow is a non-GAAP financial measure that represents cash flow from operations (a GAAP measure) less capital expenditures. Management believes free cash flow is a useful measure of liquidity and an additional basis for assessing Otis' ability to fund its activities, including the financing of acquisitions, debt service, repurchases of common stock and distribution of earnings to shareholders. When we provide our expectations for organic sales, adjusted operating profit, adjusted net interest expense, adjusted net income, adjusted effective tax rate, adjusted EPS and free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures (expected diluted EPS from continuing operations, operating profit, the effective tax rate, net sales and expected cash flow from operations) generally is not available without unreasonable effort due to potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future period, such as unusual gains and losses, the ultimate outcome of pending litigation, fluctuations in foreign currency exchange rates, the impact and timing of potential acquisitions and divestitures, and other structural changes or their probable significance. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.

2019 GAAP to adjusted financials reconciliation

(\$millions)	Otis	New Equipment	Service	Corporate/ other
Sales	FY 2019	FY 2019	FY 2019	FY 2019
Net sales	13,118	5,648	7,470	0
Income				
Net income attributable to Otis	1,116			
Noncontrolling interest in subsidiaries' earnings	151			
Income tax expense	594			
Net interest expense	(14)			
Non-service pension benefit (expense)	(33)			
GAAP operating profit	1,814	393	1,603	(182)
Restructuring	54	19	35	0
Loss on disposal of businesses	26	0	0	26
One-time separation costs	43	0	0	43
UTC allocated corporate expenses (a)	80	6	14	60
Standalone public company costs (b)	(147)	(16)	(56)	(75)
Other	2	0	3	(1)
Adjusted operating profit	1,872	402	1,599	(129)
Adjusted operating profit margin	14.3%	7.1%	21.4%	
Non-service pension benefit (expense) (c)	(9)			
Adjusted net interest expense (d)	(160)			
Adjusted pre-tax profit	1,703			
Adjusted income tax expense	(581)			
Adjusted tax rate (e)	34.1%			
Noncontrolling interest	(151)			
Adjusted net income attributable to Otis (f)	971			

(a) Reflects costs for certain functions and services performed by UTC organizations that are allocated to Otis for purposes of carve-out financial statements.

(b) Adjustments have been made to 2019 to represent estimated standalone public company costs, as though Otis' operations had been conducted independently from UTC. 2020 costs are reflected as a part of GAAP operating profit and are not adjusted.

(c) Non-service pension expenses included in GAAP net income attributable to Otis includes amounts associated with Otis' participation in UTC retained pension plans. The amounts related to these plans are removed from Otis' results for the 2019 year, as though Otis' operations have been conducted independently from UTC.

(d) 2019 Net Interest reflects adjustments as though Otis' February 2020 debt issuance took place in 2019.

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

(f) In 2021, the Company identified a misclassification between non-controlling interest and redeemable non-controlling interest. The impact of the correction of the misclassification on adjusted earnings per share was (\$0.01), reducing the previously report adjusted EPS of \$2.24 to \$2.23.

2020 GAAP to adjusted financials reconciliation

(\$millions)

	Otis				
Sales	1Q20	2Q20	3Q20	4Q20	FY 2020
Net sales	2,966	3,029	3,268	3,493	12,756
Income					
Net income attributable to Otis	165	224	266	251	906
Noncontrolling interest in subsidiaries ¹	37	41	44	28	150
Income tax expense	125	109	103	118	455
Net interest expense	5	41	39	37	122
Non-service pension benefit (expense)	(3)	1	2	6	6
GAAP operating profit	329	416	454	440	1,639
Restructuring	6	20	20	31	77
One-time separation costs	32	21	29	37	119
Insurance recovery	0	0	0	(17)	(17)
Fixed asset impairment	67	0	0	18	85
UTC allocated corporate expenses (a)	16	0	0	0	16
Adjusted operating profit	450	457	503	509	1,919
Adjusted operating profit margin	15.2%	15.1%	15.4%	14.6%	15.0%
Non-service pension benefit (expense) (b)	3	(1)	(2)	(5)	(5)
Adjusted net interest expense	(5)	(41)	(39)	(38)	(123)
Adjusted pre-tax profit	448	415	462	466	1,791
Adjusted income tax expense	(149)	(130)	(116)	(150)	(545)
Adjusted tax rate (c)	33.3%	31.3%	25.1%	32.1%	30.4%
Noncontrolling interest	(37)	(41)	(44)	(28)	(150)
Adjusted net income attributable to Otis	262	244	302	288	1,096

New Equipment

1Q20	2Q20	3Q20	4Q20	FY 2020
1,123	1,294	1,423	1,531	5,371
64	79	95	80	318
1	12	7	10	30
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
65	91	102	90	348
5.8%	7.0%	7.2%	5.9%	6.5%

Service

1Q20	2Q20	3Q20	4Q20	FY 2020
1,843	1,735	1,845	1,962	7,385
400	381	409	421	1,611
5	8	13	21	47
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
405	389	422	442	1,658
22.0%	22.4%	22.9%	22.5%	22.5%

Corporate/other

1Q20	2Q20	3Q20	4Q20	FY 2020
0	0	0	0	0
(135)	(44)	(50)	(61)	(290)
0	0	0	0	0
32	21	29	37	119
0	0	0	(17)	(17)
67	0	0	18	85
16	0	0	0	16
(20)	(23)	(21)	(23)	(87)

(a) Reflects costs for certain functions and services performed by UTC organizations that were allocated to Otis for purposes of carve-out financial statements.

(b) Non-service pension expense included in GAAP net income attributable to Otis pre-Separation includes amounts associated with Otis' participation in UTC retained pension plans.

(c) The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs, other significant non-recurring items

2021 GAAP to adjusted financials reconciliation

(\$millions)

	Otis				
Sales	1Q21	2Q21	3Q21	4Q21	FY 2021
Net sales	3,408	3,701	3,620	3,569	14,298
Income					
Net income attributable to Otis	308	326	331	281	1,246
Noncontrolling interest in subsidiaries¹	44	53	48	29	174
Income tax expense	123	153	128	137	541
Net interest expense	32	27	33	44	136
Non-service pension benefit (expense)	2	2	2	5	11
GAAP operating profit	509	561	542	496	2,108
Restructuring	15	11	9	21	56
One-time separation costs	9	0	15	3	27
Adjusted operating profit	533	572	566	520	2,191
Adjusted operating profit margin	15.6%	15.5%	15.6%	14.6%	15.3%
Non-service pension benefit (expense)	(2)	(2)	(2)	(5)	(11)
Adjusted net interest expense (a)	(32)	(27)	(33)	(30)	(122)
Adjusted pre-tax profit	499	543	531	485	2,058
Adjusted income tax expense	(143)	(148)	(150)	(146)	(587)
Adjusted tax rate (b)	28.7%	26.9%	28.2%	30.1%	28.5%
Noncontrolling interest	(44)	(53)	(48)	(29)	(174)
Adjusted net income attributable to Otis	312	342	333	310	1,297

New Equipment

1Q21	2Q21	3Q21	4Q21	FY 2021
1,458	1,727	1,681	1,562	6,428
104	147	131	77	459
5	8	4	6	23
0	0	0	0	0
109	155	135	83	482
7.5%	9.0%	8.0%	5.3%	7.5%

Service

1Q21	2Q21	3Q21	4Q21	FY 2021
1,950	1,974	1,939	2,007	7,870
430	441	444	447	1,762
10	3	5	15	33
0	0	0	0	0
440	444	449	462	1,795
22.6%	22.5%	23.2%	23.0%	22.8%

Corporate/other

1Q21	2Q21	3Q21	4Q21	FY 2021
0	0	0	0	0
(25)	(27)	(33)	(28)	(113)
0	0	0	0	0
9	0	15	3	27
(16)	(27)	(18)	(25)	(86)

(a) Adjusted net interest expense represents net interest expense (a GAAP measure), adjusted for the impacts of non-recurring acquisition related financing costs and net interest expense in Q321 and Q421 related to the pending Zardoya Otis transaction.

(b) The adjusted effective tax rate represents the effective tax rate (a GAAP measure) adjusted for the tax impact of restructuring costs, other significant non-recurring items and includes rounding.

Organic sales reconciliation

Total Otis	2019	2020	2021
Organic	4.7%	(2.1%)	8.9%
FX	(3.1%)	(0.4%)	3.0%
Net acquisitions / divestitures & other	0.0%	(0.3%)	0.2%
Total net sales growth	1.6%	(2.8%)	12.1%

SG&A reconciliation

(\$millions)	2019	2020	2021
SG&A expense	1,810	1,924	1,948
Restructuring	(35)	(55)	(34)
One-time separation costs	(43)	(106)	(16)
UTC allocated corporate expenses (a)	(80)	(16)	0
Public company standalone costs (b)	133	0	0
Other	(2)	(2)	0
Adjusted SG&A	1,783	1,745	1,898
<i>Adjusted SG&A % of sales</i>	<i>13.6%</i>	<i>13.7%</i>	<i>13.3%</i>

(a) Reflects costs for certain functions and services performed by UTC organizations that are allocated to Otis for purposes of carve-out financial statements.

(b) Adjustments have been made to 2019 to represent estimated standalone public company costs, as though Otis' operations had been conducted independently from UTC. 2020 costs are reflected as a part of GAAP operating profit and are not adjusted.

Diluted earnings per share reconciliation

	FY 2019	FY 2020	FY 2021
GAAP diluted earnings per share	\$2.55	\$2.08	\$2.89
Impact of non-recurring items on diluted earnings per share	(\$0.32) ¹	\$0.44	\$0.12
Adjusted diluted earnings per share	\$2.23	\$2.52	\$3.01

¹ In 2021, the Company identified a misclassification between non-controlling interest and redeemable non-controlling interest. The impact of the correction of the misclassification on adjusted earnings per share was (\$0.01), reducing the previously report adjusted EPS of \$2.24 to \$2.23.

Free cash flow reconciliation

(\$millions)	FY 2020	FY 2021
Operating cash flow ¹	1,480	1,750
Capital expenditures	(183)	(156)
Free cash flow	1,297	1,594
GAAP net income	906	1,246
FCF conversion	143%	128%

¹ Operating cash flow excludes dividends paid to noncontrolling interests.

Other reconciliations

New Equipment backlog

Growth %	Q4 2021
Actual currency	1%
FX	2%
Constant currency	3%