

**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 **June 30, 2025**

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
2.875% Notes due 2027	OTIS/27	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 July 15, 2025 there were 392,475,229 shares of Common Stock outstanding.

OTIS WORLDWIDE CORPORATION
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Quarter Ended June 30, 2025

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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 June 30,	
	2025	2024
Net sales:		
Product sales	\$ 1,276	\$ 1,421
Service sales	2,319	2,180
	3,595	3,601
Costs and expenses:		
Cost of products sold	1,066	1,168
Cost of services sold	1,440	1,354
Research and development	38	39
Selling, general and administrative	499	449
	3,043	3,010
Other income (expense), net	(5)	(21)
Operating profit	547	570
Non-service pension cost (benefit)	—	(1)
Interest expense (income), net	26	27
Net income before income taxes	521	544
Income tax expense (benefit)	98	94
Net income	423	450
Less: Noncontrolling interest in subsidiaries' earnings	30	35
Net income attributable to Otis Worldwide Corporation	\$ 393	\$ 415
Earnings per share (Note 2):		
Basic	\$ 1.00	\$ 1.03
Diluted	\$ 0.99	\$ 1.02
Weighted average number of shares outstanding:		
Basic shares	393.7	402.9
Diluted shares	395.8	405.5

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>	Six Months Ended June 30,	
	2025	2024
Net sales:		
Product sales	\$ 2,439	\$ 2,701
Service sales	4,506	4,337
	6,945	7,038
Costs and expenses:		
Cost of products sold	2,042	2,235
Cost of services sold	2,813	2,696
Research and development	75	75
Selling, general and administrative	963	911
	5,893	5,917
Other income (expense), net	(94)	(7)
Operating profit	958	1,114
Non-service pension cost (benefit)	—	(1)
Interest expense (income), net	71	71
Net income before income taxes	887	1,044
Income tax expense (benefit)	208	220
Net income	679	824
Less: Noncontrolling interest in subsidiaries' earnings	43	56
Net income attributable to Otis Worldwide Corporation	\$ 636	\$ 768
Earnings per share (Note 2):		
Basic	\$ 1.61	\$ 1.90
Diluted	\$ 1.60	\$ 1.89
Weighted average number of shares outstanding:		
Basic shares	395.1	404.0
Diluted shares	397.3	406.8

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income	\$ 423	\$ 450	\$ 679	\$ 824
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(170)	—	(293)	(25)
Pension and postretirement benefit plan adjustments	—	—	1	9
Change in unrealized cash flow hedging	(7)	—	(7)	3
Other comprehensive income (loss), net of tax	(177)	—	(299)	(13)
Comprehensive income (loss), net of tax	246	450	380	811
Less: Comprehensive (income) loss attributable to noncontrolling interest	(38)	(30)	(55)	(44)
Comprehensive income attributable to Otis Worldwide Corporation	\$ 208	\$ 420	\$ 325	\$ 767

See accompanying Notes to Condensed Consolidated Financial Statements.

OTIS WORLDWIDE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
Assets		
Cash and cash equivalents	\$ 688	\$ 2,300
Accounts receivable	3,696	3,428
Contract assets	769	706
Inventories	602	557
Other current assets	632	679
Total Current Assets	<u>6,387</u>	<u>7,670</u>
Future income tax benefits	392	302
Fixed assets (net of accumulated depreciation of \$1,248 and \$1,192)	732	701
Operating lease right-of-use assets	530	422
Intangible assets, net	357	311
Goodwill	1,707	1,548
Other assets	390	362
Total Assets	<u>\$ 10,495</u>	<u>\$ 11,316</u>
Liabilities and Equity (Deficit)		
Short-term borrowings and current portion of long-term debt	\$ 675	\$ 1,351
Accounts payable	1,739	1,879
Accrued liabilities	2,016	1,921
Contract liabilities	2,816	2,598
Total Current Liabilities	<u>7,246</u>	<u>7,749</u>
Long-term debt	7,074	6,973
Future pension and postretirement benefit obligations	454	434
Operating lease liabilities	375	298
Future income tax obligations	211	207
Other long-term liabilities	339	383
Total Liabilities	<u>15,699</u>	<u>16,044</u>
Commitments and contingent liabilities (Note 16)		
Redeemable noncontrolling interest	66	57
Shareholders' Equity (Deficit):		
Common Stock and additional paid-in capital	300	265
Treasury Stock	(3,948)	(3,390)
Accumulated deficit	(663)	(978)
Accumulated other comprehensive income (loss)	(1,056)	(745)
Total Shareholders' Equity (Deficit)	<u>(5,367)</u>	<u>(4,848)</u>
Noncontrolling interest	97	63
Total Equity (Deficit)	<u>(5,270)</u>	<u>(4,785)</u>
Total Liabilities and Equity (Deficit)	<u>\$ 10,495</u>	<u>\$ 11,316</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' (Deficit) Equity	Noncontrolling Interest	Total (Deficit) Equity	Redeemable Noncontrolling Interest
Quarter Ended June 30, 2025								
Balance as of March 31, 2025	\$ 278	\$ (3,646)	\$ (889)	\$ (871)	\$ (5,128)	\$ 75	\$ (5,053)	\$ 62
Net income	—	—	393	—	393	30	423	—
Other comprehensive income (loss), net of tax	—	—	—	(185)	(185)	4	(181)	4
Stock-based compensation and Common Stock issued under employee plans	22	—	(3)	—	19	—	19	—
Cash dividends declared (\$0.42 per common share)	—	—	(164)	—	(164)	—	(164)	—
Repurchase of Common Shares	—	(302)	—	—	(302)	—	(302)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(13)	(13)	—
Acquisitions, disposals and other changes	—	—	—	—	—	1	1	—
Balance as of June 30, 2025	<u>\$ 300</u>	<u>\$ (3,948)</u>	<u>\$ (663)</u>	<u>\$ (1,056)</u>	<u>\$ (5,367)</u>	<u>\$ 97</u>	<u>\$ (5,270)</u>	<u>\$ 66</u>
Quarter Ended June 30, 2024								
Balance as of March 31, 2024	\$ 210	\$ (2,684)	\$ (1,794)	\$ (756)	\$ (5,024)	\$ 84	\$ (4,940)	\$ 124
Net income	—	—	415	—	415	33	448	2
Other comprehensive income (loss), net of tax	—	—	—	5	5	(1)	4	(4)
Stock-based compensation and Common Stock issued under employee plans	20	—	(1)	—	19	—	19	—
Cash dividends declared (\$0.39 per common share)	—	—	(157)	—	(157)	—	(157)	—
Repurchase of Common Shares	—	(303)	—	—	(303)	—	(303)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(3)	(3)	(1)
Acquisitions, disposals and other changes	—	—	(1)	—	(1)	(1)	(2)	(69)
Balance as of June 30, 2024	<u>\$ 230</u>	<u>\$ (2,987)</u>	<u>\$ (1,538)</u>	<u>\$ (751)</u>	<u>\$ (5,046)</u>	<u>\$ 112</u>	<u>\$ (4,934)</u>	<u>\$ 52</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' (Deficit) Equity	Noncontrolling Interest	Total (Deficit) Equity	Redeemable Noncontrolling Interest
Six Months Ended June 30, 2025								
Balance as of December 31, 2024	\$ 265	\$ (3,390)	\$ (978)	\$ (745)	(4,848)	\$ 63	\$ (4,785)	\$ 57
Net income	—	—	636	—	636	43	679	—
Other comprehensive income (loss), net of tax	—	—	—	(311)	(311)	6	(305)	6
Stock-based compensation and Common Stock issued under employee plans	35	—	(2)	—	33	—	33	—
Cash dividends declared (\$0.81 per common share)	—	—	(319)	—	(319)	—	(319)	—
Repurchase of Common Shares	—	(558)	—	—	(558)	—	(558)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(15)	(15)	—
Acquisitions, disposals and other changes	—	—	—	—	—	—	—	3
Balance as of June 30, 2025	<u>\$ 300</u>	<u>\$ (3,948)</u>	<u>\$ (663)</u>	<u>\$ (1,056)</u>	<u>\$ (5,367)</u>	<u>\$ 97</u>	<u>\$ (5,270)</u>	<u>\$ 66</u>
Six Months Ended June 30, 2024								
Balance as of December 31, 2023	\$ 213	\$ (2,382)	\$ (2,005)	\$ (750)	(4,924)	\$ 69	\$ (4,855)	\$ 135
Net income	—	—	768	—	768	51	819	5
Other comprehensive income (loss), net of tax	—	—	—	(1)	(1)	(3)	(4)	(9)
Stock-based compensation and Common Stock issued under employee plans	18	—	(2)	—	16	—	16	—
Cash dividends declared (\$0.73 per common share)	—	—	(295)	—	(295)	—	(295)	—
Repurchase of Common Shares	—	(605)	—	—	(605)	—	(605)	—
Dividends attributable to noncontrolling interest	—	—	—	—	—	(4)	(4)	(9)
Acquisitions, disposals and other changes	(1)	—	(4)	—	(5)	(1)	(6)	(70)
Balance as of June 30, 2024	<u>\$ 230</u>	<u>\$ (2,987)</u>	<u>\$ (1,538)</u>	<u>\$ (751)</u>	<u>\$ (5,046)</u>	<u>\$ 112</u>	<u>\$ (4,934)</u>	<u>\$ 52</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

<i>(dollars in millions)</i>	Six Months Ended June 30,	
	2025	2024
Operating Activities:		
Net income	\$ 679	\$ 824
Adjustments to reconcile net income to net cash flows provided by operating activities, net of acquisitions and dispositions:		
Depreciation and amortization	86	85
Deferred income tax expense (benefit)	(74)	(25)
Stock compensation cost	44	36
Change in operating assets and liabilities:		
Accounts receivable, net	(146)	(171)
Contract assets and liabilities, current	70	107
Inventories	(15)	(10)
Other current assets	10	(60)
Accounts payable	(212)	(129)
Accrued liabilities	23	(127)
Pension contributions	(27)	(24)
Other operating activities, net	(33)	(27)
Net cash flows provided by (used in) operating activities	405	479
Investing Activities:		
Capital expenditures	(70)	(55)
Acquisitions of businesses and intangible assets, net of cash (Note 6)	(82)	(40)
Net proceeds from the sale of fixed assets	34	—
Receipts (payments) on settlements of derivative contracts	(200)	(4)
Other investing activities, net	(2)	2
Net cash flows provided by (used in) investing activities	(320)	(97)
Financing Activities:		
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	473	323
Repayment of long-term debt	(1,300)	—
Dividends paid on Common Stock	(319)	(295)
Repurchases of Common Stock	(561)	(600)
Acquisition of noncontrolling interest shares	—	(75)
Dividends paid to noncontrolling interest	(5)	(11)
Other financing activities, net	(10)	(21)
Net cash flows provided by (used in) financing activities	(1,722)	(679)
Effect of exchange rate changes on cash and cash equivalents	19	(32)
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,618)	(329)
Cash, cash equivalents and restricted cash, beginning of year	2,321	1,280
Cash, cash equivalents and restricted cash, end of period	703	951
Less: Restricted cash	15	9
Cash and cash equivalents, end of period	\$ 688	\$ 942

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 June 30, 2025 and for the quarters and six months ended June 30, 2025 and 2024 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, 2024 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 2024 ("2024 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 2024 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. GAAP 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, tighter credit conditions and changes in global trade policies including higher tariffs in the U.S. and other countries, as of June 30, 2025 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 June 30, 2025 and for the quarters and six months ended June 30, 2025 and 2024 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.

New import tariffs implemented by the U.S. and other countries, as currently in effect, could have a material impact on our results for the remainder of 2025 and in the future. The impact of tariffs is dependent upon negotiations with customers and suppliers and other mitigation efforts and potential further changes in global trade policies, including higher tariffs in the U.S. or other countries.

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 June 30, 2025 and for the quarters and six months ended June 30, 2025 and 2024 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. The Company has started to receive refunds and anticipates the refund process to continue through the end of 2025. As a result, our Condensed Consolidated Balance Sheets as of June 30, 2025 and December 31, 2024 include an income tax receivable of approximately \$175 million in each period, and an interest receivable of approximately \$145 million and \$140 million, respectively.

Pursuant to the Tax Matters Agreement ("TMA") with United Technologies Corporation ("UTC"), our former parent, subsequently renamed RTX Corporation ("RTX"), and based on the facts and contractual provisions at the time, as of December 31, 2024 the Company estimated the amount payable to RTX as a result of the outcome of the German tax litigation to be \$194 million. Based on indemnity payments made to RTX and adjustments to the indemnity payable in the quarter ended June 30, 2025, the Company now estimates the amount payable to RTX to be \$233 million, resulting in indemnification expense of \$6 million and \$58 million for the quarter and six months ended June 30, 2025, respectively. This indemnification expense is included in Other (expense) income, net in the Condensed Consolidated Statements of Operations for the quarter and six months ended June 30, 2025. This estimate could further change due to the parties' continuing efforts to resolve the scope of the final indemnity amount pursuant to the procedures set forth in the TMA.

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

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 due 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 \$598 million and \$714 million as of June 30, 2025 and December 31, 2024, respectively, including \$91 million and \$67 million as of June 30, 2025 and December 31, 2024, respectively, related to 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 2024 [Form 10-K](#) for additional details regarding the Company's supplier financing programs.

Note 2: Earnings per Share

<i>(dollars in millions, except per share amounts; shares in millions)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income attributable to common shareholders	\$ 393	\$ 415	\$ 636	\$ 768
Basic weighted average number of shares outstanding	393.7	402.9	395.1	404.0
Stock awards and equity units (share equivalent)	2.1	2.6	2.2	2.8
Diluted weighted average number of shares outstanding	395.8	405.5	397.3	406.8

Earnings Per Share of Common Stock:

Basic	\$ 1.00	\$ 1.03	\$ 1.61	\$ 1.90
Diluted	\$ 0.99	\$ 1.02	\$ 1.60	\$ 1.89

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 Otis' common stock ("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. Lastly, the computations of diluted earnings per share include outstanding awards granted prior to the separation and distribution ("Separation") of each of Otis and Carrier Global Corporation from UTC, our former parent, subsequently renamed RTX Corporation, and converted upon the Separation, in accordance with the Employee Matters Agreement, dated as of April 2, 2020, by and among UTC, Otis and Carrier Global Corporation. There were 0.5 million of anti-dilutive stock awards excluded from the computation for the quarter and six months ended June 30, 2025, compared to 1.1 million for the same periods in 2024.

The impact of redeemable noncontrolling interest to Net income attributable to common shareholders was immaterial in the quarters and six months ended June 30, 2025 and 2024.

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 an unconditional right to receive 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 June 30, 2025 and December 31, 2024 are as follows:

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
Contract assets, current	\$ 769	\$ 706
Total contract assets	769	706
Contract liabilities, current	2,816	2,598
Contract liabilities, non-current (included within Other long-term liabilities)	32	38
Total contract liabilities	2,848	2,636
Net contract liabilities	\$ 2,079	\$ 1,930

Contract assets increased by \$63 million during the six months ended June 30, 2025, as a result of the progression of current contracts and timing of billing on customer contracts as well as the impact of foreign exchange of \$38 million. Contract liabilities increased by \$212 million during the six months ended June 30, 2025 primarily due to billings on contracts in excess of revenue earned as well as the impact of foreign exchange of \$115 million.

In the six months ended June 30, 2025 and 2024, we recognized revenue of approximately \$1.6 billion in each period related to contract liabilities as of January 1, 2025 and 2024.

Remaining Performance Obligations ("RPO"). RPO represents the aggregate amount of total contract transaction price that is unsatisfied or partially unsatisfied. As of June 30, 2025, our total RPO was approximately \$19.3 billion. Of the total RPO as of June 30, 2025, 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 June 30, 2025 and December 31, 2024:

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
Accounts receivable	\$ 3,817	\$ 3,553
Allowance for expected credit losses	(121)	(125)
Accounts receivable, net	\$ 3,696	\$ 3,428

Note 5: Inventories

Inventories consisted of the following as of June 30, 2025 and December 31, 2024:

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
Raw materials and work-in-process	\$ 129	\$ 134
Finished goods	473	423
Total	\$ 602	\$ 557

Raw materials, work-in-process and finished goods are net of valuation write-downs of \$89 million and \$82 million as of June 30, 2025 and December 31, 2024, respectively.

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

Business Acquisitions. Our acquisitions of businesses and intangible assets, net of cash, totaled \$82 million and \$40 million in the six months ended June 30, 2025 and 2024, respectively, and were primarily in our Service segment. Transaction costs incurred were not considered significant.

Goodwill. Changes in our Goodwill balance during the six months ended June 30, 2025 were as follows:

<i>(dollars in millions)</i>	Balance as of December 31, 2024	Goodwill Resulting from Business Combinations	Foreign Currency Translation and Other	Balance as of June 30, 2025
New Equipment	\$ 277	\$ —	\$ 22	\$ 299
Service	1,271	51	86	1,408
Total	\$ 1,548	\$ 51	\$ 108	\$ 1,707

Intangible Assets. Intangible assets cost and accumulated amortization were \$2,208 million and \$1,851 million, respectively, as of June 30, 2025, and \$2,006 million and \$1,695 million, respectively, as of December 31, 2024.

Amortization of intangible assets for the quarter and six months ended June 30, 2025 was \$15 million and \$30 million, respectively, compared to \$15 million and \$31 million for the same periods in 2024. Excluding the impact of acquisitions and currency translation adjustments, there were no other significant changes in our Intangible assets during the quarters and six months ended June 30, 2025 and 2024.

Held For Sale Assets and Liabilities. Assets held for sale were \$4 million and \$38 million as of June 30, 2025 and December 31, 2024, respectively. Liabilities held for sale were \$9 million as of December 31, 2024. There were no liabilities held for sale as of June 30, 2025. These balances are included in Other current assets and Accrued liabilities in the Condensed Consolidated Balance Sheets, respectively.

During the quarter ended June 30, 2025, we sold one of our non-U.S. subsidiaries, primarily in the Service segment. The Company recorded a total pre-tax loss on sale of \$28 million, of which \$10 million was recorded in the quarter ended March 31, 2025, and \$18 million in the quarter ended September 30, 2024, in Other income (expense), net in the Condensed Consolidated Statements of Operations.

Note 7: Borrowings and Lines of Credit

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
Commercial paper	\$ 472	\$ —
Other borrowings	56	51
Total short-term borrowings	<u>\$ 528</u>	<u>\$ 51</u>

Commercial Paper. As of June 30, 2025, there were \$472 million borrowings outstanding under the Company's \$1.5 billion commercial paper programs, including, €205 million of Euro denominated commercial paper. 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 2024, refer to Note 9 of the Company's audited consolidated financial statements and notes thereto included in our 2024 [Form 10-K](#).

Long-term debt.

As of June 30, 2025, 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 June 30, 2025, there were no borrowings under the revolving credit agreement. As of June 30, 2025, 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>	June 30, 2025	December 31, 2024
2.056% notes due 2025	\$ —	\$ 1,300
0.370% notes due 2026 (¥21.5 billion principal value)	147	137
0.318% notes due 2026 (€600 million principal value)	696	624
2.293% notes due 2027	500	500
2.875% notes due 2027 (€850 million principal value)	985	885
5.250% notes due 2028	750	750
2.565% notes due 2030	1,500	1,500
5.125% notes due 2031	600	600
0.934% notes due 2031 (€500 million principal value)	580	520
3.112% notes due 2040	750	750
3.362% notes due 2050	750	750
Other (including finance leases)	7	6
Total principal long-term debt	<u>7,265</u>	<u>8,322</u>
Other (discounts and debt issuance costs)	(44)	(49)
Total long-term debt	<u>7,221</u>	<u>8,273</u>
Less: current portion	147	1,300
Long-term debt, net of current portion	<u>\$ 7,074</u>	<u>\$ 6,973</u>

We may redeem any series of notes at our option pursuant to certain terms.

On April 7, 2025, the Company repaid its \$1.3 billion principal amount of 2.056% notes due in 2025, upon maturity, using cash on hand and commercial paper borrowings.

For additional details regarding the Company's debt activity in 2024, refer to Note 9 of the Company's audited consolidated financial statements and notes thereto included in our 2024 [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 six months ended June 30, 2025 and 2024 reflects the following:

<i>(dollars in millions)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Debt issuance costs amortization	\$ 2	\$ 2	\$ 5	\$ 4
Total interest expense on external debt	50	43	107	86

The unamortized debt issuance costs as of June 30, 2025 and December 31, 2024 were \$40 million and \$45 million, respectively.

The weighted average maturity of our long-term debt as of June 30, 2025 is approximately 7.0 years. The weighted average interest expense rate on our borrowings outstanding as of June 30, 2025 and December 31, 2024 was as follows:

	June 30, 2025	December 31, 2024
Short-term commercial paper	3.2%	—%
Total long-term debt	2.8%	2.7%

The weighted average interest expense rate on our borrowings during the quarters and six months ended June 30, 2025 and 2024 was as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Short-term commercial paper	4.2%	5.5%	4.2%	5.5%
Total long-term debt	2.8%	2.5%	2.8%	2.5%

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Defined benefit plans	\$ 9	\$ 12	\$ 27	\$ 24
Defined contribution plans	17	16	38	36
Multi-employer pension and postretirement plans	42	42	81	82

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Service cost	\$ 9	\$ 8	\$ 17	\$ 16
Interest cost	8	7	16	15
Expected return on plan assets	(8)	(8)	(17)	(16)
Recognized actuarial net loss	—	—	1	—
Total net periodic benefit cost	\$ 9	\$ 7	\$ 17	\$ 15

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 six months ended June 30, 2025 and 2024.

Stock-based Compensation. The Company adopted the 2020 Long-Term Incentive Plan (the "Plan") effective April 3, 2020. As of June 30, 2025, approximately 18 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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Stock-based compensation expense (Share Based)	\$ 23	\$ 20	\$ 44	\$ 36
Less: future tax benefit	(2)	(2)	(4)	(4)
Stock-based compensation expense, net of tax	\$ 21	\$ 18	\$ 40	\$ 32

As of June 30, 2025, following our annual grant issuance on February 4, 2025, there was approximately \$133 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 1.9 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 June 30, 2025 and December 31, 2024.

Common Stock. There are 2.0 billion shares of \$0.01 par value Common Stock authorized. As of June 30, 2025 and December 31, 2024, 439.2 million and 438.6 million shares of Common Stock were issued, respectively, which includes 46.8 million and 41.0 million shares of treasury stock, respectively.

Treasury Stock. As of December 31, 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 \$200 million was remaining at such time.

On January 16, 2025, our Board of Directors revoked any remaining share repurchase authority under the prior share repurchase program and approved a new share repurchase program for up to \$2.0 billion of Common Stock, of which \$1.5 billion was remaining as of June 30, 2025.

During the quarter and six months ended June 30, 2025, the Company repurchased 3.2 million and 5.8 million shares, respectively, for \$300 million and \$553 million, respectively, compared to 3.2 million and 6.5 million shares, respectively, in the same periods of 2024 for \$300 million and \$600 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, as well as within financing activities in the Condensed Consolidated Statements of Cash Flows when paid.

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 six months ended June 30, 2025 and 2024 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 June 30, 2025				
Balance as of March 31, 2025	\$ (799)	\$ (75)	\$ 3	\$ (871)
Other comprehensive income (loss) before reclassifications, net	(178)	—	(8)	(186)
Amounts reclassified, pre-tax	—	—	2	2
Tax benefit reclassified	—	—	(1)	(1)
Balance as of June 30, 2025	<u>\$ (977)</u>	<u>\$ (75)</u>	<u>\$ (4)</u>	<u>\$ (1,056)</u>

Six Months Ended June 30, 2025				
Balance as of December 31, 2024	\$ (672)	\$ (76)	\$ 3	\$ (745)
Other comprehensive income (loss) before reclassifications, net	(305)	—	(9)	(314)
Amounts reclassified, pre-tax	—	1	3	4
Tax benefit reclassified	—	—	(1)	(1)
Balance as of June 30, 2025	<u>\$ (977)</u>	<u>\$ (75)</u>	<u>\$ (4)</u>	<u>\$ (1,056)</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 June 30, 2024				
Balance as of March 31, 2024	\$ (691)	\$ (69)	\$ 4	\$ (756)
Other comprehensive income (loss) before reclassifications, net	5	—	(14)	(9)
Amounts reclassified, pre-tax	—	—	14	14
Tax benefit reclassified	—	—	—	—
Balance as of June 30, 2024	<u>\$ (686)</u>	<u>\$ (69)</u>	<u>\$ 4</u>	<u>\$ (751)</u>

Six Months Ended June 30, 2024				
Balance as of December 31, 2023	\$ (673)	\$ (78)	\$ 1	\$ (750)
Other comprehensive income (loss) before reclassifications, net	(13)	9	(12)	(16)
Amounts reclassified, pre-tax	—	—	15	15
Tax benefit reclassified	—	—	—	—
Balance as of June 30, 2024	<u>\$ (686)</u>	<u>\$ (69)</u>	<u>\$ 4</u>	<u>\$ (751)</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 increase in the effective tax rate for the quarter and six months ended June 30, 2025, is primarily due to the absence of the reduction in a deferred tax liability related to the mitigation of future repatriation costs recorded in 2024, partially offset by an incremental benefit related to foreign-derived intangible income and foreign valuation allowance releases recorded in the quarter ended June 30, 2025. The increase in the effective tax rate for the six months ended June 30, 2025 is also due to the result of the tax effect of the increase in our estimated nondeductible TMA indemnity obligation payable to RTX recorded in the quarter ended March 31, 2025.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBA") was enacted, which includes a broad range of tax reform provisions affecting businesses, including extending and modifying certain key Tax Cuts & Jobs Act provisions (both domestic and international). We are currently evaluating the tax impacts of this legislation; however, we do not expect it to have a material impact on our Condensed Consolidated Financial Statements.

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 U.S. 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 lost a tax litigation case in Belgium in 2023 and decided not to appeal. Otis expects to receive the assessment for tax and interest in 2025. The associated tax and interest have been fully reserved.

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, and to a lesser degree, 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 six months ended June 30, 2025 and 2024, we recorded restructuring costs for new and ongoing restructuring actions, including UpLift actions, as follows:

<i>(dollars in millions)</i>	Quarter Ended June 30, 2025			Quarter Ended June 30, 2024		
	UpLift	Other	Total	UpLift	Other	Total
Cost of products and services sold	\$ (2)	\$ 6	\$ 4	\$ 2	\$ 4	\$ 6
Selling, general and administrative	27	6	33	4	1	5
Total	\$ 25	\$ 12	\$ 37	\$ 6	\$ 5	\$ 11

<i>(dollars in millions)</i>	Six Months Ended June 30, 2025			Six Months Ended June 30, 2024		
	UpLift	Other	Total	UpLift	Other	Total
Cost of products and services sold	\$ 7	\$ 21	\$ 28	\$ 2	\$ 9	\$ 11
Selling, general and administrative	38	14	52	5	15	20
Total	\$ 45	\$ 35	\$ 80	\$ 7	\$ 24	\$ 31

Restructuring costs incurred and expected, unless otherwise indicated, are related approximately 30% to New Equipment and 70% to Service.

UpLift Restructuring Actions and Transformation Costs. In 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 were approved in the years ended December 31, 2023 and 2024, as well as in the quarter and six months ended June 30, 2025, with further actions expected through the year ending December 31, 2025. These costs are primarily severance related costs. We expect these actions initiated to be substantially completed and cash to be paid by the end of 2025. Expected total costs and remaining costs to incur for the actions initiated are approximately \$126 million and \$26 million, respectively.

In the quarter and six months ended June 30, 2025, we incurred \$18 million and \$41 million, compared to \$15 million and \$27 million in the same periods of 2024, respectively, of incremental, non-restructuring costs associated with transforming our operating model as a part of UpLift ("UpLift transformation costs"), which are recorded in Other income (expense), net in the Condensed Consolidated Statements of Operations. The UpLift transformation costs are primarily for consultants, third-party service providers and personnel focused on designing and implementing a centralized service delivery model that supports our new organizational structure, including the standardization of our supply chain and digital technology procurement.

Other Restructuring Actions. The Other restructuring expenses incurred during the quarters and six months ended June 30, 2025 and 2024, were primarily the result of restructuring programs initiated during 2025 and 2024 related to severance and facility exit costs. We are targeting to complete in 2025 the majority of the remaining restructuring actions initiated in the quarter and six months ended June 30, 2025 and the full year 2024, 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 \$83 million and \$36 million, respectively. Expected total and remaining costs are related to approximately 60% to New Equipment and 40% to Service.

Reorganization of Operations in China

In January 2025, we announced the reorganization of our operations in China. Among other aspects, this reorganization will result in restructuring actions of approximately \$40 million. These actions include severance related costs, and we expect these actions to be mostly completed and any cash to be paid by the end of 2025. Amounts related to the reorganization of operations in China are included within Other restructuring.

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

<i>(dollars in millions)</i>	UpLift Actions	Other Actions	Total Restructuring Actions
Restructuring accruals as of December 31, 2024	\$ 13	\$ 24	\$ 37
Net restructuring costs	45	35	80
Utilization, foreign exchange and other costs	(22)	(30)	(52)
Restructuring accruals as of June 30, 2025	<u>\$ 36</u>	<u>\$ 29</u>	<u>\$ 65</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 approximately \$5.5 billion and \$5.3 billion as of June 30, 2025 and December 31, 2024, respectively. The four-quarter average of the notional amount of contracts hedging commodity purchases was \$14 million as of June 30, 2025 and December 31, 2024.

The following table summarizes the fair value and presentation on the Condensed Consolidated Balance Sheets for derivative instruments as of June 30, 2025 and December 31, 2024:

<i>(dollars in millions)</i>	Balance Sheet Classification	June 30, 2025	December 31, 2024
Derivatives designated as Cash flow hedging instruments:			
	<u>Asset Derivatives:</u>		
Foreign exchange contracts	Other current assets	\$ 2	\$ 5
Foreign exchange contracts	Other assets	1	4
	Total asset derivatives	<u>\$ 3</u>	<u>\$ 9</u>
	<u>Liability Derivatives:</u>		
Foreign exchange contracts	Accrued liabilities	\$ (6)	\$ (4)
Foreign exchange contracts	Other long-term liabilities	(3)	(1)
	Total liability derivatives	<u>\$ (9)</u>	<u>\$ (5)</u>
Derivatives not designated as Cash flow hedging instruments:			
	<u>Asset Derivatives:</u>		
Foreign exchange contracts	Other current assets	\$ 15	\$ 53
Foreign exchange contracts	Other assets	2	6
	Total asset derivatives	<u>\$ 17</u>	<u>\$ 59</u>
	<u>Liability Derivatives:</u>		
Foreign exchange contracts	Accrued liabilities	\$ (26)	\$ (39)
Foreign exchange contracts	Other long-term liabilities	(2)	(6)
	Total liability derivatives	<u>\$ (28)</u>	<u>\$ (45)</u>

Derivatives designated as Cash flow hedging instruments. The amount of gain or (loss) attributable to foreign exchange and commodity contract activity reclassified from Accumulated other comprehensive income (loss) for the quarters and six months ended June 30, 2025 and 2024 was immaterial, and is presented in Note 10, "Accumulated Other Comprehensive Income (Loss)".

The pre-tax effect of cash flow hedging relationships on Accumulated other comprehensive income (loss) as of June 30, 2025 and December 31, 2024 are presented in the table below:

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
Gain (loss) recorded in Accumulated other comprehensive income (loss)	\$ (5)	\$ 3

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 June 30, 2025 will mature by June 2029.

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 €134 million) and Asian businesses (notional amount of HK\$1.8 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 2025 to 2026.

During the quarter ended June 30, 2025, we de-designated one derivative instrument that qualified as a net investment hedge in certain European businesses with the notional amount of €30 million. During the six months ended June 30, 2025, we de-designated derivative instruments that qualified as net investment hedges in certain European and Asian businesses with notional amounts of €150 million and ¥2.1 billion respectively. These de-designated instruments were deemed to be effective until de-designation.

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Foreign currency denominated long-term debt	\$ (4)	\$ 8	\$ (10)	\$ 15
Foreign currency forward contracts	(11)	(2)	(6)	(2)
Total	\$ (15)	\$ 6	\$ (16)	\$ 13

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Foreign exchange contracts	\$ 10	\$ 3	\$ 16	\$ 2

The effects of derivatives not designated as Cash flow hedge instruments within Cost of products sold on the Condensed Consolidated Statements of Operations in the quarter and six months ended June 30, 2025 were losses of less than \$1 million and gains of \$2 million, respectively, compared to losses of \$2 million in the same periods of 2024.

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 June 30, 2025, 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 June 30, 2025 and December 31, 2024:

<i>(dollars in millions)</i>	June 30, 2025			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Marketable securities	\$ 48	\$ 48	\$ —	\$ —
Derivative assets	20	—	20	—
Derivative liabilities	(37)	—	(37)	—

<i>(dollars in millions)</i>	December 31, 2024			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Marketable securities	\$ 44	\$ 44	\$ —	\$ —
Derivative assets	68	—	68	—
Derivative liabilities	(50)	—	(50)	—

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 June 30, 2025 and December 31, 2024:

<i>(dollars in millions)</i>	June 30, 2025		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term receivables, net	\$ 51	\$ 50	\$ 47	\$ 46
Customer financing notes receivable, net	22	19	21	19
Short-term borrowings	(528)	(528)	(51)	(51)
Long-term debt, including current portion (excluding leases and other)	(7,258)	(6,676)	(8,316)	(7,600)
Long-term liabilities, including current portion	(83)	(79)	(132)	(123)

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 June 30, 2025 and December 31, 2024:

<i>(dollars in millions)</i>	June 30, 2025			
	Total	Level 1	Level 2	Level 3
Long-term receivables, net	\$ 50	\$ —	\$ 50	\$ —
Customer financing notes receivable, net	19	—	19	—
Short-term borrowings	(528)	—	(528)	—
Long-term debt, including current portion (excluding leases and other)	(6,676)	—	(6,676)	—
Long-term liabilities, including current portion	(79)	—	(79)	—

<i>(dollars in millions)</i>	December 31, 2024			
	Total	Level 1	Level 2	Level 3
Long-term receivables, net	\$ 46	\$ —	\$ 46	\$ —
Customer financing notes receivable, net	19	—	19	—
Short-term borrowings	(51)	—	(51)	—
Long-term debt, including current portion (excluding leases and other)	(7,600)	—	(7,600)	—
Long-term liabilities, including current portion	(123)	—	(123)	—

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 \$12 million and \$16 million as of June 30, 2025 and December 31, 2024, respectively.

The Company provides certain financial guarantees to third parties. As of June 30, 2025, Otis has stand-by letters of credit with maximum potential payment totaling \$130 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 June 30, 2025, 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 2024 [Form 10-K](#).

Legal Proceedings.

German Tax Litigation

In the third quarter of 2024, Otis prevailed in a German tax litigation case stemming from the 1998 reorganization of the Company's operations in Germany. As a result of winning the case, the Company expects to receive total refunds of prepaid tax, prepaid interest, overpayment interest, and court fees of approximately €307 million net of tax (approximately \$355 million as of June 30, 2025). The Company has started to receive refunds and anticipates the refund process to continue through the end of 2025.

The recoveries related to this matter are allocated between RTX and the Company pursuant to the terms of the TMA with our former parent, UTC, by way of indemnification payments. The Company has established an indemnity payable to RTX, which is intended to cover RTX's tax and interest payable to the IRS. Interest on RTX's liability to the IRS will continue to accrue until RTX's tax liability is paid.

<i>(dollars in millions)</i>	June 30, 2025	March 31, 2025	December 31, 2024
Indemnity Payable (in Accrued liabilities)	\$ 233	\$ 246	\$ 194

As of December 31, 2024, the Company estimated its indemnity payable to RTX to be \$194 million and recorded this amount in its financial statements for the year ended December 31, 2024.

Based on additional information received from RTX in the quarter ended March 31, 2025, the Company estimated its indemnity payable to RTX to be \$246 million and recorded the additional \$52 million in its Condensed Consolidated Financial Statements in that period.

Based on indemnity payments made to RTX and adjustments to the indemnity payable in the quarter ended June 30, 2025, the Company now estimates the indemnity payable to RTX to be \$233 million and has updated its Condensed Consolidated Financial Statements.

This estimate could further change due to the parties' continuing efforts to resolve the scope of the final indemnity amount pursuant to the procedures set forth in the TMA.

See Note 1, "General" for additional information on the impacts of the TMA activity to the Condensed Consolidated Financial Statements as of and for the quarter ended June 30, 2025.

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 June 30, 2025 and December 31, 2024.

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 June 30, 2025 and December 31, 2024. Since no amount within the range of estimates is more likely to occur than any other, we have recorded the minimum amount of \$10 million (including \$1 million of payments made in the six months ended June 30, 2025) and \$11 million as of June 30, 2025 and December 31, 2024, respectively, which is 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 as of June 30, 2025 and December 31, 2024, which is 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.

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, we do not believe these matters will have a material impact on our business, financial condition, cash flows or results of operations due to our historical settlement experience and the limited number of remaining claims.

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 six months ended June 30, 2025 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 to customers in the residential, commercial 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, as well as 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 Net income before income taxes. Segment operating profit excludes certain expenses and income that are not allocated to segments (as described below in "Corporate and Unallocated").

Otis' Chief Operating Decision Maker ("CODM"), is the Company's Chief Executive Officer. The CODM assesses the performance of each operating segment and allocates resources to those segments based on net sales and segment operating profit. The CODM compares segment operating profit results to prior periods and forecasted amounts to assess performance and to make decisions regarding the allocation of capital and other investments. The discrete asset information for each segment is not presented to, or reviewed by, the CODM.

Segment information for the quarters ended June 30, 2025 and 2024 is as follows:

<i>(dollars in millions)</i>	Quarter Ended June 30, 2025			Quarter Ended June 30, 2024		
	New Equipment	Service	Total	New Equipment	Service	Total
Net sales	\$ 1,276	\$ 2,319	\$ 3,595	\$ 1,421	\$ 2,180	\$ 3,601
Costs and expenses:						
Cost of sales	1,061	1,440	2,501	1,164	1,352	2,516
Selling, general and administrative	119	292	411	122	283	405
Other including research and development	28	9	37	25	7	32
Total segment operating profit	<u>\$ 68</u>	<u>\$ 578</u>	<u>646</u>	<u>\$ 110</u>	<u>\$ 538</u>	<u>648</u>
Corporate and Unallocated						
General corporate expenses and other			34			35
UpLift restructuring			25			6
Other restructuring			12			5
UpLift transformation costs			18			15
Separation-related adjustments			9			(1)
Litigation-related settlement costs			—			18
Other, net			1			—
Total company operating profit			<u>547</u>			<u>570</u>
Non-service pension cost (benefit)			—			(1)
Interest expense (income), net			<u>26</u>			<u>27</u>
Net income before income taxes			<u>\$ 521</u>			<u>\$ 544</u>

Segment information for the six months ended June 30, 2025 and 2024 is as follows:

<i>(dollars in millions)</i>	Six Months Ended June 30, 2025			Six Months Ended June 30, 2024		
	New Equipment	Service	Total	New Equipment	Service	Total
Net sales	\$ 2,439	\$ 4,506	\$ 6,945	\$ 2,701	\$ 4,337	\$ 7,038
Costs and expenses:						
Cost of sales	2,023	2,803	4,826	2,229	2,691	4,920
Selling, general and administrative	229	574	803	243	574	817
Other including research and development	53	14	67	48	11	59
Total segment operating profit	<u>\$ 134</u>	<u>\$ 1,115</u>	<u>1,249</u>	<u>\$ 181</u>	<u>\$ 1,061</u>	<u>1,242</u>
Corporate and Unallocated						
General corporate expenses and other			77			68
UpLift restructuring			45			7
Other restructuring			35			24
UpLift transformation costs			41			27
Separation-related adjustments			61			(16)
Litigation-related settlement costs			21			18
Held for sale impairment			10			—
Other, net			1			—
Total company operating profit			<u>958</u>			<u>1,114</u>
Non-service pension cost (benefit)			—			(1)
Interest expense (income), net			<u>71</u>			<u>71</u>
Net income before income taxes			<u>\$ 887</u>			<u>\$ 1,044</u>

Corporate and Unallocated includes adjustments related to the Separation, litigation-related settlement costs, impairment loss related to net assets held for sale, 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 2025 includes amounts due to RTX related to a favorable ruling received in August 2024 regarding the German tax litigation. Separation-related adjustments in 2024 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 quarters and six months ended June 30, 2025 and 2024, respectively. See Note 11, "Income Taxes" and Note 16, "Contingent Liabilities" for additional information about the German tax litigation.

Litigation-related settlement costs in the six months ended June 30, 2025 and 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/or unique facts of these matters.

Impairment loss related to net assets held for sale is recorded in Other income (expense), net in the Condensed Consolidated Statements of Operations in the six months ended June 30, 2025. 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.

Note 18: Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update ("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. 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. The adoption of this ASU did not 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. We adopted this standard effective for the reporting period December 31, 2024. The adoption of this standard resulted in additional disclosure. See Note 17, "Segment Financial Data" for further details.

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. The adoption of this ASU results in additional annual disclosure, but did not impact our condensed consolidated financial position, results of operations, or cash flows.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): *Disaggregation of Income Statement Expenses*. The amendments in this update require disclosure, in the notes to financial statements, on disaggregated information about specific categories underlying certain income statement expense line items that are considered relevant which among other items include items such as the purchase of inventory, employee compensation, depreciation, and intangible asset amortization. The amendments in ASU 2024-03 are effective for fiscal years beginning after December 15, 2026. 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 May 2025, the FASB issued ASU 2025-03, Business Combinations (Topic 805) and Consolidation (Topic 810): *Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*. The amendments in this update require an entity involved in an acquisition transaction effected primarily by exchanging equity interests when the legal acquiree is a VIE that meets the definition of a business to consider the factors in the ASU to determine which entity is the accounting acquirer. The amendments in ASU 2025-03 are effective for fiscal years beginning after December 15, 2026. 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.

Other new accounting pronouncements issued but not effective until after June 30, 2025 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 six months ended June 30, 2025 and 2024, 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 July 24, 2025, 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 June 30, 2025, and the related condensed consolidated statements of operations, of comprehensive income, and of changes in equity for the three-month and six-month periods ended June 30, 2025 and 2024 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2025 and 2024, 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, 2024, 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 4, 2025, 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, 2024, 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
July 24, 2025

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 we pursue a global strategy 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 lifecycle.

The current status of significant factors affecting our business environment in 2025 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 2024 [Form 10-K](#).

For discussion of Otis' sustainability and other corporate responsibility-related risks, see the discussion under "Environmental, Social and Governance ("ESG")" in Item 1 and under Item 1A. "Risk Factors" in our 2024 [Form 10-K](#). Further information related to our sustainability and responsibility initiatives can be found in the Investor section of our corporate website (<http://www.otis.com>) under the heading "Sustainability & Responsibility", which we update from time to time.

UpLift

Announced in July 2023, UpLift is a program to transform our operating model. UpLift includes the standardization of our processes and improvement of our supply chain procurement, among other aspects of the program, as well as organizational changes which result in restructuring actions. We expect UpLift to generate approximately \$200 million in annual run-rate savings by second half of 2025, with restructuring and other incremental costs to complete the transformation ("UpLift transformation costs") of approximately \$300 million.

UpLift costs incurred in the quarters and six months ended June 30, 2025 and 2024 are as follows:

<i>(dollars in millions)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
UpLift restructuring costs	\$ 25	\$ 6	\$ 45	\$ 7
UpLift transformation costs	18	15	41	27
Total UpLift costs	\$ 43	\$ 21	\$ 86	\$ 34

Total UpLift costs incurred to date are \$223 million, including \$101 million of UpLift restructuring costs and \$122 million of UpLift 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 for consultants, third-party service providers and personnel focused on designing and implementing a centralized service delivery model that supports our new organizational structure, including the standardization of our supply chain and digital technology procurement. These costs 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 approximately \$185 million and related interest income of approximately \$200 million, which were included in Income tax expense (benefit), net and Interest expense (income), net, respectively, in the Consolidated Statements of Operations for the year ended December 31, 2024. Additionally, pursuant to the Tax Matters Agreement ("TMA") with UTC, our former parent, subsequently renamed RTX Corporation, and based on the facts and contractual provisions at the time, the Company recorded indemnification expense and payable of \$194 million for amounts due to RTX resulting from the outcome of the German tax litigation. This expense was included in Other income (expense), net in the Consolidated Statements of Operations for the year ended December 31, 2024.

Based on indemnity payments made to RTX and adjustments to indemnity payable in the quarter ended June 30, 2025, the Company now estimates the amount payable to RTX to be \$233 million, resulting in indemnification expense of \$6 million and \$58 million in the quarter ended and six months ended June 30, 2025. This indemnification expense is included in Other income (expense), net in the Condensed Consolidated Statements of Operations for the quarter ended and six months ended June 30, 2025. This estimate could further change due to the parties' continuing efforts to resolve the scope of the final indemnity amount pursuant to the procedures set forth in the TMA.

For further details, refer to Note 11 and Note 16 to the Condensed Consolidated Financial Statements, as well as our Consolidated Financial Statements in the 2024 [Form 10-K](#).

Impact of Global Macroeconomic Conditions on Our Company

Global macroeconomic conditions have impacted, and continue to impact, aspects of the Company's operations and overall financial performance during the quarters and six months ended June 30, 2025 and 2024. These macroeconomic conditions include, among others, inflationary pressures, high interest rates, tighter credit conditions and changes in global trade policies including higher tariffs in the U.S. and other countries. These macroeconomic trends could continue to impact our business, including impacts to overall financial performance during the remainder of 2025, as a result of the following, among other things:

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

Other than the estimated potential impact from new tariffs currently in effect of approximately \$25 million to \$35 million during 2025, we currently do not expect any significant impact to our capital and financial resources from these macroeconomic conditions, 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 2024 [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 cybersecurity 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 six months ended June 30, 2025 and year ended December 31, 2024.

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 2024 [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 2024 [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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net sales	\$ 3,595	\$ 3,601	\$ 6,945	\$ 7,038
Percentage change year-over-year	— %		(1)%	

The factors contributing to the total percentage change year-over-year in total Net sales for the quarter and six months ended June 30, 2025 are as follows:

Components of Net sales change:	Quarter Ended June 30, 2025	Six Months Ended June 30, 2025
Organic volume	(2)%	(1)%
Foreign currency translation	1 %	(1)%
Acquisitions and divestitures, net and other	1 %	1 %
Total % change	— %	(1)%

The Organic volume decrease of (2)% for the quarter ended June 30, 2025 was driven by a decrease of (11)% in New Equipment, partially offset by an increase of 4% in Service. The Organic volume decrease of (1)% for the six months ended June 30, 2025 was driven by a decrease of (9)% in New Equipment, partially offset by an increase of 4% in Service.

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Total cost of products and services sold	\$ 2,506	\$ 2,522	\$ 4,855	\$ 4,931
Percentage change year-over-year	(1)%		(2)%	

The factors contributing to the percentage change year-over-year for the quarter and six months ended June 30, 2025 in total cost of products and services sold are as follows:

Components of Cost of Products and Services Sold change:	Quarter Ended June 30, 2025	Six Months Ended June 30, 2025
Organic volume	(2)%	(1)%
Foreign currency translation	1 %	(1)%
Acquisitions and divestitures, net and other	— %	— %
Total % change	(1)%	(2)%

The Organic volume decrease of (2)% and (1)% for total cost of products and services sold for the quarter and six months ended June 30, 2025, respectively, was primarily driven by the organic sales changes noted above. Productivity was partially offset by inflationary pressures, including higher labor costs.

Gross Margin

<i>(dollars in millions)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Gross margin	\$ 1,089	\$ 1,079	\$ 2,090	\$ 2,107
Gross margin percentage	30.3 %	30.0 %	30.1 %	29.9 %

Gross margin percentage increased 30 and 20 basis points for the quarter and six months ended June 30, 2025, respectively, when compared to the same periods in 2024, due to the increase in Service sales and decrease in New Equipment sales and the benefits from productivity, 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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Research and development	\$ 38	\$ 39	\$ 75	\$ 75
Percentage of Net sales	1.1 %	1.1 %	1.1 %	1.1 %

Research and development was relatively flat for the quarter and six months ended June 30, 2025, when compared to the same periods in 2024.

Selling, General and Administrative

<i>(dollars in millions)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Selling, general and administrative	\$ 499	\$ 449	\$ 963	\$ 911
Percentage of Net sales	13.9 %	12.5 %	13.9 %	12.9 %

Selling, general and administrative expenses increased \$50 million and \$52 million for the quarter and six months ended June 30, 2025, respectively, when compared to the same periods in 2024, driven by higher restructuring costs, annual wage increases and other employment costs, partially offset by savings resulting from UpLift and lower credit loss reserves. The quarter and six months ended June 30, 2025, also included the impacts from foreign exchange.

Selling, general and administrative expenses as a percentage of Net sales increased 140 basis points and 100 basis points for the quarter and six months ended June 30, 2025, respectively, when compared to the same periods in 2024.

Restructuring Costs

<i>(dollars in millions)</i>	Six Months Ended June 30,	
	2025	2024
UpLift restructuring	\$ 45	\$ 7
Other restructuring	35	24
Total restructuring costs	\$ 80	\$ 31

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

UpLift restructuring costs were \$45 million and \$7 million in the six months ended June 30, 2025 and 2024, respectively. We also incurred \$41 million and \$27 million of UpLift transformation costs in the six months ended June 30, 2025 and 2024, respectively, which are primarily for consultants, third-party service providers and personnel focused on designing and implementing a centralized service delivery model that supports our new organizational structure, including the standardization of our supply chain and digital technology procurement. These UpLift transformation costs are recorded in Other income (expense), net in the Condensed Consolidated Statements of Operations.

Other restructuring costs were \$35 million for the six months ended June 30, 2025 and included \$20 million of costs related to 2025 actions and \$15 million of costs related to 2024 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 six months ended June 30, 2025, 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 six months ended June 30, 2025	\$ 19	\$ 32	\$ 51
Expected cash payments remaining to complete actions announced	61	65	126

The approved UpLift restructuring actions are expected to generate approximately \$102 million in annual recurring savings by 2025, primarily in Selling, general and administrative expenses, and of which approximately \$39 million was realized during the six months ended June 30, 2025, including \$23 million of incremental savings compared to the same period in 2024.

For other restructuring actions, we generally expect to achieve annual recurring savings within the two-year period subsequent to initiating the actions, including \$28 million for the 2025 actions and \$27 million for the 2024 actions, of which approximately 70% relates to Cost of products and services sold and 30% relates to Selling, general and administrative expenses. Approximately \$17 million of savings was realized for the 2025 and 2024 actions during the six months ended June 30, 2025.

Reorganization of Operations in China

In January 2025, we announced the reorganization of our operations in China. Among other aspects, this reorganization will result in restructuring actions of approximately \$40 million. These actions include severance related costs, and we expect these actions to be mostly completed and any cash to be paid by the end of 2025. Amounts related to the reorganization of operations in China are included within Other restructuring.

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Other income (expense), net	\$ (5)	\$ (21)	\$ (94)	\$ (7)

The change in Other income (expense), net of \$16 million for the quarter ended June 30, 2025 compared to the same period in 2024, was primarily driven by gains on the sale of fixed assets of \$7 million during the quarter ended June 30, 2025, the absence of non-recurring litigation-related settlement costs of \$18 million and foreign currency mark-to market adjustments, partially offset by Separation-related adjustments of \$9 million and UpLift transformation costs of \$18 million.

The change in Other income (expense), net of \$(87) million for the six months ended June 30, 2025 compared to the same period in 2024, was primarily driven by Separation-related adjustments of \$61 million, UpLift transformation costs of \$41 million, non-recurring litigation-related settlement costs of \$21 million and impairment loss related to net assets held for sale of \$10 million, partially offset by gains on the sale of fixed assets of \$14 million and foreign currency mark-to-market adjustments.

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 Note 12 to the Condensed Consolidated Financial Statements.

Interest Expense (Income), Net

<i>(dollars in millions)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Interest expense (income), net	\$ 26	\$ 27	\$ 71	\$ 71

Interest expense (income), net was relatively flat for the quarter and six months ended June 30, 2025, compared to the same periods in 2024, as higher interest expense related to the \$600 million and €850 million unsecured, unsubordinated debt issued in November 2024 was offset by interest reserve adjustments related to non-recurring tax items, lower interest expense related to the repayment of the \$1.3 billion unsecured, unsubordinated debt in April 2025 and higher interest income.

The average interest rate on our long-term debt was 2.8% for the quarter and six months ended June 30, 2025 and 2.5% for the same periods in 2024. For additional discussion of borrowings, see Note 7 to the Condensed Consolidated Financial Statements.

Income Taxes

	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Effective tax rate	18.8 %	17.3 %	23.4 %	21.1 %

The increase in the effective tax rate for the quarter and six months ended June 30, 2025, compared to the same periods in 2024, is primarily due to the absence of the reduction in a deferred tax liability related to the mitigation of future repatriation costs recorded in 2024, partially offset by an incremental benefit related to foreign-derived intangible income and foreign valuation allowance releases recorded in the quarter ended June 30, 2025. The increase in the effective tax rate for the six months ended June 30, 2025, compared to the same period in 2024, is also due to the result of the tax effect of the increase in our estimated nondeductible TMA indemnity obligation payable to RTX recorded in the quarter ended March 31, 2025.

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Noncontrolling interest in subsidiaries' earnings	\$ 30	\$ 35	\$ 43	\$ 56
Net income attributable to Otis Worldwide Corporation	\$ 393	\$ 415	\$ 636	\$ 768

Noncontrolling interest in subsidiaries' earnings decreased \$5 million and \$13 million for the quarter and six months ended June 30, 2025, respectively, compared to the same periods in 2024, primarily driven by increased ownership of our subsidiary in Japan during the second quarter of 2024 and lower net income from non-wholly owned subsidiaries. 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.

Net income attributable to Otis Worldwide Corporation decreased for the quarter and six months ended June 30, 2025, compared to the same periods in 2024, due to lower operating profit (including the impact of foreign exchange rates) and a higher effective tax rate, partially offset by lower noncontrolling interest in subsidiaries' earnings.

Segment Review

Summary performance for our operating segments, reconciled to total operating profit, for the quarters ended June 30, 2025 and 2024 was as follows:

<i>(dollars in millions)</i>	Net Sales		Operating Profit		Operating Profit Margin	
	2025	2024	2025	2024	2025	2024
New Equipment	\$ 1,276	\$ 1,421	\$ 68	\$ 110	5.3%	7.7%
Service	2,319	2,180	578	538	24.9%	24.7%
Total segment	<u>\$ 3,595</u>	<u>\$ 3,601</u>	<u>646</u>	<u>648</u>	<u>18.0%</u>	<u>18.0%</u>
Corporate and Unallocated						
General corporate expenses and other			34	35		
UpLift restructuring			25	6		
Other restructuring			12	5		
UpLift transformation costs			18	15		
Separation-related adjustments			9	(1)		
Litigation-related settlement costs			—	18		
Other, net			1	—		
Consolidated Operating Profit			<u>\$ 547</u>	<u>\$ 570</u>	<u>15.2%</u>	<u>15.8%</u>

Summary performance for our operating segments, reconciled to total operating profit, for the six months ended June 30, 2025 and 2024 was as follows:

<i>(dollars in millions)</i>	Net Sales		Operating Profit		Operating Profit Margin	
	2025	2024	2025	2024	2025	2024
New Equipment	\$ 2,439	\$ 2,701	\$ 134	\$ 181	5.5%	6.7%
Service	4,506	4,337	1,115	1,061	24.7%	24.5%
Total segment	<u>\$ 6,945</u>	<u>\$ 7,038</u>	<u>1,249</u>	<u>1,242</u>	<u>18.0%</u>	<u>17.6%</u>
Corporate and Unallocated						
General corporate expenses and other			77	68		
UpLift restructuring			45	7		
Other restructuring			35	24		
UpLift transformation costs			41	27		
Separation-related adjustments			61	(16)		
Litigation-related settlement costs			21	18		
Held for sale impairment			10	—		
Other, net			1	—		
Consolidated Operating Profit			<u>\$ 958</u>	<u>\$ 1,114</u>	<u>13.8%</u>	<u>15.8%</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 who 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 six months ended June 30, 2025 and 2024 was as follows:

<i>(dollars in millions)</i>	Quarter Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
Net sales	\$ 1,276	\$ 1,421	\$ (145)	(10)%	\$ 2,439	\$ 2,701	\$ (262)	(10)%
Cost of sales	1,061	1,164	(103)	(9)%	2,023	2,229	(206)	(9)%
	215	257	(42)	(16)%	416	472	(56)	(12)%
Operating expenses	147	147	—	—%	282	291	(9)	(3)%
Operating profit	\$ 68	\$ 110	\$ (42)	(38)%	\$ 134	\$ 181	\$ (47)	(26)%
Operating profit margin	5.3 %	7.7 %			5.5 %	6.7 %		

Summary analysis of the Net sales change for New Equipment for the quarter and six months ended June 30, 2025 compared with the same periods in 2024 was as follows:

Components of Net sales change:	Quarter Ended June 30, 2025	Six Months Ended June 30, 2025
Organic volume	(11)%	(9)%
Foreign currency translation	— %	(1)%
Acquisitions and divestitures, net and other	1 %	— %
Total % change	(10)%	(10)%

Quarter Ended June 30, 2025

Net sales

The organic sales decrease of (11)% was primarily driven by a greater than (20)% decline in China, high single-digit decline in Americas and low single-digit decline in Asia Pacific, partially offset by high single-digit growth in EMEA.

Operating profit

New Equipment operating profit decreased \$(42) million. The impacts of lower volume, unfavorable price and regional and product mix, were partially offset by productivity, including the benefits of UpLift and Other restructuring actions including the reorganization of our operations in China. Operating margin decreased (240) basis points.

Six Months Ended June 30, 2025

Net sales

The organic sales decrease of (9)% was primarily driven by a greater than (20)% decline in China and high single-digit decline in Americas, partially offset by high single-digit growth in EMEA and mid single-digit growth in Asia Pacific.

Operating profit

New Equipment operating profit decreased \$(47) million. The impacts of lower volume, unfavorable price and regional and product mix were partially offset by productivity, including the benefits of UpLift and Other restructuring actions including the reorganization of our operations in China. Operating margin decreased (120) 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 six months ended June 30, 2025 and 2024 was as follows:

(dollars in millions)	Quarter Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
Net sales	\$ 2,319	\$ 2,180	\$ 139	6 %	\$ 4,506	\$ 4,337	\$ 169	4 %
Cost of sales	1,440	1,352	88	7 %	2,803	2,691	112	4 %
	879	828	51	6 %	1,703	1,646	57	3 %
Operating expenses	301	290	11	4 %	588	585	3	1 %
Operating profit	\$ 578	\$ 538	\$ 40	7 %	\$ 1,115	\$ 1,061	\$ 54	5 %
Operating profit margin	24.9 %	24.7 %			24.7 %	24.5 %		

Summary analysis of Service Net sales change for the quarter and six months ended June 30, 2025 compared with the same periods in 2024 was as follows:

Components of Net sales change:	Quarter Ended June 30, 2025	Six Months Ended June 30, 2025
Organic volume	4 %	4 %
Foreign currency translation	2 %	(1) %
Acquisitions and divestitures, net and other	— %	1 %
Total % change	6 %	4 %

Quarter Ended June 30, 2025*Net sales*

The organic sales increase of 4% is due to organic sales increases in maintenance and repair of 4% and in modernization of 5%.

Components of Net sales change:	Maintenance and Repair	Modernization
Organic volume	4 %	5 %
Foreign currency translation	2 %	1 %
Acquisitions and divestitures, net and other	— %	— %
Total % change	6 %	6 %

Operating profit

Service operating profit increased \$40 million including foreign exchange tailwinds of \$14 million. Higher volume, improved pricing on maintenance contracts and productivity including the benefits of UpLift, were partially offset by inflationary pressures including higher labor costs, and mix. Operating margin increased 20 basis points.

Six Months Ended June 30, 2025*Net sales*

The organic sales increase of 4% is due to organic sales increases in maintenance and repair of 3% and in modernization of 7%.

Components of Net sales change:	Maintenance and Repair	Modernization
Organic volume	3 %	7 %
Foreign currency translation	(1)%	(1)%
Acquisitions and divestitures, net and other	1 %	1 %
Total % change	3 %	7 %

Operating profit

Service operating profit increased \$54 million. Higher volume, improved pricing on maintenance contracts and productivity including the benefits of UpLift, were partially offset by inflationary pressures including higher labor costs, and mix. Operating margin increased 20 basis points.

Corporate and Unallocated

<i>(dollars in millions)</i>	Quarter Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
General corporate expenses and other	\$ 34	\$ 35	\$ 77	\$ 68
UpLift restructuring	25	6	45	7
Other restructuring	12	5	35	24
UpLift transformation costs	18	15	41	27
Separation-related adjustments	9	(1)	61	(16)
Litigation-related settlement costs	—	18	21	18
Held for sale impairment	—	—	10	—
Other, net	1	—	1	—
Total Corporate and Unallocated	\$ 99	\$ 78	\$ 291	\$ 128

General corporate expenses and other decreased \$(1) million for the quarter ended June 30, 2025 compared to the same period in 2024, primarily due to gains on the sale of fixed assets during the quarter ended June 30, 2025 and foreign currency mark-to-market adjustments, partially offset by higher corporate costs.

General corporate expenses and other increased \$9 million for the six months ended June 30, 2025 compared to the same period in 2024, primarily due to higher corporate costs, partially offset by foreign currency mark-to-market adjustments and gains on the sale of fixed assets during the six months ended June 30, 2025.

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 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 June 30, 2025, we had cash and cash equivalents of \$688 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 June 30, 2025 and December 31, 2024, the amount of such restricted cash was \$15 million and \$21 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 June 30, 2025 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>	June 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 688	\$ 2,300
Total debt	7,749	8,324
Net debt (total debt less cash and cash equivalents)	7,061	6,024
Total equity	(5,270)	(4,785)
Total capitalization (total debt plus total equity)	2,479	3,539
Net capitalization (total debt plus total equity less cash and cash equivalents)	1,791	1,239
Total debt to total capitalization	313 %	235 %
Net debt to net capitalization	394 %	486 %

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 June 30, 2025, we had a revolving credit agreement with various banks providing for a \$1.5 billion unsecured, unsubordinated five-year revolving credit facility. As of June 30, 2025, 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.

As of June 30, 2025, there were \$472 million borrowings outstanding under the Company's \$1.5 billion commercial paper program, including, €205 million of Euro denominated commercial paper. For additional discussion of borrowings, see Note 7 to the Condensed Consolidated Financial Statements.

On April 7, 2025, the Company repaid its \$1.3 billion principal amount of 2.056% notes due in 2025, upon maturity, using cash on hand and commercial paper borrowings.

Share Repurchase Program

On January 16, 2025, our Board of Directors revoked any remaining share repurchase authority under the prior share repurchase program and approved a new share repurchase program for up to \$2.0 billion of Common Stock, of which approximately \$1.5 billion was remaining as of June 30, 2025.

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>	Six Months Ended June 30,	
	2025	2024
Net cash flows provided by (used in):		
Operating activities	\$ 405	\$ 479
Investing activities	(320)	(97)
Financing activities	(1,722)	(679)
Effect of exchange rate changes on cash and cash equivalents	19	(32)
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ (1,618)	\$ (329)

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 lower net income and changes to working capital balances during the periods, including a larger decrease in Accounts Payables in the six months ended June 30, 2025 compared to the decrease in the same period in 2024, driven by the timing of payments to suppliers. These were partially offset by an increase in Accrued Liabilities in the six months ended June 30, 2025 compared to a decrease in the same period in 2024, due to the timing of payments of employee-related benefits and the timing of tax payments and the related income tax expense, and a decrease in Other current assets in the six months ended June 30, 2025 compared to the increase in the same period in 2024, due to timing of payments. Additionally, UpLift-related payments were approximately \$52 million in the six months ended June 30, 2025, compared to approximately \$35 million in the same period in 2024.

During the six months ended June 30, 2025, net cash provided by operating activities was \$405 million. Net income of \$679 million includes \$58 million of indemnification expense resulting from the German tax litigation, \$21 million of litigation-related settlement costs and \$10 million of impairment loss related to net assets held for sale, none of which resulted in cash flow activity during the six months ended June 30, 2025. Net income and an increase in Accrued Liabilities due to the timing of payments of employee-related benefits and the timing of tax payments and the related income tax expense were partially offset by a decrease in Accounts Payable, due to the timing of payments to suppliers and an increase in Accounts receivable, net, due to the timing of billings and collections. For additional discussion of the German tax litigation, see Note 1 and Note 16 to the Condensed Consolidated Financial Statements.

During the six months ended June 30, 2024, net cash provided by operating activities was \$479 million. The primary drivers of the inflow related to \$824 million 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 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.

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 six months ended June 30, 2025, net cash used in investing activities was \$320 million. The primary drivers of the outflow related to \$200 million of net cash payments from the settlement of derivative instruments, \$82 million of acquisitions of businesses and intangible assets and \$70 million of capital expenditures. These were partially offset by \$34 million of net proceeds from the sale of fixed assets.

During the six months ended June 30, 2024, net cash used in investing activities was \$97 million. The primary drivers of the outflow related to \$55 million of capital expenditures, \$40 million of acquisitions of businesses and intangible assets and \$4 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 six months ended June 30, 2025, net cash used in financing activities was \$1.7 billion. The primary drivers of the outflow were repayments of long-term debt of \$1.3 billion, repurchases of our Common Stock of \$561 million and dividends paid on our Common Stock of \$319 million. These were partially offset by short term borrowings of \$473 million.

During the six months ended June 30, 2024, net cash used in financing activities was \$679 million. The primary drivers of the outflow were repurchases of our Common Stock of \$600 million, dividends paid on our Common Stock of \$295 million 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 \$323 million.

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, the 2027 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 2024 [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 six months ended June 30, 2025 and as of December 31, 2024 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>	Six Months Ended June 30, 2025
<i>OWC Statement of Operations - Standalone and Unconsolidated</i>	
Revenue	\$ —
Cost of revenue	—
Operating expenses	7
Income from consolidated subsidiaries	—
Income (loss) from operations excluding income from consolidated subsidiaries	(72)
Net income (loss) excluding income from consolidated subsidiaries	(135)

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
<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)	99	1,490
Noncurrent assets (investments in consolidated subsidiaries)	1,099	1,151
Noncurrent assets (excluding investments in consolidated subsidiaries)	37	37
Current liabilities (intercompany payables to non-guarantor subsidiaries)	6,652	6,277
Current liabilities (excluding intercompany payables to non-guarantor subsidiaries)	989	1,625
Noncurrent liabilities (intercompany payables to non-guarantor subsidiaries)	—	—
Noncurrent liabilities (excluding intercompany payables to non-guarantor subsidiaries)	4,908	5,100

<i>(dollars in millions)</i>	Six Months Ended June 30, 2025
Highland Statement of Operations - Standalone and Unconsolidated	
Revenue	\$ —
Cost of revenue	—
Operating expenses	—
Income from consolidated subsidiaries	480
Income (loss) from operations excluding income from consolidated subsidiaries	—
Net income (loss) excluding income from consolidated subsidiaries	(122)

<i>(dollars in millions)</i>	June 30, 2025	December 31, 2024
Highland Balance Sheet - Standalone and Unconsolidated		
Current assets (intercompany receivables from non-guarantor subsidiaries)	\$ —	\$ —
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)	463	460
Noncurrent assets (excluding investments in consolidated subsidiaries)	—	—
Current liabilities (intercompany payables to non-guarantor subsidiaries)	—	—
Current liabilities (excluding intercompany payables to non-guarantor subsidiaries)	22	4
Current liabilities (intercompany payables from non-guarantor subsidiaries)	3	9
Noncurrent liabilities (intercompany payables to non-guarantor subsidiaries)	4,018	3,513
Noncurrent liabilities (excluding intercompany payables to non-guarantor subsidiaries)	2,249	2,017

Off-Balance Sheet Arrangements and Contractual Obligations

Item 5 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2024 [Form 10-K](#) discloses our off-balance sheet arrangements and contractual obligations. As of June 30, 2025, 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 six months ended June 30, 2025. 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 2024 [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 June 30, 2025. 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 June 30, 2025, 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 June 30, 2025, 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 or transformation actions (including UpLift and related reorganization and outsourcing activities and China), 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 sustainability targets or other corporate responsibility initiatives, 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. and in other countries in which Otis and its businesses operate, including tensions between the U.S. and China, on general market conditions, commodity costs, global trade policies and related sanctions, export controls and tariffs, and currency exchange rates in the near term and beyond;
- the effect of geopolitical conflicts, including the effect of the on-going conflict between Russia and Ukraine and conflicts in the Middle East;
- 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 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 or transformation costs and related savings and other consequences thereof, including with respect to UpLift and China and related impacts of reorganization and outsourcing activities and change management, as applicable;
- 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, labor actions, including strikes or work stoppages, 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, tariffs, climate change, sustainability or other corporate responsibility related legal and regulatory changes) and other laws and regulations in the U.S., including in connection with the new administration's policies and priorities, 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 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 2024 [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**

For a discussion regarding material legal proceedings, see "Note 16: Contingent Liabilities" to the Condensed Consolidated Financial Statements.

Except as otherwise noted above, there have been no material developments in legal proceedings. For previously reported information about legal proceedings refer to Item 3 "Legal Proceedings" in our 2024 [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 2024 [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 June 30, 2025 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

2025	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)
April 1 - April 30	2,063	\$ 94.48	2,063	\$ 1,652
May 1 - May 31	1,079	97.39	1,079	\$ 1,547
June 1 - June 30	—	—	—	\$ 1,547
Total	3,142	\$ 95.48	3,142	

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

On January 16, 2025, our Board of Directors ("the Board") revoked any remaining share repurchase authority under the prior share repurchase program and approved a new share repurchase program for up to \$2.0 billion of Common Stock. As of June 30, 2025, the maximum dollar value of shares that may yet be purchased under this current program was approximately \$1.5 billion.

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

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.1	Offer Letter between Otis Worldwide Corporation and Joseph Armas.*
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 ended June 30, 2025 and 2024, (ii) Condensed Consolidated Statements of Operations for the six months ended June 30, 2025 and 2024, (iii) Condensed Consolidated Statements of Comprehensive Income for the quarters and six months ended June 30, 2025 and 2024, (iv) Condensed Consolidated Balance Sheets as of June 30, 2025 and December 31, 2024, (v) Condensed Consolidated Statements of Changes in Equity for the quarters ended June 30, 2025 and 2024, (vi) Condensed Consolidated Statements of Changes in Equity for the six months ended June 30, 2025 and 2024, (vii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2025 and 2024 and (viii) Notes to Condensed Consolidated Financial Statements.



Joseph Armas

April 2025

Dear Joseph:

I am pleased to offer you the position of President, Otis U.S. & Canada of Otis Worldwide Corporation (“Otis”), effective May 1, 2025, reporting to me.

In connection with this appointment, your total rewards package will include:

- Membership in Otis’ Executive Leadership Group (ELG), comprised of our most senior leaders.
- A base salary of USD \$650,000 per year, effective May 1st. Base salaries are reviewed annually.
- Continued participation in the Otis Executive Short-Term Incentive (STI) Plan, as Amended and Restated as of January 1, 2024, with a target annual STI opportunity of 85% of your base salary. Your 2025 STI target opportunity will be prorated based on the effective date of your appointment.
- A one-time supplemental 2025 LTI award from Otis under the Otis Long-Term Incentive Plan, as Amended and Restated as of January 1, 2024, with a target value of \$1,200,000 granted on June 2nd.
- 60% of the award will be delivered in Performance Share Units (PSUs) which vest in early 2028 subject to the Compensation Committee’s certification of performance over the three-year performance period and the remaining 40% of the award will be delivered in Restricted Stock Units (RSUs) that vest ratably over three years (1/3 on each anniversary of the grant date). The PSUs and RSUs will be subject to Otis’ standard award terms and conditions for annual LTI awards. Annual grant values may vary from year-to-year, based on individual and Otis performance.
- Continued Participation in our Executive Lease Vehicle Program (ELVP) with an allowance of \$80,000 towards the capitalized cost of a zero-emissions (EV) vehicle, or \$77,500 towards the capitalized cost of a hybrid vehicle. The ELVP covers all fuel (hybrids only), maintenance, taxes, registration, and car insurance costs. You may select a vehicle of greater value and pay the difference in lease costs via payroll deductions. You may also receive a one-time reimbursement toward the purchase and installation of a home vehicle charger of up to \$2,500 (EVs only).

- Ability to receive comprehensive **financial counseling services from Ayco**, including company benefit planning, cash flow and retirement planning, tax planning/preparation, estate planning, and education funding.
- **Relocation assistance** at a time and to a location mutually agreed upon by you, and the EVP & Chief People Officer. Benefits will include, but not be limited to, home marketing and sale assistance, home purchase assistance, temporary housing, the packing and shipment of household goods, and a one-time relocation allowance payment of \$7,500. These benefits will be grossed-up for Federal & State taxes, if applicable. Additional details regarding your relocation benefits will be provided under separate cover at the time of your relocation.
- The company will pay all expenses related to a **complete annual health exam**, offered through Executive Health Examinations International. We will also pay reasonable costs for transportation and overnight accommodations required to visit a specialized clinic in connection with these exams, if recommended by a physician.
- Participation in the **ELG Disability Program**. Should you become disabled, upon cessation of your sick leave benefits, you will receive 80% of your compensation (i.e., base salary and target level short-term incentive), payable for the duration of your disability.
- Coverage under the ELG Severance Plan and the Change in Control Severance Plan.

Joe, I look forward to working with you in your new role at Otis. Please acknowledge your acceptance of our offer by signing the acceptance confirmation below and emailing it to me.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ JUDITH F. MARKS

Judith F. Marks
Chair, Chief Executive Officer and President

Accepted and Agreed,

/s/ JOSEPH ARMAS

Joseph Armas

4/25/2025

Date

July 24, 2025

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

Commissioners:

We are aware that our report dated July 24, 2025 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: July 24, 2025

/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: July 24, 2025

/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: July 24, 2025

/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 June 30, 2025 (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: July 24, 2025

/s/ JUDITH F. MARKS

Judith F. Marks

Chair, President and Chief Executive Officer

Date: July 24, 2025

/s/ CRISTINA MÉNDEZ

Cristina Méndez

Executive Vice President and Chief Financial Officer

Date: July 24, 2025

/s/ MICHAEL P. RYAN

Michael P. Ryan

Senior Vice President and Chief Accounting Officer