

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

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020
- 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 001-00812

RAYTHEON TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

06-0570975
(I.R.S. Employer Identification No.)

870 Winter Street, Waltham, Massachusetts 02451
(Address of principal executive offices, including zip code)

(781) 522-3000
(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 (\$1 par value) (CUSIP 75513E 101)	RTX	New York Stock Exchange
2.150% Notes due 2030 (CUSIP 75513E AB7)	RTX 30	New York Stock Exchange

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 the Exchange Act.

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"/>

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

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

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

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2020 was approximately \$93,495,749,819, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At January 29, 2021, there were 1,519,478,134 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for its 2021 Annual Meeting of Shareowners are incorporated by reference in Part II and III of this Form 10-K.

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[SIGNATURES](#)

Raytheon Technologies Corporation and its subsidiaries’ names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of Raytheon Technologies 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. References to internet web sites in this Form 10-K are provided for convenience only. Information available through these web sites is not incorporated by reference into this Form 10-K.

PART I

ITEM 1. BUSINESS

General

Raytheon Technologies Corporation is an aerospace and defense company that provides advanced systems and services for commercial, military and government customers worldwide. The terms “we,” “us,” “our,” “Raytheon Technologies,” “RTC” and the “Company” mean Raytheon Technologies Corporation, unless the context indicates another meaning. We serve commercial and government customers in both the original equipment and aftermarket parts and services segments of the aerospace industry. Our defense business serves both domestic and international customers as a prime contractor or subcontractor on a broad portfolio of defense and related programs for military and government customers. Formerly known as United Technologies Corporation (UTC), Raytheon Technologies was incorporated in Delaware in 1934 and represents the combination of UTC’s aerospace businesses and Raytheon Company through the Separation Transactions and Distributions and Raytheon Merger in April 2020, as described in more detail below.

The following description of our business should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” within Item 7 of this Form 10-K, including the information contained therein under the heading “Business Overview.”

Separation Transactions and Distributions. On April 3, 2020, UTC completed the separation of its business into three independent, publicly traded companies – UTC, Carrier Global Corporation (Carrier) and Otis Worldwide Corporation (Otis) (such separations, the “Separation Transactions”). UTC distributed all of the outstanding shares of Carrier common stock and all of the outstanding shares of Otis common stock to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the distributions (the “Distributions”) effective at 12:01 a.m., Eastern Time, on April 3, 2020. The historical results of Carrier and Otis are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

Raytheon Merger. On April 3, 2020, following the completion of the Separation Transactions and the Distributions, pursuant to an Agreement and Plan of Merger dated June 9, 2019, as amended, UTC and Raytheon Company completed their all-stock merger of equals transaction (the “Raytheon Merger”). Upon closing of the Raytheon Merger, Raytheon Company became a wholly owned subsidiary of UTC, which changed its name to “Raytheon Technologies Corporation.”

Business Segments

Our operations are classified into four principal business segments: Collins Aerospace Systems, Pratt & Whitney, Raytheon Intelligence & Space and Raytheon Missiles & Defense, with each segment comprised of groups of similar operations.

Collins Aerospace Systems. Collins Aerospace Systems (Collins Aerospace) is a leading global provider of technologically advanced aerospace and defense products and aftermarket service solutions for aircraft manufacturers, airlines, and regional, business and general aviation, as well as for defense and commercial space operations. Collins Aerospace’s product lines include integrated avionics systems, communications systems, navigation systems, electric power generation, management and distribution systems, environmental control systems, flight control systems, air data and aircraft sensing systems, engine control systems, engine nacelle systems, including thrust reversers and mounting pylons, interior and exterior aircraft lighting, aircraft seating and cargo systems, landing systems, including landing gear, wheels and braking systems, hoists and winches, fire and ice detection and protection systems, actuation systems, engine components, and propeller systems. Collins Aerospace also designs, produces and supports cabin interior, communications and aviation systems, oxygen systems, food and beverage preparation, storage and galley systems, lavatory and wastewater management systems. Collins Aerospace solutions support human space exploration with environmental control and power systems and extravehicular activity suits and support government and defense customer missions by providing airborne intelligence, surveillance and reconnaissance systems, test and training range systems, crew escape systems, and simulation and training solutions. Collins Aerospace also provides information management services through worldwide voice and data communication networks and solutions. Aftermarket services include spare parts, overhaul and repair, engineering and technical support, training and fleet management solutions, and information management services.

Collins Aerospace sells aerospace and defense products and services to aircraft manufacturers, airlines and other aircraft operators, the U.S. and foreign governments, defense contractors, maintenance, repair and overhaul providers, and independent distributors around the world. Collins Aerospace’s largest customers are Boeing and Airbus with combined sales, prior to discounts and incentives, of 21%, 27% and 31% of total Collins Aerospace segment sales in 2020, 2019 and 2018, respectively.

In 2020, Collins Aerospace was awarded significant contracts for all four of the Future Vertical Lift (FVL) platforms, the Next Generation Ejection Seat (the ACES 5), Ground Based Strategic Deterrent, Bell H-1 Tail Drive System, the Next-Gen APU

Fuel Nozzle, and the Mounted Assured Positioning, Navigation and Timing System (MAPS GenII). Our products supported the first flight of the Boeing 777X, and enabled entry into service for the Embraer Praetor 500 and 600. Collins also delivered the first production Nacelle Enhancement Program (NEP) nacelle configuration on A350-900/1000. Significant product development activity continues, including major systems for Boeing's T-7A and VC-25B, the Irkut MC-21, the Dassault Falcon 6X, the Leonardo AW249, the Xian MA700, and the COMAC C919. Other significant development work includes Iridium Next, high-frequency (HF) Next, 6th-gen military aircraft, Tactical Combat Training Systems Increment II, NASA deep space exploration systems, distributed pulse oxygen system, Confident to Fly technologies, and the Federal Aviation Administration (FAA) CLEEN II demonstrator.

Pratt & Whitney. Pratt & Whitney is among the world's leading suppliers of aircraft engines for commercial, military, business jet and general aviation customers. Pratt & Whitney's Commercial Engines and Military Engines businesses design, develop, produce and maintain families of large engines for wide- and narrow-body and large regional aircraft for commercial customers and for fighter, bomber, tanker and transport aircraft for military customers. Pratt & Whitney's small engine business, Pratt & Whitney Canada (P&WC), is among the world's leading suppliers of engines powering regional airlines, general and business aviation, as well as helicopters. Pratt & Whitney also produces, sells and services military and commercial auxiliary power units. Pratt & Whitney provides fleet management services and aftermarket maintenance, repair and overhaul services in all of these segments.

Pratt & Whitney sells products and services principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies and the U.S. and foreign governments. Pratt & Whitney's largest customer by sales is Airbus, with sales, prior to discounts and incentives, of 30%, 31% and 36% of total Pratt & Whitney segment sales in 2020, 2019 and 2018, respectively.

Pratt & Whitney produces the PW1000G Geared Turbofan engine family, the first of which, the PW1100G-JM, entered into service in January 2016. The PW1000G Geared Turbofan engine has demonstrated a significant reduction in fuel burn and noise levels and lower environmental emissions when compared to legacy engines. The PW1100G-JM engine is offered on the Airbus A320neo family of aircraft. PW1000G Geared Turbofan engine models also power the Airbus A220 passenger aircraft and Embraer's E-Jet E2 family of aircraft and have been selected to power the new Irkut MC-21 passenger aircraft. Mitsubishi and Pratt & Whitney have signed a contract in recognition of the formal pause in MRJ70 and MRJ90 engine development for the SpaceJet program. In addition, P&WC's PW800 engine has been selected to exclusively power Gulfstream's new G500 and G600 business jets, as well as to power Dassault's new Falcon 6X business jet, which is scheduled to enter into service in 2022.

Pratt & Whitney is under contract to produce and sustain the F135 engine for the U.S. government's F-35 Joint Program Office to power the single-engine F-35 Lightning II aircraft (commonly known as the Joint Strike Fighter) produced by Lockheed Martin. F135 propulsion system configurations are used for the U.S. Air Force's F-35A, the U.S. Marine Corps' F-35B and the U.S. Navy's F-35C jets. F135 engines are also used on F-35 aircraft purchased by Joint Strike Fighter partner countries and foreign military sales countries. Pratt & Whitney is also under contract to build engines for the U.S. Air Force's B-21 long-range strike bomber and to develop next-generation adaptive engines for the U.S. Air Force.

The development of new engines and improvements to current production engines present important growth opportunities for Pratt & Whitney. In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into some collaboration arrangements in which revenues, costs and risks are shared with third parties. At December 31, 2020, the interests of third-party collaboration participants in Pratt & Whitney-directed commercial jet engine programs ranged, in the aggregate per program, from approximately 13% to 49%. See "Note 1: Basis of Presentation and Summary of Accounting Principles" within Item 8 of this Form 10-K for a description of our accounting for collaboration arrangements. Pratt & Whitney also continues to enhance its programs through performance improvement measures and product base expansion.

In 2020, Pratt & Whitney reached significant milestones on the Geared Turbofan (GTF) engine program, including achieving an industry-leading engine dispatch reliability rate of 99.98% for the GTF engines for the Airbus A320neo. The GTF engine family now powers more than 900 aircraft across 50 airlines and three aircraft platforms: Airbus A320neo family, Airbus A220 and Embraer E-Jets E2 family. Pratt & Whitney also delivered the 50,000th PT6 turboprop engine in the General Aviation segment. Also in 2020, Pratt & Whitney received a significant number of contract awards for the F135 program, which powers all three variants of the F-35 Lightning II fighter aircraft. F135 production milestones achieved included the delivery of the 600th and 700th production engines. From a sustainment perspective, the F135 team supported the activation of half a dozen bases and ships around the world, including the first U.S. Navy aircraft carrier ready to deploy with F-35C aircraft on board. Significant activity continues on Adaptive Engine Transition Program, 6th-gen propulsion, and other development programs.

Raytheon Intelligence & Space. Raytheon Intelligence & Space (RIS) is a global leading developer and provider of integrated sensor and communication systems for advanced missions, advanced training, and cyber and software solutions to intelligence, defense, federal and commercial customers. RIS capabilities include space-based sensors and data processing systems; multi-

domain intelligence solutions; electronic warfare solutions, including high-energy laser weapons systems; command and control systems; modernization, training and mission support services; and advanced cyber analytics, systems defense and services.

RIS serves as a prime contractor or major subcontractor on contracts with the U.S. Intelligence Community, U.S. Department of Defense (DoD), Department of Homeland Security, the FAA, National Aeronautics and Space Administration, and other international and classified customers.

In 2020, RIS continued to invest in advancing its current products and services and developing next generation capabilities to meet evolving customer missions. Significant advancements include laser technologies; intelligence surveillance and reconnaissance electro-optical/infrared (EO/IR) products; radar for 5th and 6th generation aircraft; classified space mission systems; offensive and defensive cyber solutions; and the Next Generation Jammer system. RIS continued to grow its classified business, receiving a number of significant contracts. In addition, in December 2020, RIS completed its previously announced acquisition of Blue Canyon Technologies, a leading provider of small satellites and spacecraft components to the U.S. Air Force, NASA, and the Defense Advanced Research Projects Agency (DARPA).

Raytheon Missiles & Defense. Raytheon Missiles & Defense (RMD) is a leading designer, developer, integrator producer and sustainer of integrated air and missile defense systems; defensive and combat solutions; large land- and sea-based radars; command, control, communications and intelligence solutions; and naval and undersea sensor solutions for the U.S. and foreign government customers. RMD's integrated air and missile defense systems include the proven Patriot missile defense system and next-generation radar systems to defeat advanced threats. Its defensive solutions include counter-unmanned aircraft systems and ship defense systems. Its combat solutions include precision munitions, missiles, hypersonics, high power microwave and other weapons. Its command, control, communications and intelligence solutions include integrated, networked, actionable combat solutions for air and land combat commanders. RMD's naval and undersea solutions include combat and ship electronic and sensing systems, as well as undersea sensing and effects solutions. Its sustainment solutions include maintenance, depot support, training and predictive analytics services.

RMD serves as a prime contractor or major subcontractor on numerous programs with the U.S. DoD, including the U.S. Navy, U.S. Army, Missile Defense Agency, and U.S. Air Force, and international governments.

In 2020, the following programs and awards continued to drive revenue and strategic imperatives for RMD growth: the Lower Tier Air and Missile Defense System (LTAMDS), the Advanced Medium Range Air-to-Air Missile (AMRAAM), the Standard Missile Family (Standard Missile 2 (SM-2), Standard Missile 3 (SM-3) and Standard Missile 6 (SM-6)), Tomahawk variants, the Patriot Engineering Services, the Qatar National Advanced Surface-to-Air Missile System (NASAMS), the Air and Missile Defense Radar (AMDR)/SPY-6, Poland Patriot, the Kingdom of Saudi Arabia Transportable Radar Surveillance and Control Model 2 (KSA TPY-2), the Air Intercept Missile (AIM-9X), Qatar Early Warning Radar (EWR), Army Navy/Transportable Radar Surveillance and Control Model 2 (AN/TPY-2) and Phalanx SeaRAM. The Missile Defense Agency (MDA) awarded RMD significant contracts for AN/TPY-2 radars and the SM-3 missile. In addition, RMD was down-selected in the competition for the sole provider for the Long Range Stand Off (LRSO) Strike Initiative and the U.S. Air Force approved RMD's StormBreaker smart weapon for fielding on the F-15 Eagle. Also, as part of a historic MDA demonstration, RMD's advanced SM-3 Block IIA ballistic missile defense interceptor intercepted and destroyed an intercontinental ballistic missile target outside Earth's atmosphere for the first time ever.

Other Matters Relating to Our Business

As worldwide businesses, our operations can be affected by a variety of economic, industry and other factors, including those described in this section, in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Item 1, "Cautionary Note Concerning Factors That May Affect Future Results," and in Item 1A, "Risk Factors" in this Form 10-K.

COVID-19 Pandemic. In March 2020, the coronavirus disease 2019 (COVID-19) was declared a pandemic by the World Health Organization and a national emergency by the U.S. government. Our business and operations and the industries in which we operate have been significantly impacted by public and private sector policies and initiatives in the U.S. and worldwide to address the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working, as well as public sentiments regarding air travel. In particular, the unprecedented decrease in air travel resulting from the COVID-19 pandemic is adversely affecting our airline and airframer customers, and their demand for the products and services of our Collins Aerospace and Pratt & Whitney segments. Our airline customers have reported significant reductions in fleet utilization, aircraft grounding and unplanned retirements, and have deferred and, in some cases, cancelled, new aircraft deliveries. They have shifted to cash conservation behaviors such as deferring engine maintenance due to lower flight hours and aircraft utilization, requesting extended payment terms, deferring delivery of new aircraft and spare engines and requesting discounts on engine maintenance. Some airline customers have filed for bankruptcy due to their inability to meet their financial obligations.

Additionally, we are seeing purchase order declines in line with publicly communicated aircraft production volumes as original equipment manufacturer (OEM) customers delay and cancel orders.

In response to the COVID-19 impacts on our businesses, we have been and continue to actively mitigate costs and adjust production schedules to accommodate these declines in demand. We have also been taking actions to preserve capital and protect the long-term needs of our businesses, including cutting discretionary spending, significantly reducing capital expenditures and research and development spend, suspending our share buyback program in 2020, deferring merit increases and implementing temporary pay reductions, freezing non-essential hiring, repositioning employees to defense work, furloughing employees when needed, and reducing personnel. Our former Raytheon Company businesses, Raytheon Intelligence & Space and Raytheon Missiles & Defense, although experiencing minor impacts, have not experienced significant business disruptions as a result of the COVID-19 pandemic.

For additional information related to the COVID-19 pandemic, see Item 1A. “Risk Factors” in this Form 10-K.

Raytheon Merger Integration. We continue to make progress on our integration activities to realize the benefits of the Raytheon Merger, including synergies, cost savings, innovation and enterprise-wide technology sharing opportunities (including technology-driven revenue synergies) and operational efficiencies. We continue to integrate our business processes and systems, identify and mature technology and revenue synergy opportunities, achieve significant cost savings, harmonize our organizational model and policies, as well as promote a strong single-company culture. Numerous aspects of these activities will continue into 2021.

Sales and Customers

We have substantial U.S. government sales, which we conduct through all four of our business segments. Raytheon Intelligence & Space and Raytheon Missiles & Defense together represent a significant portion of those sales. In addition, as a global company, all four of our business segments have substantial international sales.

U.S. Government Sales. Our U.S. government sales were as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Sales to the U.S. government ⁽¹⁾	\$ 25,962	\$ 9,094	\$ 6,560
Sales to the U.S. government as a percentage of total net sales ⁽¹⁾	46 %	20 %	19 %

(1) Excludes foreign military sales through the U.S. government. See “Note 22: Segment Financial Data” within Item 8 of this Form 10-K for additional information.

International Sales. Our international sales were as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Total international sales ⁽¹⁾	\$ 22,027	\$ 23,952	\$ 19,035
Total international sales as a percentage of total net sales ⁽¹⁾	39 %	53 %	55 %

(1) Includes foreign military sales through the U.S. government. See “Note 22: Segment Financial Data” within Item 8 of this Form 10-K for additional information.

Backlog. Backlog, which is equivalent to our remaining performance obligations (RPO), represents the aggregate amount of total contract transaction price related to firm orders that are unsatisfied or partially unsatisfied. Segment backlog does not include intercompany backlog. Our backlog by segment was as follows:

<i>(dollars in millions)</i>	2020	2019
Collins Aerospace Systems	\$ 23,005	\$ 26,260
Pratt & Whitney	78,135	85,183
Raytheon Intelligence & Space	18,676	—
Raytheon Missiles & Defense	29,593	—

Our consolidated RPO also includes the RPO of certain smaller non-reportable segments, which are not reflected in the table above.

Approximately 70% of our consolidated backlog as of December 31, 2020 is not expected to be realized as sales in the next twelve months.

Defense backlog primarily relates to backlog with government customers and is included within our total backlog. At December 31, 2020, our defense backlog was approximately 45% of total backlog.

Competition

All of our businesses are subject to significant competition. Our businesses compete on a variety of factors such as price, delivery schedule, past performance, reliability, customer service, product development, innovation and technology. Many of our competitors have substantial financial resources and significant technological capabilities. Further, some non-U.S. competitors receive government research and development assistance, marketing subsidies and other assistance for their products beyond the assistance that may be available to us as a U.S. company. In addition, the competitive landscapes in the industry segments we serve continue to evolve with trends such as increased vertical integration by competitors and customers and the emergence of more commercial competitors on defense development programs.

Our aerospace businesses compete with numerous domestic and foreign manufacturers, customers and companies that obtain regulatory agency approval to manufacture spare parts. Customer selections of aircraft engines, components and systems can also have a significant impact on future sales of parts and services. In addition, the U.S. government's and other governments' policies of purchasing parts from suppliers other than the original equipment manufacturer affect military spare parts sales. Some competitors may offer substantial discounts and other financial incentives, performance and operating cost guarantees, and participation in financing arrangements in an effort to compete for the aftermarket associated with these products.

Our defense businesses compete with numerous U.S. and foreign companies in most defense and government electronics, space, information technology and technical services and support segments. We frequently partner on defense programs with our major suppliers, some of whom are, from time to time, competitors on other programs.

People

As a technology and innovation-driven global company, RTC depends on a highly educated and skilled workforce. We seek to advance a diverse, equitable and inclusive work environment for all employees. Our ability to attract, develop and retain the best talent, particularly those with technical, engineering and science backgrounds or experience, is critical for us to execute our strategy and grow our businesses. In addition to providing market competitive compensation and benefits, we invest in our workforce through education, training and development programs. Additionally, we regularly conduct succession planning to ensure that we continue to cultivate the leadership pipeline of talent needed to execute our strategy.

We continuously monitor the hiring, retention and management of our employees by business and function. We regularly conduct confidential surveys to seek feedback from our employees and use those results to improve our workplace. In addition, we have industry-leading health and safety as well as ethics and compliance programs to help mitigate associated employee risks.

As of December 31, 2020, our global employee population consisted of a total of approximately 181,000 employees, including approximately 61,000 engineers and approximately 41,000 employees represented by labor unions and other employee representative bodies. Our employees are located in 71 countries, with approximately 71% of our employees located in the U.S., approximately 4% of our employees located in Canada, approximately 14% of our employees located in Europe, approximately 9% of our employees located in the Asia Pacific region, approximately 1% of our employees located in the Middle East and North Africa region and approximately 1% of our employees located in other regions.

In 2020, our workforce was significantly impacted by the Separation Transactions, the Raytheon Merger and the COVID-19 pandemic.

Upon completion of the Separation Transactions, a total of approximately 122,000 former UTC employees became employees of Carrier and Otis. Further, as a result of the Raytheon Merger, 71,000 Raytheon Company employees joined the 124,000 employees of UTC's aerospace businesses as RTC employees. Following the Raytheon Merger, we have undertaken a number of actions to reduce our workforce and achieve cost synergies while retaining key talent necessary for RTC's success. We are working towards a harmonized set of human resources systems and applications, programs and processes that will enable employees to more easily move across our businesses and functions and advance their careers within RTC. We also have engaged in additional succession planning as a result of the changes in our senior management team in connection with the Separation Transactions and the Raytheon Merger.

In addition, we have taken extraordinary measures to protect our workforce in response to the COVID-19 pandemic. We implemented extensive safety protocols to support our essential employees required to work onsite. We also enabled approximately 100,000 of our employees to work remotely, and we have sought to ensure that they have the technology, flexible work schedules, dependent care and other services needed during this time to enable them to work effectively from home.

Due to the impact of the pandemic on our businesses in 2020, we have taken a number of actions, including deferring merit increases and implementing temporary pay reductions, freezing non-essential hiring, repositioning employees to defense work and making personnel reductions. In particular, Collins Aerospace and Pratt & Whitney have taken steps to adjust their workforces to align with current and expected demand for their products and services. At Collins Aerospace, 11% of the workforce was impacted by reductions (excluding divestitures), and at Pratt & Whitney, 13% of the workforce was impacted by reductions. Our RIS and RMD businesses units have not been as severely impacted by the pandemic as Collins Aerospace and Pratt & Whitney, and continued to hire in 2020 to support the growth of their businesses.

Research and Development and Operations

Our innovative products and services incorporate advanced technologies. As a result, we invest substantial amounts in research and development (R&D) activities using our own funds and under contractual arrangements with our customers, to enhance existing products and services and develop future technologies to meet our customers' changing needs and requirements, as well as to address new business opportunities.

We manufacture and service our products in over 240 manufacturing, production or overhaul facilities in approximately 30 countries, including the U.S. In addition, RTC has offices in another 10 countries.

Intellectual Property

We maintain a portfolio of patents, trademarks, copyrights, trade secrets, licenses and franchises related to our businesses. We rely on a combination of these rights, along with nondisclosure agreements, IT security systems, internal controls and compliance systems and other measures to protect our intellectual property. The U.S. government and foreign governments have licenses to certain of our intellectual property, including certain patents, which are developed or used in the performance of government contracts. Commercial customers also have licenses to certain of our intellectual property largely in connection with the sale of our products. While our intellectual property rights in the aggregate are important to the operation of each of our businesses, we do not believe that our business would be materially affected by the expiration of any particular intellectual property right or termination of any particular intellectual property patent license agreement.

Suppliers and Raw Materials

We are dependent upon the availability of materials and major components and the performance of our suppliers and subcontractors. Some of our products require relatively scarce raw materials. We generally have not experienced significant difficulties in procuring the necessary raw materials, components and other supplies for our products, but we may experience supply impacts related to the COVID-19 pandemic if its impact on commercial aerospace continues. We are monitoring supplier liquidity and working continuously with our supply base to ensure an adequate source of supply and to reduce costs. We pursue cost reductions through a number of mechanisms, including consolidating our purchases, reducing the number of suppliers, strategic global sourcing and competitions among potential suppliers. In some instances, we depend upon a single source of supply or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. Like other users in the U.S., we are largely dependent upon foreign sources for certain raw materials, such as cobalt, tantalum, chromium, rhenium and nickel. We have a number of ongoing programs to manage this dependence and the accompanying risk, including long-term agreements and the conservation of materials through scrap reclamation and new manufacturing processes. In addition, in some cases, we must comply with specific procurement requirements, which may limit the suppliers and subcontractors we may utilize.

Regulatory Matters

Our businesses are subject to extensive regulation in the industries we serve. We deal with numerous U.S. government agencies and entities, including but not limited to all of the branches of the DoD, the FAA, and the Department of Homeland Security. Similar government authorities exist in all of the countries in which we do business.

U.S. Government Contracts. As previously discussed, the U.S. government is our largest customer, representing a substantial majority of our total defense sales. U.S. government contracts are subject to termination by the government, either for convenience or for default in the event of our failure to perform under the applicable contract. In the case of a termination for convenience, we would normally be entitled to reimbursement for our allowable costs incurred, termination costs and a reasonable profit. If terminated by the government as a result of our default, we could be liable for payments made to us for undelivered goods or services, additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. Our U.S. government contracts generally are subject to the Federal Acquisition Regulation (FAR), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. government; department-specific regulations that implement or supplement the FAR, such as the DoD's Defense Federal Acquisition Regulation Supplement (DFARS); and other applicable laws and regulations. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export,

security, contract pricing and cost, contract termination and adjustment, audit and product integrity requirements. A contractor's failure to comply with these regulations and requirements could result in reductions to the value of contracts, contract modifications or termination, cash withholds on contract payments, forfeiture of profits, and/or the assessment of civil or criminal penalties and fines, and could lead to suspension or debarment, for cause, from U.S. government contracting or subcontracting for a period of time.

For further discussion of risks related to government contracting, including on-going litigation associated with U.S. government audits and investigations, see Item 1A, "Risk Factors" and Item 3, "Legal Proceedings," in this Form 10-K and "Note 19: Commitments and Contingencies" within Item 8 of this Form 10-K.

Commercial Aerospace Product Regulation. Our commercial aerospace products generally are subject to regulations by the FAA, foreign aviation administration authorities and international regulatory bodies, including on production and quality systems, airworthiness and installation approvals, repair procedures and continuing operational safety. In addition, commercial aerospace regulations and regulator approaches differ across jurisdictions and changes in such regulations and implementing legislation can impact our operations.

Environmental Regulation. Our operations are subject to and affected by environmental regulation by federal, state and local authorities in the U.S. and regulatory authorities with jurisdiction over our international operations, including with respect to the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. We use hazardous substances and generate hazardous wastes in our operations and have incurred, and will likely continue to incur, costs associated with environmental compliance and management of sites with pollutants. A portion of these costs are eligible for future recovery through the pricing of our products and services under our contracts with the U.S. government. We do not anticipate that compliance with current provisions or requirements relating to the protection of the environment or that any payments we may be required to make for cleanup liabilities will have a material adverse effect upon our cash flows, competitive position, financial condition or results of operations. Environmental matters are further addressed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" within Item 7 of this Form 10-K and "Note 1: Basis of Presentation and Summary of Accounting Principles" and "Note 19: Commitments and Contingencies" within Item 8 of this Form 10-K.

Most of the U.S. laws governing environmental matters include criminal provisions. If we were convicted of a violation of the federal Clean Air Act or Clean Water Act, the facility or facilities involved in the violation could be deemed ineligible to be used in performing any U.S. government contract we are awarded until the Environmental Protection Agency thereafter certifies that the condition giving rise to the violation has been corrected. We also manage various government-owned facilities on behalf of the U.S. government. At such facilities, environmental compliance and remediation costs have historically been primarily the responsibility of the U.S. government and we have relied (and continue to rely with respect to past practices) upon U.S. government funding to pay such costs.

In addition, we could be affected by future laws or regulations imposed in response to concerns over climate change. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional investment in product designs and could increase environmental compliance expenditures, including increased energy and raw materials costs.

For further discussion of risks related to environmental matters and other government regulations, see Item 1A, "Risk Factors" and Item 3, "Legal Proceedings," in this Form 10-K and "Note 19: Commitments and Contingencies" within Item 8 of this Form 10-K.

Other Applicable Regulations. We conduct our businesses through subsidiaries and affiliates worldwide. As a result, our businesses and operations are subject to both U.S. and non-U.S. government laws, regulations and procurement policies and practices, including regulations relating to import-export controls, tariffs, investment, exchange controls, anti-corruption, and cash repatriation. Our international sales are also subject to varying currency, political and economic risks.

Cautionary Note Concerning Factors That May Affect Future Results

This Form 10-K contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “expectations,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “outlook,” “confident,” “on track” and other words of similar meaning. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, share repurchases, tax payments and rates, research and development spending, other measures of financial performance, potential future plans, strategies or transactions, credit ratings and net indebtedness, other anticipated benefits to RTC of the Rockwell Collins acquisition, the Raytheon Merger or the Separation Transactions, including estimated synergies and customer cost savings resulting from the Raytheon Merger and the anticipated benefits and costs of the Separation Transactions and other statements that are not solely 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, we claim 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 countries in which RTC operates in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end-customer demand in both the commercial and defense segments of the aerospace industry, levels of air travel, financial condition of commercial airlines, the impact of pandemic health issues (including COVID-19 and its effects, among other things, on global supply, demand and distribution capabilities as the COVID-19 pandemic continues and results in an increasingly prolonged period of disruption to air travel and commercial activities generally, and significant restrictions and limitations on businesses, particularly within the aerospace and commercial airlines industries), aviation safety concerns, weather conditions and natural disasters, the financial condition of our customers and suppliers, and the risks associated with U.S. government sales (including changes or shifts in defense spending due to budgetary constraints, spending cuts resulting from sequestration or the allocation of funds to governmental responses to COVID-19, a government shutdown, or otherwise, and uncertain funding of programs);
- challenges in the development, production, delivery, support, performance, safety, regulatory compliance and realization of the anticipated benefits (including our expected returns under customer contracts) of advanced technologies and new products and services;
- the scope, nature, impact or timing of acquisition and divestiture activity, including among other things the integration of UTC and Raytheon Company’s businesses and the integration of RTC with other businesses acquired before and after the Raytheon Merger, and realization of synergies and opportunities for growth and innovation and incurrence of related costs and expenses, including the possibility that the anticipated benefits from the combination of UTC and Raytheon Company’s businesses or other acquired businesses cannot be realized in full or may take longer to realize than expected, or the possibility that costs or difficulties related to the integration of UTC’s businesses with Raytheon Company’s or other acquired businesses will be greater than expected or may not result in the achievement of estimated synergies within the contemplated time frame or at all;
- RTC’s levels of indebtedness, capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure;
- the timing and scope of future repurchases by RTC of its common stock, which are subject to a number of uncertainties and may be discontinued, accelerated, suspended or delayed at any time due to various factors, including market conditions and the level of other investing activities and uses of cash;
- delays and disruption in delivery of materials and services from suppliers;
- company and customer-directed cost reduction efforts and restructuring costs and savings and other consequences thereof (including the potential termination of U.S. government contracts and performance under undefinitized contract actions and the potential inability to recover termination costs);
- new business and investment opportunities;
- the ability to realize the intended benefits of organizational changes;
- the anticipated benefits of diversification and balance of operations across product lines, regions and industries;
- the outcome of legal proceedings, investigations and other contingencies;
- pension plan assumptions and future contributions;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the effect of changes in political conditions in the U.S. and other countries in which RTC and its businesses operate,

including the effect of changes in U.S. trade policies, on general market conditions, global trade policies and currency exchange rates in the near term and beyond;

- potential changes in policy positions or priorities that emerge from a new U.S. Administration, including changes in DoD policies or priorities;
- the effect of changes in tax (including U.S. tax reform enacted on December 22, 2017, which is commonly referred to as the TCJA), environmental, regulatory and other laws and regulations (including, among other things, export and import requirements such as the International Traffic in Arms Regulations and the Export Administration Regulations, anti-bribery and anti-corruption requirements, including the Foreign Corrupt Practices Act, industrial cooperation agreement obligations, and procurement and other regulations) in the U.S. and other countries in which RTC and its businesses operate;
- the ability of RTC to retain and hire key personnel and the ability of our personnel to continue to operate our facilities and businesses around the world in light of, among other factors, the COVID-19 pandemic; and
- the intended qualification of (1) the Raytheon Merger as a tax-free reorganization and (2) the Separation Transactions and other internal restructurings as tax-free to UTC and former UTC shareowners, in each case, for U.S. federal income tax purposes

In addition, this Form 10-K includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See “Note 19: Commitments and Contingencies” within Item 8 of this Form 10-K, the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Overview,” “Critical Accounting Estimates,” “Results of Operations,” and “Liquidity and Financial Condition,” within Item 7 of this Form 10-K, and the sections titled Item 1A, “Risk Factors” and Item 3, “Legal Proceedings,” of this Form 10-K. This Form 10-K also includes important information as to these factors in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Restructuring Costs,” “Environmental Matters” and “Governmental Matters,” within Item 7 of this Form 10-K, and in the “Business” section under the headings “General,” “Description of Business by Segment” and “Other Matters Relating to Our Business as a Whole.” 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 Securities and Exchange Commission (SEC).

ITEM 1A. RISK FACTORS

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

INDUSTRY RISKS

Our Business May be Adversely Affected by Changes in Global Economic, Capital Market and Political Conditions.

Our business, financial condition, operating results and cash flows may be adversely affected by changes in global economic conditions and geopolitical risks, including credit market conditions, levels of consumer and business confidence, commodity prices, exchange rates, potential changes in policy positions or priorities that emerge from a new U.S. Administration due to a variety of factors, levels of government spending and deficits, the threat environment, trade policies, political conditions, actual or anticipated default on sovereign debt and other challenges that could affect the global economy. These economic conditions affect businesses such as ours in a number of ways. Tightening of credit in financial markets could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations, could result in a decrease in or cancellation of orders for our products and services, and could impact the ability of our customers to make payments. Similarly, such tightening of credit may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. In addition, geopolitical risks, including changes in the threat environment and political conditions, could affect government priorities, budgets and policies, which could impact sales of defense and other products and services. Our global business is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, air travel, the financial strength of airlines and business jet operators, and government procurement.

Coronavirus Disease 2019 (COVID-19) Has Affected and Will Continue to Affect Our Business, Supply Chains, Operations and the Industries in which We Operate.

The COVID-19 pandemic has significantly increased global economic and demand uncertainty. Public and private sector policies and initiatives in the U.S. and worldwide to address the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working, have impacted the Company's business, operations and the industries in which we operate. The disruption to air travel and commercial activities generally, and significant restrictions and limitations on businesses, attributable to the COVID-19 pandemic has negatively impacted the global supply, demand and distribution capabilities of the aerospace and commercial airlines industries. In particular, the decrease in air travel resulting from the COVID-19 pandemic has resulted in the loss of business and leisure passenger traffic and is adversely affecting our airline and airframer customers, and their demand for our products and services. Aircraft manufacturers are reducing production rates due to fewer expected aircraft deliveries and cancelling new airframer programs, and, as a result, demand for our original equipment manufacturer (OEM) products has decreased. In addition, significant declines in aircraft flight hours are resulting in reduced demand for our aftermarket parts and services. Moreover, airlines and airline leasing companies have been deferring, and are expected to continue to defer, maintenance services, which negatively impacts our related revenues. Some airlines have accelerated retirement of certain aircraft, thereby eliminating our continuing services and negatively impacting our aftermarket revenues with respect to those aircraft. Further, a significant portion of our long-term support contracts are driven by actual usage, and decreased usage has, and will continue to, negatively affect our revenues associated with these types of contracts. COVID-19 may also limit the ability of our customers generally to perform, including in making timely payment to us.

In addition, we provide aircraft financing commitments, in the form of debt or lease financing, to commercial aerospace customers. COVID-19 may increase the need for these customers to utilize these financing commitments due to the pandemic's adverse impact on their businesses or the inability of these customers to obtain more favorable terms from other financing sources. If financing commitments are exercised, the Company will need to divert cash to satisfy them, and these customers may be unable to make payments.

The COVID-19 pandemic has impacted, and will continue to impact, the Company's supply chains, including the ability of suppliers and vendors to provide their products and services to the Company. At this time, some of our suppliers have reduced or ceased operations as a result of COVID-19. This supply chain impact could also contribute to performance delays on our customer obligations and increase our costs.

We are continuing to face operational challenges from the need to protect employee health and safety, workplace disruptions, and restrictions on the movement of people and goods, at our own facilities and at customers and suppliers. In addition, continued reduced operations and business disruption – including if significant portions of our workforce or our suppliers' workforces are unable to work effectively due to facilities closures, illness, quarantines, government actions or other restrictions – could hinder or delay our production capabilities generally, and otherwise impede our ability to perform on our obligations to our customers, and may also result in increased costs to us. The continued spread of COVID-19 may also affect our ability to

hire, develop and retain our talented and diverse workforce, and to maintain our corporate culture. Any costs associated with COVID-19 may not be fully recoverable or adequately covered by insurance.

The COVID-19 pandemic also may materially impact U.S. government sales, including changes or shifts in defense spending due to budgetary constraints, the allocation of funds to governmental responses to COVID-19, a failure to complete the government budget process resulting in a Continuing Resolution (CR) or a government shutdown, or otherwise, and uncertain funding of programs. COVID-19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, and creating volatility and unpredictability in financial and capital markets, foreign currency exchange rates, and interest rates. These impacts and the resulting volatility and disruption to the global capital markets may increase the cost of capital and may adversely impact access to capital for the Company and our suppliers and customers including heightened counter party risks associated with foreign exchange hedging transactions, interest rate swaps, solvency of revolving credit facility banks and the ability to raise capital both short-term and long-term.

Any of these factors, depending on the severity and duration of the COVID-19 pandemic and its effects, could have a material adverse effect on our business, results of operations, financial condition and cash flows. The ultimate financial impact of the COVID-19 pandemic is unknown at this time. The extent of such impact depends on future developments, which are highly uncertain and cannot be predicted in the short- or long-term, including new information which may emerge concerning the scope, severity and duration of the COVID-19 pandemic, as well as any worsening of the pandemic, the effect of mutating strains and whether additional outbreaks of the pandemic will continue to occur, actions to contain the pandemic's spread or treat its impact, timing of the availability of vaccines, and their distribution, acceptance and efficacy, and governmental, business and individual personal actions taken in response to the pandemic (including restrictions and limitations on travel and transportation, and changes in leisure and business travel patterns and work environments) among others. Some of these actions and related impacts may be trends that continue in the future even after the pandemic no longer poses a significant public health risk.

Changes in U.S. Government Defense Spending Could Negatively Impact Our Financial Position, Results of Operations, Liquidity and Overall Business.

U.S. government sales constitute a significant portion of our consolidated sales. Our U.S. government revenues largely result from contracts awarded under various U.S. government programs, primarily defense-related programs with the U.S. Department of Defense (DoD), and a broad range of programs with the U.S. Intelligence Community and other departments and agencies. Changes in U.S. government defense spending for various reasons, including as a result of potential changes in policy positions or priorities which may result from the recent U.S. presidential and congressional election, could negatively impact our results of operations, financial condition and liquidity. Our programs are subject to U.S. government policies, budget decisions and appropriation processes which are driven by numerous factors including: (1) geopolitical events; (2) macroeconomic conditions; and (3) the ability of the U.S. government to enact relevant legislation, such as appropriations bills. In recent years, U.S. government appropriations have been affected by larger U.S. government budgetary issues and related legislation. In previous years the U.S. government has been unable to complete its budget process before the end of its fiscal year, resulting in both governmental shut-downs and CRs providing only enough funds for U.S. government agencies to continue operating at prior-year levels. Further, if the U.S. government debt ceiling is not raised and the national debt reaches the statutory debt ceiling, the U.S. government could default on its debts. As a result, U.S. government defense spending levels are subject to a wide range of outcomes and are difficult to predict beyond the near-term due to numerous factors, including the external threat environment, future governmental priorities and the state of governmental finances. Significant changes in U.S. government defense spending or changes in U.S. government priorities, policies and requirements could have a material adverse effect on our results of operations, financial condition and liquidity.

We Face Risks Relating to Our U.S. Government Contracts and the Mix of Our U.S. Government Contracts and Programs that Could Negatively Impact our Financial Condition, Results of Operations, Liquidity and Overall Business.

The termination of one or more of our contracts, or the occurrence of performance delays, cost overruns, product failures, materials or components shortages, or contract definitization delays, could negatively impact our results of operations, financial condition and liquidity.

U.S. government contracts generally permit the government to terminate the contract, in whole or in part, without prior notice, at the U.S. government's convenience or for default based on performance. If one of our contracts is terminated for convenience, we would generally be entitled to payments for our allowable costs and would receive some allowance for profit on the work performed. If one of our contracts is terminated for default, we would generally be entitled to payments for work accepted by the U.S. government. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts and orders. In addition, we are a subcontractor and not the prime contractor on some contracts. In these arrangements, the U.S. government could terminate the prime contract for convenience or otherwise,

without regard to our performance as a subcontractor. Further, we can give no assurance that we would be awarded new U.S. government contracts to offset the revenues lost as a result of the termination of any of our contracts.

In addition, because the funding of U.S. government programs is subject to congressional appropriations made on a fiscal year basis even for multi-year programs, programs are often only partially funded initially and may not continue to be funded in future years. Appropriation bills may be delayed, which may result in delays to funding, the collection of receivables and our contract performance due to lack of authorized funds to procure related products and services. Under certain circumstances, we may use our own funds to meet our customer's desired delivery dates or other requirements, but we may not be reimbursed. Further, if appropriations for one of our programs become unavailable, reduced or delayed, the U.S. government may terminate for convenience our contract or subcontract under that program.

Our U.S. government contracts typically involve the development, application and manufacture of advanced defense and technology systems and products aimed at achieving challenging goals. New technologies may be untested or unproven and in some instances, product requirements or specifications may be modified. As a result, we may experience technological and other performance difficulties, which may result in delays, setbacks, cost overruns or product failures, and could divert our attention or resources from other projects. Our failure to execute effectively on our development programs could impact our future sales opportunities. Additionally, in order to win certain U.S. government contracts, we may be required to invest in development prior to award as our customers demand more mature and proven solutions. These additional investment amounts may not be worthwhile if we are not chosen for new contract awards.

Our U.S. government contracts are typically either fixed-priced contracts or cost reimbursement contracts. Fixed-price contracts are predominantly either firm fixed-price (FFP) contracts or fixed-price incentive (FPI) contracts. Under FFP contracts, we receive a fixed price irrespective of the actual costs we incur and we therefore carry the burden of any cost overruns. Under FPI contracts, we generally share with the U.S. government savings for cost underruns less than target costs and expenses for cost overruns exceeding target costs up to a negotiated ceiling price. We carry the entire burden of cost overruns exceeding the ceiling price amount under FPI contracts. Under cost reimbursable contracts, we are reimbursed for allowable costs and paid a fixed or performance-based fee, but we are generally not reimbursed for unauthorized costs exceeding a cost ceiling amount or costs not allowable under the contract or applicable regulations. If we are unable to control costs or if our initial cost estimates are incorrect, our profitability could be negatively affected, particularly under fixed-price development contracts. We may also experience cost underruns which would reduce contract value and related expected revenues, and we may be unable to expand the contract scope or secure additional work to offset the resulting lost revenues. While contracts for development programs with complex design and technical challenges are typically cost reimbursable, they can be FFP or FPI, which can significantly increase our risk of a potential negative profit adjustment, as development contracts by nature involve elements that have not been undertaken before and, thus, are highly subject to future unexpected cost growth. In addition, other contracts in backlog are for the transition from development to production, which includes starting and stabilizing a manufacturing and test line while the final design is still being validated.

Over the past several years, the DoD has increased its use of Other Transaction Authority (OTA) contracts, under which it awards research and development work without all of the procurement requirements that typically apply to DoD contracts, including justification of sole source awards. For example, Raytheon Company was awarded an OTA contract for the Lower Tier Air and Missile Defense Sensor (LTAMDS) in late 2019. OTAs may use fixed-price contracts during all phases of the contract, or mandated contract cost sharing (e.g., one-third of program costs). They may also require non-traditional subcontractor participation and impose other requirements that differ from our other DoD contracts. If we are unable to perform on our OTA contracts, including any applicable non-traditional requirements, it could negatively impact our results of operations, financial condition and liquidity.

From time to time, we may begin performance under an undefinitized contract action with a not-to-exceed price prior to completing contract negotiations in order to support U.S. government priorities. Uncertainties in final contract price, specifications and terms, or loss of negotiating leverage associated with particularly long delays in contract definitization, may negatively affect our profitability.

In addition, as discussed more fully below, our U.S. government contracts also require us to comply with extensive and evolving procurement rules and regulations and subject us to potential U.S. government audits, investigations, and disputes.

We are also involved in programs that are classified by the U.S. government, which have security requirements that place limits on our ability to discuss our performance on these programs, including any risks, disputes and claims.

Our International Operations Subject Us to Economic Risk As Our Results of Operations and Liquidity May Be Adversely Affected by Changes in Foreign Currency Fluctuations, Economic Conditions, Political Factors, Trade Policies, Sales Methods, and Changes in Local Government Regulation.

We conduct our business on a global basis, with a significant portion of sales derived from international operations, including U.S. export sales. Changes in local and regional economic conditions, including fluctuations in exchange rates, may affect product demand and reported profits in our non-U.S. operations where transactions may be denominated in local currencies. In addition, currency fluctuations may affect the prices we pay suppliers for materials used in our products. As a result, our operating margins also may be negatively impacted by worldwide currency fluctuations that result in higher costs for certain cross-border transactions. Our financial statements are denominated in U.S. Dollars. Accordingly, fluctuations in exchange rates may also give rise to translation gains or losses when financial statements of non-U.S. operating units are translated into U.S. Dollars. A strengthening of the U.S. Dollar against other major foreign currencies could adversely affect our results of operations.

In our commercial aerospace businesses, the majority of our sales are, consistent with established industry practice, transacted in U.S. Dollars, while the majority of costs at locations outside the U.S. are incurred in the applicable local currency (principally the Euro, the Canadian Dollar, the British Pound, and the Polish Zloty). For operating units with U.S. Dollar sales and local currency costs, there is foreign currency exposure that could impact our results of operations depending on market changes in the exchange rate of the U.S. Dollar against the applicable foreign currencies. In particular, Pratt & Whitney Canada is especially susceptible to fluctuations in exchange rates for this reason. To manage certain exposures, we employ long-term hedging strategies associated with U.S. Dollar sales.

Our international sales and operations are subject to risks associated with local government laws, regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls, capital controls, employment regulations, and cash repatriation. Government policies on international trade and investments such as import quotas, capital controls, taxes or tariffs, whether adopted by individual governments or regional trade blocs, can affect demand for our products and services, impact the competitive position of our products or prevent us from being able to manufacture or sell products in certain countries. The implementation of more restrictive trade policies, including the imposition of tariffs, or the renegotiation of existing trade agreements by the U.S. or by countries where we sell large quantities of products and services or procure supplies and other materials incorporated into our products, including in connection with the United Kingdom's withdrawal from the European Union, could negatively impact our business, results of operations and financial condition. Ongoing geopolitical uncertainty and trends such as populism and economic nationalism could negatively impact us. For example, a government's adoption of "buy national" policies or retaliation by another government against such policies, such as tariffs, could have a negative impact on our results of operations.

Our international sales and operations are also sensitive to changes in foreign national priorities, including government budgets, as well as to regional and local political and economic factors, including volatility in energy prices, changes in threat environments and geopolitical uncertainties, and changes in U.S. foreign policy. International transactions may involve increased financial and legal risks due to differing legal systems and customs and contract laws and regulations, and include contractual terms that differ from those of similar contracts in the U.S. or that may be interpreted differently in foreign countries.

As discussed more fully below, our international sales also require us to comply with U.S. laws, regulations and policies, including the International Traffic in Arms Regulations (ITAR), the Export Administration Regulations (EAR), the Foreign Corrupt Practices Act (FCPA), and other anti-corruption, sanctions, and export laws and regulations. In addition, in certain foreign countries, our businesses engage non-employee sales representatives. From time to time, we have disputes with such representatives regarding claimed commissions and other matters which can result in litigation or arbitration if not resolved amicably.

We conduct business in certain countries primarily for our commercial aerospace businesses including Argentina, Brazil, China, India, Indonesia, Mexico, Morocco, Poland, Russia, South Africa, Turkey, Ukraine and countries in the Middle East and Central Asia, that carry high levels of currency, political, compliance and economic risk. We expect that sales to these and other emerging market customers will continue to account for a significant portion of our commercial aerospace sales in the long term as our businesses evolve and as these and other developing nations and regions around the world increase their demand for our products, particularly our aerospace products. Operations in emerging market countries can present many risks, including cultural differences (such as employment and business practices), volatility in gross domestic product, economic and government instability (particularly in the Kingdom of Saudi Arabia and other Middle East countries), the imposition of exchange and capital controls, and the risks associated with exporting components manufactured in those countries for incorporation into finished products completed in other countries. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or

financial condition. Of note, in 2019 the U.S. government suspended Turkey's participation in the F-35 Joint Strike Fighter program because Turkey accepted delivery of the Russian-built S-400 air and missile defense system. The U.S. has imposed, and may impose additional, sanctions on Turkey as a result of this or other political disputes. Turkish companies supply components, some of which are sole-sourced, to our aerospace businesses for commercial and military engines and aerospace products, as well as to our defense businesses. Depending upon the scope and timing of U.S. sanctions on Turkey and potential reciprocal actions, if any, such sanctions or actions could impact our sources of supply and could have a material adverse effect on our results of operations, cash flows or financial condition. In addition, in October 2020, the People's Republic of China (China) announced that it may sanction RTC in connection with a possible Foreign Military Sale to Taiwan of six MS-110 Reconnaissance Pods and related equipment manufactured by Collins Aerospace. Foreign Military Sales are government-to-government transactions that are initiated by, and carried out at the direction of, the U.S. government. To date, the Chinese government has not imposed sanctions on RTC or indicated the nature or timing of any future potential sanctions or other actions. If China were to impose sanctions or take other regulatory action against RTC, our suppliers, teammates or partners, it could potentially disrupt our business operations. The impact of potential sanctions or other actions by China cannot be determined at this time. From time to time, our businesses have sold, and are expected to sell in the future additional defense products to Taiwan and we are unable to determine the potential impact, if any, of any future sanctions or other actions by China in response to these sales.

Our international business faces substantial competition from both U.S. companies and foreign companies. In some instances, foreign companies may be owned by foreign governments or may receive loans, marketing subsidies and other assistance from their governments that may not be available to U.S. companies or our foreign subsidiaries. In addition, foreign companies may be subject to fewer restrictions on technology transfer than U.S. companies.

Our international contracts, particularly for sales of defense products and services, may include industrial cooperation agreements requiring specific local purchases, manufacturing agreements, technology transfer agreements or financial support obligations, sometimes in the form of either offset obligations or in-country industrial participation (ICIP) agreements. Approvals of offset or ICIP thresholds and requirements may be subjective and time-consuming and may delay contract awards. Offset requirements may, in certain countries, include the creation of a joint venture with a local company that may control the venture. In addition, certain customers' demands are increasing for greater offset or ICIP commitment levels, higher-value content, including the transfer of technologies and capabilities, and local production and economic development.

Our use of and association with third-party foreign representatives and consultants for international sales, and teaming with international subcontractors, partners and suppliers in connection with international programs exposes us to various challenges including risks associated with the FCPA and local antibribery laws and regulations. As a result of the above factors, we could experience financial penalties and award and funding delays on international programs, our profitability on these programs could be negatively affected, and we could incur losses on these programs that could negatively impact our results of operations, financial condition and liquidity.

Our Financial Performance Is Dependent on the Condition of the Aerospace Industry.

Our aerospace businesses constitute a substantial portion of our financial results, and the performance of those businesses is directly tied to the economic conditions in the commercial aerospace industry, which is cyclical in nature. Capital spending and demand for aircraft engines, aerospace products and component aftermarket parts and services by commercial airlines, aircraft operators and aircraft manufacturers are influenced by a wide variety of factors, including current and predicted traffic levels, load factors, aircraft fuel prices, labor issues, airline profits, airline consolidation, bankruptcies, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, corporate profitability, cost reduction efforts and remaining performance obligations levels. In particular, tightening of credit in financial markets could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations, could result in a decrease in or cancellation of orders for our products and services, and could impact the ability of our customers to make payments. Similarly, such tightening of credit may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. Any of these factors could reduce the sales and margins of our aerospace businesses. Other factors, including future terrorist actions, aviation safety concerns, pandemic health issues or major natural disasters, could also dramatically reduce the demand for commercial air travel, which could negatively impact the sales and margins of our aerospace businesses. For example, the COVID-19 pandemic has impacted, and continues to impact, our business, as described above.

Additionally, because a substantial portion of product deliveries to commercial aerospace customers are scheduled for delivery in 2021 and beyond, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. At times, our aerospace businesses also enter into firm fixed-price or cost-share development contracts, which may require us to bear cost overruns related to unforeseen technical and design challenges that arise during the development and early production stages of the program. In addition, our aerospace businesses face intense competition from domestic and

foreign manufacturers of new equipment, and approved non-OEM aftermarket spare parts and repairs. Spare parts sales and aftermarket service trends are affected by similar factors, including usage, pricing, technological improvements, regulatory changes and the retirement of older aircraft. Furthermore, because of the lengthy research and development cycle involved in bringing products in these business segments to market, we cannot predict the economic conditions that will exist when any new product is ready to enter into service. A reduction in spending in the commercial aviation industry could have a significant effect on the demand for our products, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We Design, Manufacture and Service Products that Incorporate Advanced Technologies; The Introduction of New Products and Technologies Involves Risks and We May Not Realize the Degree or Timing of Benefits Initially Anticipated; Competition May Reduce Our Revenues and Segment Share and Limit Our Future Opportunities.

We seek to achieve growth through the design, development, production, sale and support of innovative commercial aerospace and defense systems and products that incorporate advanced technologies. The product, program and service needs of our customers change and evolve regularly, and we invest substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products and services.

Of particular note, Pratt & Whitney is currently producing and delivering the PW1000G Geared Turbofan engine to power various aircraft, including the A320neo family of aircraft. The level of orders received for the Geared Turbofan family of engines, coupled with a requirement to achieve mature production levels in a very short time frame, require significant additional manufacturing and supply chain capacity. If any of our production ramp-up efforts are delayed, if suppliers cannot timely deliver or perform to our standards, and/or if we identify or experience issues with in-service engines, we may not meet customers' delivery schedules, which could result in material additional costs, including liquidated damages or other liabilities that could be assessed under existing contracts.

Our ability to realize the anticipated benefits of our technological advancements depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules; receiving regulatory approvals; execution of internal and external performance plans; availability of supplier and internally produced parts and materials; performance of suppliers and subcontractors; availability of supplier and internal facility capacity to perform maintenance, repair and overhaul services on our products; hiring and training of qualified personnel; achieving cost and production efficiencies; identification of emerging technological trends for our target end-customers; validation of innovative technologies; risks associated with the development of complex software; the level of customer interest in new technologies and products; and customer acceptance of products we manufacture or that incorporate technologies we develop. For example, our customers manufacture end products and larger aerospace systems that incorporate certain of our aerospace products. These systems and end products may also incorporate additional technologies manufactured by third parties and involve additional risks and uncertainties. As a result, the performance and industry acceptance of these larger systems and end products could affect the level of customer interest in and acceptance of our products in the marketplace.

In addition, many of our products must adhere to strict regulatory and market-driven safety and performance standards in a variety of jurisdictions. The evolving nature of these standards, along with the long duration of development, production and support programs, creates uncertainty regarding program profitability, particularly with our aircraft engine products.

Development efforts divert resources from other potential investments in our businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings. In addition, the industries for our products or products that incorporate our technologies may not develop or grow as we anticipate. We or our customers, suppliers or subcontractors may encounter difficulties in developing and producing new products and services, and may not realize the degree or timing of benefits initially anticipated or may otherwise suffer significant adverse financial consequences. Due to the design complexity of our products or those of our customers or third party manufacturers that incorporate our products into theirs or our customers' products, we may experience delays in completing the development and introduction of new products or we may experience the suspension of production after these products enter into service due to safety concerns. Delays and/or suspension of production could result in increased development costs or deflect resources from other projects. In particular, we cannot predict with certainty whether, when and in what quantities our aerospace businesses will produce and sell aircraft engines, aircraft systems and components, and other products currently in development, pending required certifications or after entry into service.

We operate in highly competitive industries and our competitors may have more extensive or more specialized engineering, manufacturing, marketing and servicing capabilities than we do. Our contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the cost to provide the products and services. To generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services and deliver the products and to be able to complete the contracts in a timely manner. If we fail to accurately estimate our costs or the time required to complete a contract, the profitability of our contracts may be materially and adversely affected. Some of our

contracts provide for liquidated damages in the event that we are unable to perform and deliver in accordance with the contractual specifications and schedule. In addition, we may face customer-directed cost reduction targets that could have a material adverse effect on the profitability of our contracts if these targets are not achieved when required. Moreover, we have seen highly competitive pricing, in which a bidder may anticipate making a substantial investment in a program in order to win the work. In addition, with respect to DoD awards in particular, bid protests from unsuccessful bidders on new program awards are frequent. Generally, a bid protest will delay the start of contract activities, delay earnings, and could result in the award decision being overturned and require a re-bid of the contract. Highly competitive activity within the commercial aerospace industry has included substantial discounts and other financial incentives, performance and operating cost guarantees, and participation in financing arrangements, in order to secure both new engine business and the aftermarket revenues associated with these products.

Furthermore, our competitors, including our customers, may develop competing technologies which gain industry acceptance in advance of or instead of our products. The possibility also exists that our competitors or customers might develop new technologies or offerings that might cause our existing technologies and offerings to become obsolete and cause disruption to our business. In addition, the possibility exists that competitors or customers will develop aftermarket services and aftermarket parts for our products that attract customers and adversely impact our return on investment on new products. We also anticipate companies continuing to enhance their competitive position against our defense businesses as a result of continued domestic and cross-border defense industry consolidation and the expansion of competitors' capabilities throughout the supply chain through vertical integration. We are also facing heightened competition domestically and internationally from foreign and multinational firms. Additionally, some customers, including the DoD, are increasingly turning to commercial contractors, rather than traditional defense contractors, for information technology and other support work. If we are unable to continue to compete successfully against our current or future competitors in our core businesses, we may experience declines in revenues and industry segment share.

Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

OPERATIONAL RISKS

We Use a Variety of Raw Materials, Supplier-Provided Parts, Components, Sub-Systems and Contract Manufacturing Services in Our Businesses, and Significant Shortages, Supplier Capacity Constraints, Supplier Production Disruptions or Price Increases Could Increase Our Operating Costs and Adversely Impact the Competitive Positions of Our Products.

Our reliance on U.S. and non-U.S. suppliers (including third-party manufacturing suppliers, subcontractors and service providers) and commodity markets to secure raw materials, parts, components and sub-systems used in our products exposes us to volatility in the prices and availability of these materials and services. In many instances, we depend upon a single source of supply, manufacturing, services support or assembly, or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. Our defense businesses are subject to specific procurement requirements that limit the types of materials they use, which may further limit the suppliers and subcontractors they may utilize. They also must require suppliers to comply with various DoD cybersecurity requirements. A disruption in deliveries from our suppliers, supplier capacity constraints, supplier production disruptions, supplier quality issues (such as issues with defects or fraudulent parts), closing, bankruptcy or financial difficulties of our suppliers, price increases, or decreased availability of raw materials or commodities, including as a result of war, natural disaster, health pandemic or other business continuity events, could have a material adverse effect on our ability to meet our commitments to customers or increase our operating costs. We believe that our supply management and production practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Nonetheless, price increases, supplier capacity constraints, supplier production disruptions or the unavailability of some raw materials may have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. For example, the COVID-19 pandemic has impacted, and continues to impact, our supply chain, as described above.

Exports and Imports of Certain of Our Products Are Subject to Various Export Control, Sanctions and Import Regulations and May Require Authorization From the U.S. Department of State, the U.S. Department of Commerce, the U.S. Department of the Treasury, the U.S. Department of Homeland Security, the U.S. Department of Justice or Regulatory Agencies of Other Countries.

We must comply with various laws and regulations relating to the export and import of products, services and technology from and into the U.S. and other countries having jurisdiction over our operations. In the U.S., these laws and regulations include, among others, the EAR administered by the U.S. Department of Commerce, the ITAR administered by the U.S. Department of State, embargoes and sanctions regulations administered by the U.S. Department of the Treasury, and import regulations administered by the U.S. Department of Homeland Security and the U.S. Department of Justice. Certain of our products, services and technologies have military or strategic applications and are on the U.S. Munitions List of the ITAR and the

Commerce Control List of the EAR or are otherwise subject to the EAR, or on the U.S. Munitions Import List and we are required to obtain licenses and authorizations from the cognizant U.S. government agencies before selling these products outside of the U.S. or importing these products into the U.S. U.S. foreign policy or foreign policy of other licensing jurisdictions may affect the licensing process or otherwise prevent us from engaging in business dealings with certain individuals, entities or countries. Any failure by us, our customers or our suppliers to comply with these laws and regulations could result in civil or criminal penalties, fines, seizure of our products, adverse publicity, restrictions on our ability to export or import our products, or the suspension or debarment from doing business with the U.S. government. Moreover, any changes in export control, sanctions or import regulations may further restrict the export of our products or services, and the possibility of such changes requires constant monitoring to ensure we remain compliant. Our ability to obtain required licenses and authorizations on a timely basis or at all is subject to risks and uncertainties, including changing U.S. government foreign policies or laws, delays in Congressional action, or geopolitical and other factors. If we are not successful in obtaining or maintaining the necessary licenses or authorizations in a timely manner, our sales relating to those approvals may be prevented or delayed, and revenue and profit previously recognized may be reversed. Any restrictions on the export or import of our products or product lines could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Our Products Must Meet or Exceed Stringent Performance and Reliability Standards.

Our products and services involve advanced technologies in highly sophisticated products. The impact of a catastrophic product failure or similar event, particularly in our commercial aerospace business, could be significant. Actual or perceived design or production issues can result in significant reputational harm to our business, in addition to direct warranty, maintenance and other costs that may arise. A significant product issue resulting in injuries or death, aircraft grounding or similar systemic consequences could have a material adverse effect on our business, reputation, financial position and results of operations. We may also incur increased costs, delayed payments or lost equipment or services revenue in connection with a significant issue with a third party's product with which our products are integrated. There can be no assurance that we or our customers or other third parties will not experience operational process or product failures and other problems, including through manufacturing or design defects, process or other failures of contractors or third-party suppliers, cyber-attacks or other intentional acts, any of which could result in potential product, safety, quality, regulatory or environmental risks. If our products do not perform as intended, including with respect to safety or reliability, the possible consequences include product recalls and product liability claims, significant financial losses, including fines, as well as a diversion of management attention and reputational damage that could reduce demand for our products and services. Further, our insurance coverage may not be adequate to cover all related costs and we may not otherwise be fully indemnified for them.

We Depend On the Recruitment and Retention of Qualified Personnel, and Our Failure to Attract, Train and Retain Such Personnel and to Maintain our Corporate Culture and High Ethical Standards Could Seriously Harm Our Business.

Due to the specialized nature of our business, our future performance is highly dependent upon the continued services of our key technical personnel and executive officers, the development of additional management personnel, and the hiring of new qualified technical, manufacturing, marketing, sales and management personnel for our operations. Our defense business in particular requires qualified personnel with security clearances due to our classified programs. Competition for personnel is intense and we may not be successful in attracting, training or retaining qualified personnel with the requisite skills or security clearances. In addition, certain existing personnel may be required to receive various security clearances and substantial training in order to work on certain programs or perform certain tasks. Necessary security clearances may be delayed, which may impact our ability to perform on our U.S. government contracts. Further, we have experienced and may continue to experience personnel reductions as a result of the COVID-19 pandemic's impact on our business and a significant percentage of our current workforce is nearing or eligible for retirement. To the extent that we lose experienced personnel, it is critical that we develop other employees, hire new qualified personnel and successfully manage the transfer of critical knowledge. In addition, new qualified personnel may have different expectations from our current workforce, which could result in difficulties attracting and retaining new employees. Loss of key employees, failure to attract new qualified employees or adequately train them, delays in receiving required security clearances, or delays in hiring key personnel could seriously harm our business.

We believe that a critical element of our ability to successfully attract, train and retain qualified personnel is our corporate culture, which we believe fosters innovation, collaboration and a focus on execution, all in an environment of high ethical standards. Our global operations may present challenges in maintaining these important aspects of our corporate culture. Any failure to maintain our corporate culture could negatively impact our ability to attract, train and retain essential qualified personnel who are vital to our business. Further, we rely on our key personnel to lead with integrity and to meet our high ethical standards that promote excellent performance and cultivate diversity, equity and inclusion. To the extent any of our key personnel were to behave in a way that is inconsistent with our values, including with respect to product safety or quality, legal or regulatory compliance, financial reporting or people management, we could experience a materially adverse impact to our reputation and our operating results.

Our Business and Financial Performance May Be Adversely Affected By Cyber-attacks on Information Technology Infrastructure and Products

Our business may be impacted by disruptions to our own or third-party information technology (IT) infrastructure, which could result from, among other causes, cyber-attacks on or failures of such infrastructure or compromises to its physical security. We also encounter attempts to infiltrate our products and services and sabotage or disable their use by our customers.

Cybersecurity threats are evolving and include, but are not limited to, both attacks on our IT infrastructure and attacks on the IT infrastructure of our customers, suppliers, subcontractors and other third parties with whom we do business routinely, both on premises and in the cloud, attempting to gain unauthorized access to our confidential or other proprietary information, classified information, or information relating to our employees, customers and other third parties, or to disrupt our systems or the systems of third parties. Cybersecurity threats also include attacks targeting the security, integrity and/or availability of the hardware, software and information installed, stored or transmitted in our products, including after the purchase of those products and when they are incorporated into third-party products, facilities or infrastructure, and insider threat attacks. Such attacks could disrupt our systems or those of third parties (including mission critical systems), impact business operations, result in unauthorized release of confidential or otherwise protected information, and corrupt our data or that of third parties. We have experienced cyber-based attacks, and due to the evolving threat landscape, may continue to experience them going forward, potentially with more frequency. The threats we face vary from attacks common to most industries to more advanced and persistent, highly organized adversaries, including nation states, which target us and other defense contractors. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services and operations from potential cybersecurity threats. However, given the unpredictability, nature and scope of cyber-attacks, it is possible that we are unable to prevent cyber attacks, that potential vulnerabilities could go undetected for an extended period, that we may be unsuccessful in defending an attack against those vulnerabilities, or that we may otherwise be unable to mitigate customer losses and other potential consequences of these attacks. In addition, some products and services that we provide to customers, particularly those related to public security, may raise potential liabilities related to privacy and intellectual property. In some cases we must rely on the safeguards put in place by our customers, suppliers, subcontractors and other third parties to protect against and report cyber threats. We could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromise of confidential information, intellectual property or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our or third-party systems, networks or products, financial losses from remedial actions, loss of business, or potential liability, penalties, fines and/or damage to our reputation, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Some of these risks may be heightened due to the Company and its suppliers and other third parties operating with a significant number of employees working remotely. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted. Further, our insurance coverage may not be adequate to cover all related costs and we may not otherwise be fully indemnified for them.

Our Business and Financial Performance May Be Adversely Affected By Threats to Our Physical Security and Other Events Outside Our Control

We could encounter threats to our physical security, including our facilities and personnel, and threats from terrorism, workplace violence or similar acts, any of which could disrupt our business. In addition, our business, and the businesses of our suppliers, subcontractors and service providers and customers, could be disrupted by public health crises, such as pandemics and epidemics, damaging weather or other acts of nature, or other events outside of our control. Our business may also be impacted by cyber-attacks on IT infrastructure and products, as discussed above. In addition, our business has been, and continues to be, impacted by the COVID-19 pandemic, as discussed above. Any such business disruption could subject us to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, financial losses from remedial actions, the diversion of management's attention and resources, or loss of business, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. The impact of any such business disruption is difficult to predict.

We Depend On Our Intellectual Property, and Have Access to Certain Intellectual Property and Information of Our Customers and Suppliers; Infringement or Failure to Protect Our Intellectual Property Could Adversely Affect Our Future Growth and Success.

We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, IT security systems, internal controls and compliance systems and other measures to protect our intellectual property. We also rely on nondisclosure agreements, confidentiality obligations in contracts, IT security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. The U.S. government and foreign governments have licenses under certain of our intellectual property, including certain patents, which are developed

or used in performance of government contracts. Governments may use or authorize others (including our competitors) to use such patents and intellectual property for government and other purposes. Governments may challenge the sufficiency of intellectual property rights we have granted in government contracts and attempt to obtain greater rights, which could reduce our ability to protect our intellectual property rights and to compete. In some instances, we have augmented our technology base by licensing the proprietary intellectual property of others. Intellectual property obtained from third parties is also subject to challenge, invalidation, misappropriation or circumvention by third parties. In addition, we may not be able to obtain necessary licenses on commercially reasonable terms. In other instances, our ability to procure and perform government contracts requires us to obtain certain rights in the intellectual property of others through government grants. Governments may deny us the right to obtain such rights in the intellectual property of others, which may affect our ability to perform government contracts.

Our efforts to protect intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. Our ability to protect and enforce our intellectual property rights may be limited in certain countries outside the U.S. In addition, we may be the target of competitor or other third-party patent enforcement actions seeking substantial monetary damages or seeking to prevent our sale and marketing of certain of our products or services. Our competitive position also may be adversely impacted by limitations on our ability to obtain possession of, and ownership of necessary licenses concerning, data important to the development or provision of our products or service offerings, or by limitations on our ability to restrict the use by others of data related to our products or services. We may also be subject to disruptions, losses and liability resulting from various cybersecurity attacks or information technology failures, as described above. Any of these events or factors could have a material adverse effect on our competitive position, subject us to judgments, penalties and significant litigation costs, or temporarily or permanently disrupt our sales and marketing of the affected products or services. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

LEGAL, ENVIRONMENTAL AND REGULATORY COMPLIANCE RISKS

As a U.S. Government Contractor, We are Subject to Risks Relating to U.S. Government Audits, Investigations, and Disputes.

We are subject to U.S. government investigations relating to our U.S. government contracts. Such U.S. government investigations often take years to complete and could result in administrative, civil or criminal liabilities, including repayments, fines, treble and other damages, forfeitures, restitution or penalties, or could lead to suspension or debarment of U.S. government contracting or of export privileges. For instance, if we or one of our business units were charged with wrongdoing in connection with a U.S. government investigation (including fraud, or violation of certain environmental or export laws, as further described below), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could fine and debar us from new U.S. government contracting for a period generally not to exceed three years and could void any contracts found to be tainted by fraud. We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be unsubstantiated.

Further, our U.S. government contracts are subject to audit and we have received audit reports recommending the reduction of certain contract prices because, for example, cost or pricing data disclosures or cost accounting practices used to price and negotiate those contracts may not have conformed to government regulations. Some of these audit reports recommend that certain payments be repaid, delayed, or withheld, and may involve substantial amounts, which could, if the audit reports' theories were to prevail in litigation, also have future impacts such as increasing the costs absorbed by our commercial businesses. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and, in some cases, continue to negotiate and/or litigate. We may be, and have been, required to make payments into escrow of disputed liabilities while the related litigation is pending. If the litigation is resolved in our favor, any such payments will be returned to us with interest. The Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) also review the adequacy of and our compliance with our internal control systems and policies, including our accounting, purchasing, government property, estimating, earned value management and material management accounting systems. Our final allowable incurred costs for each year are subject to audit and have from time to time resulted in disputes between us and the U.S. government, including DCMA claims to recover payments for alleged noncompliance with cost accounting standards. In some cases, the Department of Justice (DOJ) has convened grand juries to investigate possible irregularities in our costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed or must be refunded if already reimbursed. An adverse outcome of any audit or investigation could result in civil and criminal penalties and fines, which could negatively impact our results of operations, financial condition and liquidity. In addition, if allegations of impropriety were made against

us, we could suffer serious reputational harm, which could negatively affect our financial position, results of operations and liquidity.

We Are Subject to Litigation, Environmental, Product Safety and Reliability, Anti-Corruption and Other Legal and Compliance Risks.

We are subject to a variety of litigation and legal compliance risks. These risks relate to, among other things, product safety and reliability, personal injuries, intellectual property rights, contract-related claims, government contracts, taxes, environmental matters, export control, employment matters, competition laws and laws governing improper business practices. We or one of our businesses could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments, or other damages (in certain cases, treble damages). As discussed above, product recalls and product liability and warranty claims (including claims related to the safety or reliability of our products) also can result in significant damages and costs, including fines, as well as negative publicity, a diversion of management attention and damage to our reputation that could reduce demand for our products and services. As a global business, we are subject to complex laws and regulations in the U.S. and in other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses. Uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional investment in product designs and could increase environmental compliance expenditures, including increased energy and raw materials costs. Climate-related events also could disrupt our businesses and require us to incur additional costs.

We use hazardous substances and generate hazardous wastes in our operations. As a result, we are subject to potentially material liabilities related to personal injuries or property damage that may be caused by hazardous substance releases and exposures. Personal injury lawsuits may involve individual and purported class actions alleging that contaminants originating from our current or former products or operating facilities caused or contributed to medical conditions, including cancers incurred by employees, former employees, third-parties' employees or residents in the area, and environmental damage or diminution of real estate values. For example, we are investigating and remediating contamination related to past practices at a number of properties and, in some cases, have in the past been named as a defendant in related "toxic tort" claims. We are also subject to laws and regulations that: (1) impose requirements for the proper management, treatment, storage and disposal of hazardous substances and wastes; (2) restrict air and water emissions from our operations (including U.S. government-owned facilities we manage); and (3) require maintenance of a safe workplace. These laws and regulations can lead to substantial fines and criminal sanctions for violations, and may require the installation of costly equipment or operational changes to limit pollution emissions, decrease the likelihood of accidental hazardous substance releases, and/or reduce the risks of injury to people. We incur, and expect to continue to incur, capital and other expenditures to comply with these laws and regulations. A criminal violation of certain U.S. environmental statutes such as the Clean Air Act and Clean Water Act could result in suspension, debarment or disqualification by the U.S. Environmental Protection Agency (EPA). A facility determined to be in violation of the criminal provisions of these statutes can be prohibited from performing any U.S. government contract work until the violation has been corrected and the EPA approves the reinstatement of the facility. Even in litigation where we believe our liability is remote, there is a risk that a negative finding or decision in a matter involving multiple plaintiffs or a purported class action could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition, in particular with respect to environmental claims in regions where we have, or previously had, significant operations. In addition, new laws, regulations, or governmental policies, sudden changes in the interpretation and enforcement of existing laws and regulations, the discovery of previously unknown contamination, or the imposition of new clean-up standards could require us to incur additional costs in the future that would have a negative effect on our results of operations, financial condition and liquidity.

In addition, the FCPA and other anti-bribery and -corruption laws generally prohibit companies and their intermediaries from making improper payments to U.S. and non-U.S. officials for the purpose of obtaining or retaining business. These laws apply to companies, individual directors, officers, employees and agents. U.S. companies also may be held liable for actions taken by strategic or local partners or representatives. The FCPA also imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments. Certain of our customer relationships outside of the U.S. are with governmental entities and are therefore subject to the FCPA and other anti-bribery and -corruption laws, including the anti-bribery and -corruption laws of non-U.S. countries. Our policies mandate compliance with these anti-bribery and -corruption laws. Despite meaningful measures that we undertake to ensure lawful conduct, which include training and internal control policies, these measures may not always prevent violations of the FCPA or similar laws. We have been subject to regulatory investigations for alleged violations of anti-bribery and -corruption laws, and could be subject to such investigations in the future, which could result in criminal and civil penalties, disgorgement, further changes or enhancements to our procedures, policies and controls, personnel changes or other remedial actions. Violations of these laws, or allegations of such violations, could disrupt our operations, cause

reputational harm, involve significant management attention and result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Cybersecurity and data privacy and protection laws and regulations are evolving and present increasing compliance challenges, which may increase our costs, affect our competitiveness, cause reputational harm, and expose us to substantial fines or other penalties.

ACCOUNTING, TAX AND INSURANCE RELATED RISKS

We Use Estimates in Accounting For Many of Our Programs, and Changes in our Estimates Could Adversely Affect Our Future Financial Results.

Accounting for long-term contracts and related assets requires estimates and judgments related to our progress toward completion and the long-term performance on the contract. Significant judgments include potential risks associated with the ability and cost to achieve program schedule, including customer-directed delays or reductions in scheduled deliveries, and technical and other specific contract requirements including customer activity levels and variable consideration based upon that activity. Due to the size and long-term nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Management must make assumptions and estimates regarding contract revenue and cost (such as estimates of variable consideration, including award fees and penalties), including with respect to: (1) labor productivity and availability; (2) the complexity and scope of the work to be performed; (3) the availability and cost of materials; (4) the length of time to complete the performance obligation; (5) execution by our subcontractors; (6) the availability and timing of funding from our customer; (7) overhead cost rates; and (8) current and past service cost and frequency driven by estimated aircraft and engine utilization and estimated useful lives of components, among other variables. Because of the significance of management's judgments and estimation processes described above, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect our future results of operations and financial condition.

Significant Changes in Key Estimates and Assumptions, Such as Discount Rates and Assumed Long-term Return on Plan Assets (ROA), as well as Our Actual Investment Returns on Our Pension Plan Assets and Other Actuarial Factors, Could Affect Our Earnings, Equity and Pension Contributions in Future Periods.

We must determine our pension and other postretirement benefit (PRB) plans' expense or income, which involves significant judgment particularly with respect to our discount rate, long-term ROA and other actuarial assumptions. The discount rate assumption is set annually and we determine on an annual basis whether it is appropriate to change our long-term ROA assumption. These assumptions and other actuarial assumptions may change significantly due to changes in economic, legislative, and/or demographic experience or circumstances. Changes in our assumptions could result in negative changes to our pension and PRB plans' expense and funded status, and our cash contributions to such plans, which would negatively impact our results of operations. In addition, differences between our actual investment returns and our long-term ROA assumption would result in a change to our pension and PRB plans' expense and funded status and our required contributions to the plans. Our plan assets are invested in accordance with our investment management objectives and are subject to market volatility and other conditions. The differences may also be impacted by changes in regulatory, accounting and other requirements applicable to pensions.

Additional Tax Expense or Additional Tax Exposures Could Affect Our Future Profitability.

We are subject to income taxes in the United States and international jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. Changes in tax laws and regulations, as well as changes and conflicts in related interpretations and other tax guidance, and fluctuations in taxable income could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business we are subject to examinations by various tax authorities. In addition to ongoing examinations, there could be additional examinations launched in the future by governmental authorities in various jurisdictions, and existing examinations could be expanded. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. Additionally, changes in the geographic mix of our sales could impact our tax liabilities and affect our income tax expense and profitability. The global and diverse nature of our operations means that these risks will continue to exist and additional examinations, proceedings and contingencies will arise from time to time. Our competitive position, cash flows, results of operation or financial condition may be affected by the outcome of examinations, proceedings and other contingencies that cannot be predicted with certainty.

Goodwill and Other Intangible Assets Represent a Significant Portion of Our Assets, and Any Impairment of These Assets Could Negatively Impact Our Results of Operations and Financial Condition.

A significant portion of our assets consists of goodwill and other intangible assets, including amounts added related to the Raytheon Merger. Our goodwill and indefinite-lived assets are subject to an impairment test annually and are also tested whenever events and circumstances indicate that goodwill may be impaired. In the event of an impairment any excess of the carrying value of these assets over the fair value must be written off in the period of determination. Finite-lived intangible assets are generally amortized over the useful life of such assets. In addition, from time to time, we may acquire or make an investment in a business which will require us to record goodwill and intangible assets based on the purchase price and the value of the acquired assets. We may subsequently experience unforeseen events that could adversely affect the value of our goodwill or intangible assets and trigger an impairment evaluation. Future determinations of significant impairments of goodwill or intangible assets as a result of an impairment test or any accelerated amortization of other intangible assets could have a negative impact on our results of operations and financial condition.

We Face Certain Significant Risk Exposures and Potential Liabilities That May Not Be Adequately Covered By Indemnity or Insurance.

A significant portion of our business relates to designing, developing and manufacturing advanced aerospace, defense and technology systems and products. New technologies may be untested or unproven. In addition, we may incur significant liabilities that are unique to our products and services. In some, but not all, circumstances, we may be entitled to indemnification from our customers through contractual provisions, and we may obtain limitations of liability and additional defenses for various reasons including the qualification of our products and services by the Department of Homeland Security (DHS) under the SAFETY Act provisions of the Homeland Security Act of 2002. The insurance coverage we maintain or indemnification to which we may be contractually or otherwise entitled may not be adequate to cover all claims or liabilities. Accordingly, we may be forced to bear substantial costs resulting from risks and uncertainties of our business, which would negatively impact our results of operations, financial condition and liquidity. Any accident, failure of, or defect in our products and services, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively. It could also affect the cost and availability of insurance in the future.

STRATEGIC TRANSACTIONS RISKS

We May Be Unable to Realize Expected Benefits From Our Cost Reduction and Restructuring Efforts and Our Profitability May Be Hurt or Our Business Otherwise Might Be Adversely Affected.

In order to operate more efficiently and control costs, we announce from time to time restructuring plans, which include workforce reductions, global facility consolidations and other cost reduction initiatives. These plans are intended to generate operating expense savings through reductions in direct and indirect expenses as well as improved efficiencies. We may undertake further workforce reductions or restructuring actions in the future. These types of cost reduction and restructuring activities are complex. If we do not successfully manage our current restructuring activities, or any future restructuring activities, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions and other workforce management issues include unfavorable political responses to such actions, unforeseen delays in the implementation of anticipated workforce reductions, additional unexpected costs, adverse effects on employee morale and the failure to meet operational targets due to the loss of employees or work stoppages, any of which may impair our ability to achieve anticipated cost reductions, or otherwise harm our business, or have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We May Be Unable to Successfully Integrate the Legacy Businesses of United Technologies Corporation (UTC) and Raytheon and Realize the Anticipated Benefits of the Raytheon Merger.

The success of the Raytheon Merger will depend, in part, on our ability to successfully combine and integrate UTC and Raytheon Company's legacy businesses, and realize the anticipated benefits, including synergies, cost savings, innovation and technological opportunities (including technology-driven revenue synergies) and operational efficiencies from the Raytheon Merger in a manner that does not materially disrupt existing customer, supplier and employee relations and does not result in decreased revenues due to losses of, or decreases in orders by, customers.

The integration of the two companies may result in material challenges, including, without limitation:

- managing a larger, more complex combined aerospace and defense business;
- maintaining employee morale, retaining key management and other employees, and managing corporate culture;
- retaining existing business and operational relationships, including customers, suppliers and employees and other counterparties, as may be impacted by contracts containing consent and/or other provisions that may be triggered by the Raytheon Merger, and attracting new business and operational relationships;

- the diversion of management's attention as a result of devoting attention to matters relating to the Raytheon Merger and/or the Separation and the Distributions following their consummation;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations, including unanticipated issues in integrating information technology, communications and other systems; and
- coordinating geographically separate organizations

The impact and extent of these challenges is uncertain and many of them have been exacerbated by the COVID-19 pandemic. Any one of them could result in delays, increased costs, decreases in the amount of expected revenues, reduced expected cash generation, and diversion of management's time and energy, which could materially affect our financial condition, results of operations and cash flows.

In addition, as a result of the Separation Transactions and Distributions, we are required to provide transition services to each of Carrier Global Corporation (Carrier) and Otis Worldwide Corporation (Otis). These services may require significant amounts of personnel and management time, attention and resources, which could adversely affect our business, financial results and results of operations during this critical period of our integration.

In addition, we must continue to manage the integration of other companies, assets and businesses, including the integration of Rockwell Collins, which UTC acquired on November 26, 2018. These ongoing (and future) integrations by each of UTC and Raytheon may increase the complexity of, and challenges associated with, the integration of UTC and Raytheon Company's legacy businesses, which may make it more difficult for us to achieve the anticipated benefits of the Raytheon Merger fully, or within the anticipated time frame.

The actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized on a timely basis. While we have assumed that a certain level of expenses would be incurred, many of the expenses that may be incurred are, by their nature, difficult to estimate accurately, and changes to the estimates could affect the total amount or timing of integration expenses. These expenses could exceed benefits expected to be realized in connection with the Raytheon Merger.

We May Not Be Able to Engage in Desirable Capital-Raising or Strategic Transactions.

Under current U.S. federal income tax law, a spin-off that otherwise qualifies for tax-free treatment can be rendered taxable to the parent corporation and its stockholders as a result of certain post-spin-off transactions, including certain acquisitions of shares or assets of the parent corporation. To preserve the tax-free treatment of the Distributions, we may be limited in our ability to pursue certain equity issuances, strategic transactions, repurchases, or other transactions (including the certain dispositions of assets) that we may otherwise believe to be in the best interests of our stockholders or that might increase the value of our business.

If Either Distribution, Together with Certain Related Transactions, Were to Fail to Qualify as a Transaction that is Generally Tax-Free, Including as a Result of Subsequent Acquisitions of Our Stock (Including Pursuant to the Raytheon Merger) or the Stock of Carrier or Otis, We Could Be Subject to Significant Tax Liabilities.

We received (1) a private letter ruling from the Internal Revenue Service (IRS) regarding certain U.S. federal income tax matters relating to the Separation Transactions and Distributions and (2) an opinion of outside counsel regarding the qualification of certain elements of the Distributions under Section 355 of the Code. Although we intend for the Distributions generally to be tax-free for U.S. federal income tax purposes, there can be no assurance that they will so qualify. Even if the Distributions were to otherwise qualify as tax-free transactions under Sections 355 and 368(a)(1)(D) of the Code, either Distribution or both Distributions may result in taxable gain to us (but not our stockholders) under Section 355(e) of the Code if such Distribution(s) were deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50% or greater interest (by vote or value) in shares of Carrier, Otis, or us, as applicable. If the IRS were to determine that any post-Distribution acquisitions of Carrier stock, Otis stock, or our stock, as applicable, pursuant to such a plan (when aggregated with any pre-Distribution acquisitions of Carrier stock, Otis stock, or our stock, as applicable, pursuant to such a plan) would represent a 50% or greater interest in shares of Carrier, Otis, or us, as applicable, such determination could result in significant tax liabilities to us. For purposes of this test, even if the Raytheon Merger were treated as part of such plan, it did not result in an acquisition of a 50% or greater interest in our shares pursuant to a plan. Any such tax liabilities imposed on us may adversely affect an investment in us.

In addition, with respect to certain Separation Transactions, we obtained tax rulings in certain non-U.S. jurisdictions and/or opinions of external tax advisors, in each case, regarding the tax treatment of such Separation Transactions. Notwithstanding the receipt of such tax rulings and opinions, there can be no assurance that the relevant taxing authorities will not assert that the tax treatment of the relevant Separation Transactions differs from the conclusions reached therein. In the event the relevant taxing authorities prevail with any challenge in respect of any relevant Separation Transaction, we would be subject to significant tax liabilities, which may adversely affect an investment in us.

Under a tax matters agreement that we entered into with Carrier and Otis in connection with the Separation Transactions and Distributions, each of Carrier and Otis generally is required to indemnify us for any taxes we incur resulting from the Separation Transactions and/or the Distributions to the extent such amounts result from certain disqualifying actions by, or acquisition of equity securities of, Carrier or Otis, as applicable. Further, under the tax matters agreement, each of Carrier and Otis is generally required to indemnify us for a specified portion of any taxes we incur (a) arising as a result of the failure of either of the Distributions and certain related transactions to qualify as a transaction that is generally tax-free or a failure of any Separation Transaction that is intended to qualify as a transaction that is generally tax-free to so qualify, in each case, to the extent such amounts did not result from a disqualifying action by, or acquisition of equity securities of, Carrier, Otis, or us or (b) arising from certain audit or other adjustments to tax liabilities incurred with respect to Separation Transactions that were not intended to qualify as tax-free. In addition, under the tax matters agreement, each of Carrier and Otis is responsible for (i) a specified portion of any installment payment we are required to make pursuant to Section 965(h)(2) of the Code and (ii) specified taxes that exclusively relate to the Carrier business or the Otis business, as applicable. The amount of any such taxes for which we would be responsible may be significant, and if we were unable to obtain indemnification payments from Carrier or Otis to which we are entitled under the tax matters agreement and/or other agreements entered into in connection with the Separation Transactions and the Distributions, we would incur significant losses.

If We Fail to Manage Potential Future Acquisitions, Investments, Divestitures, Joint Ventures and Other Transactions Successfully, These Activities Could Adversely Affect Our Future Financial Results.

In pursuing our business strategies, we continually review, evaluate and consider potential investments, acquisitions, divestitures, joint ventures and other teaming and collaborative arrangements. We undertake to identify opportunities that will complement our existing products and services or customer base, as well as expand our offerings and business opportunities into new areas that naturally extend from our core capabilities. In evaluating such transactions, we are required to make difficult judgments regarding the value of business opportunities, technologies and other assets, and the risks and cost of potential liabilities.

Further, these transactions involve certain other risks and uncertainties including: (1) the risks involved with entering new markets; (2) the difficulty in integrating newly-acquired businesses and managing or monitoring other collaborative business arrangements; (3) challenges and failures in achieving strategic objectives and other expected benefits, which may result in certain liabilities to us for guarantees and other commitments; (4) unidentified issues not discovered in the Company's due diligence; (5) the diversion of our attention and resources from our operations and other initiatives; (6) the potential impairment of acquired assets; (7) the performance of underlying products, capabilities or technologies; and (8) the potential loss of key employees and customers of acquired businesses. In addition, future transactions may impact our deployment of capital, including dividends, stock repurchases, pension contributions, and investments.

GENERAL RISK

Quarterly Cash Dividends and Share Repurchases Are Subject to a Number of Uncertainties, and May Affect the Price of Our Common Stock.

Quarterly cash dividends and share repurchases under our share repurchase program generally constitute components of our capital allocation strategy, which we fund through a combination of operating free cash flow, borrowings and proceeds from divestitures. However, we are not required to declare dividends or make any share repurchases under our share repurchase program. Dividends and share repurchases may be discontinued, accelerated, suspended or delayed at any time without prior notice. Even if not discontinued, the amount of such dividends and repurchases may be changed, and the amount, timing and frequency of such dividends and repurchases may vary from historical practice or from the company's stated expectations. Decisions with respect to dividends and share repurchases are subject to the discretion of our Board of Directors and will be based on a variety of factors. Important factors that could cause us to discontinue, limit, suspend, increase or delay our quarterly cash dividends or share repurchases include market conditions, the price of our common stock, the nature and timing of other investment opportunities, changes in our business strategy, the terms of our financing arrangements, our outlook as to the ability to obtain financing at attractive rates, the impact on our credit ratings and the availability of domestic cash. The reduction or elimination of our cash dividend, or longer suspension or elimination of our share repurchase program could adversely affect the market price of our common stock. Additionally, there can be no assurance that any share repurchases will enhance shareowner value because the market price of our common stock may decline below the levels at which we repurchased shares of common stock, and short-term stock price fluctuations could reduce the program's effectiveness.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We have properties in approximately 30 countries, with approximately 550 significant properties comprising approximately 80 million square feet of productive space. Approximately 55% of our significant properties are leased, and 45% are owned. Approximately 70% of our significant properties are located in the United States.

Our fixed assets as of December 31, 2020 include manufacturing facilities and non-manufacturing facilities such as warehouses, laboratories, office space, and a substantial quantity of machinery and equipment, including general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The facilities, warehouses, machinery and equipment in use as of December 31, 2020 are in good operating condition, are well-maintained and substantially all are generally in regular use.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, the Company and its subsidiaries and our properties are subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations and threatened legal actions and proceedings. For example, we are now, and believe that, in light of the current U.S. government contracting environment, we will continue to be the subject of one or more U.S. government investigations. Our contracts with the U.S. government are also subject to audits. Agencies that oversee contract performance include: the Defense Contract Audit Agency (DCAA), the Defense Contract Management Agency (DCMA), the Inspectors General of the U.S. Department of Defense (DoD) and other departments and agencies, the Government Accountability Office (GAO), the Department of Justice (DOJ), and Congressional Committees. Other areas of our business operations may also be subject to audit and investigation by these and other agencies. From time to time, agencies investigate or conduct audits to determine whether our operations are being conducted in accordance with applicable requirements. Such investigations and audits may be initiated due to a number of reasons, including as a result of a whistleblower complaint. Such investigations and audits could result in administrative, civil or criminal liabilities, including repayments, fines, treble or other damages, forfeitures, restitution, or penalties being imposed upon us, the suspension of government export licenses or the suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete. The U.S. government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other seriously improper conduct. The U.S. government could void any contracts found to be tainted by fraud. Like many defense contractors, we have received audit reports recommending the reduction of certain contract prices because, for example, cost or pricing data or cost accounting practices used to price and negotiate those contracts may not have conformed to government regulations. Some of these audit reports recommend that certain payments be repaid, delayed, or withheld, and may involve substantial amounts. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and, in some cases, continue to negotiate and/or litigate. The Company may be, and has been, required to make payments into escrow of disputed liabilities while the related litigation is pending. If the litigation is resolved in the Company's favor, any such payments will be returned to the Company with interest. Our final allowable incurred costs for each year are also subject to audit and have, from time to time, resulted in disputes between us and the U.S. government, with litigation resulting at the Court of Federal Claims (COFC) or the Armed Services Board of Contract Appeals (ASBCA) or their related courts of appeals. In addition, the DOJ has, from time to time, convened grand juries to investigate possible irregularities by us. We also provide products and services to customers outside of the U.S., and those sales are subject to local government laws, regulations and procurement policies and practices. Our compliance with such local government regulations or any applicable U.S. government regulations (e.g., the Foreign Corrupt Practices Act (FCPA) and International Traffic in Arms Regulations (ITAR)) may also be investigated or audited. Other than as specifically disclosed in this Form 10-K, we do not expect these audits, investigations or disputes to have a material effect on our financial position, results of operations or liquidity, either individually or in the aggregate.

737 MAX Aircraft Litigation

Multiple lawsuits have been filed in U.S. courts relating to the October 29, 2018 Lion Air Flight 610 and the March 10, 2019 Ethiopian Airlines Flight 302 accidents. Collins Aerospace sold certain aircraft parts and systems to The Boeing Company for the 737 MAX aircraft involved in these accidents. Certain of our Collins Aerospace businesses have been named, along with other third parties, as parties in many of these lawsuits. We are also fully supporting all ongoing governmental investigations and inquiries relating to the accidents. We do not expect that the lawsuits or governmental investigations or inquiries will have a material adverse effect on our financial position, results of operations or cash flows.

In addition, we are subject to a number of other lawsuits, investigations and claims (some of which involve substantial amounts). For a discussion of contingencies related to certain other legal proceedings, see "Note 19: Commitments and Contingencies" within Item 8 of this Form 10-K. 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.

A further discussion of government contracts and related investigations, as well as a discussion of our environmental liabilities, can be found under the heading “Other Matters Relating to Our Business as a Whole – Compliance with Environmental and Other Government Regulations” within Item 1. Business of this Form 10-K and in Item 1A. Risk Factors of this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

On April 3, 2020, United Technologies Corporation (UTC) completed the previously announced separation of its business into three independent, publicly traded companies – UTC, Carrier Global Corporation (Carrier) and Otis Worldwide Corporation (Otis) (such separations, the “Separation Transactions”). UTC distributed all of the outstanding shares of Carrier common stock and all of the outstanding shares of Otis common stock to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the distributions (the Distributions) effective at 12:01 a.m., Eastern Time, on April 3, 2020. On April 3, 2020, following the completion of the Separation Transactions and the Distributions, UTC and Raytheon Company completed their previously announced all-stock merger of equals transaction (the “Raytheon Merger”). Upon closing of the Raytheon Merger, UTC changed its name to “Raytheon Technologies Corporation.”

Raytheon Technologies’ common stock is listed on the New York Stock Exchange under the ticker symbol “RTX.” There were approximately 45,151 registered shareowners at January 29, 2021. The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is incorporated herein by reference to the section of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Approve Amendment to the Raytheon Technologies Corporation 2018 Long-Term Incentive Plan.”

Stock Performance Graph

The following graph presents the cumulative total shareowner return for the five years ending December 31, 2020 for our common stock as compared to the Standard & Poor’s 500 Stock Index, the Dow Jones 30 Industrial Average and the S&P Aerospace & Defense (A&D) Index. These figures assume that all dividends paid over the five-year period were reinvested, and that the starting value of each index and the investment in common stock was \$100.00 on December 31, 2015.

Comparison of Cumulative Five Year Total Return

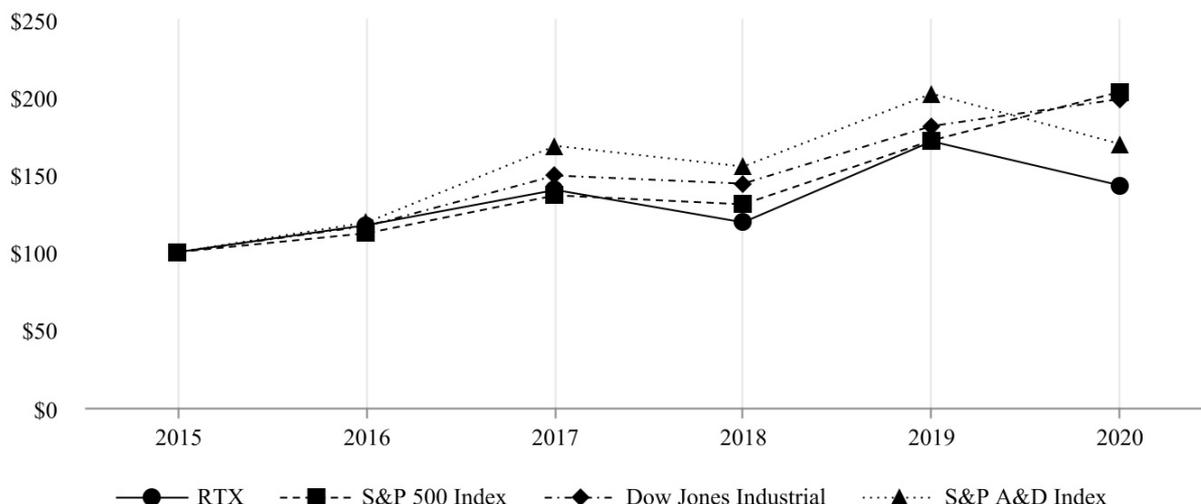
Company/Index	Annual Return Percentage Years Ending				
	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Raytheon Technologies Common Stock ⁽¹⁾	17.14	19.13	-14.66	43.82	-16.73
S&P 500 Index	11.96	21.83	-4.38	31.49	18.40
Dow Jones 30 Industrial Average ⁽²⁾	16.50	28.11	-3.48	25.34	9.72
S&P Aerospace & Defense Index ⁽²⁾	18.90	41.38	-8.07	30.33	-16.06

(1) Historical stock prices presented in the chart have been adjusted to reflect the impact of the Distributions on April 3, 2020.

(2) Prior to the Separations Transactions, Distributions and Raytheon Merger, UTC chose the Dow Jones 30 Industrial Average as its comparable index. After the Separations Transactions, Distributions and Raytheon Merger, the Company chose the S&P A&D Index as a more informative comparable index. Both indices are presented, in accordance with Securities and Exchange Commission (SEC) rules, which require that if a company selects a different index from that used in the immediately preceding fiscal year, the company’s stock performance must be compared against both the newly selected index and previous index in the year of change.

Company/Index	Base Period 12/31/2015	Indexed Returns Years Ending				
		12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Raytheon Technologies Common Stock	\$ 100.00	117.14	\$ 139.55	\$ 119.10	\$ 171.29	\$ 142.64
S&P 500 Index	100.00	111.96	136.40	130.42	171.49	203.04
Dow Jones 30 Industrial Average	100.00	116.50	149.24	144.05	180.56	198.11
S&P Aerospace & Defense Index	100.00	118.90	168.11	154.54	201.41	169.05

Comparison of Cumulative Five Year Total Return



Issuer Purchases of Equity Securities

The following table provides information about our purchases during the quarter ended December 31, 2020 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

2020	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (000's)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (dollars in millions)
October 1 - October 31	—	\$ —	—	\$ 1,767
November 1 - November 30	—	—	—	1,767
December 1 - December 31 ⁽¹⁾	—	—	—	5,000
Total	—	\$ —	—	—

(1) The remaining authority to repurchase approximately \$1.8 billion of our common stock under the previously approved October 14, 2015 share repurchase program was revoked and replaced as of December 7, 2020 with a \$5.0 billion share repurchase program authorized on December 7, 2020, as discussed below.

On December 7, 2020, our Board of Directors authorized a share repurchase program for up to \$5 billion of our common stock, replacing the previous program announced on October 14, 2015. At December 31, 2020, the maximum dollar value of shares that may yet be purchased under this current program was \$5.0 billion. We did not make any share repurchases during the quarter ended December 31, 2020. No shares were reacquired in transactions outside the program during the quarter ended December 31, 2020.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the information contained in Item 7 of this Form 10-K and the Consolidated Financial Statements and notes thereto included in Item 8 of this Form 10-K, which are incorporated herein by reference, in order to understand the factors that may affect the comparability of the financial data presented below.

Five-Year Summary

<i>(in millions, except per share amounts and number of employees)</i>	2020	2019	2018	2017	2016
For The Year					
Net sales ^{(1), (3), (4)}	\$ 56,587	\$ 45,349	\$ 34,701	\$ 29,713	\$ 28,528
Research and development ^{(3), (4)}	2,582	2,452	1,878	1,876	1,857
Operating profit (loss) ^{(1), (3), (4)}	(1,889)	4,914	2,877	2,989	3,252
Restructuring costs ^{(3), (4)}	777	245	158	92	166
Net income (loss) from continuing operations ^{(1), (3), (4)}	(2,928)	3,731	1,406	1,468	2,133
Net income (loss) from continuing operations attributable to common shareowners ^{(1), (3), (4)}	(3,109)	3,510	1,216	1,313	2,009
Income (loss) from discontinued operations attributable to common shareowners	(410)	2,027	4,053	3,239	3,046
Diluted earnings (loss) per share—Net income (loss) from continuing operations attributable to common shareowners ^{(1), (3), (4)}	(2.29)	4.06	1.50	1.64	2.43
Cash dividends per common share	2.16	2.94	2.84	2.72	2.62
Average diluted shares of Common Stock outstanding	1,358	864	810	799	826
Cash flows provided by operating activities of continuing operations ^{(3), (4)}	4,334	5,821	2,670	2,282	3,003
Capital expenditures ^{(3), (4)}	1,795	1,868	1,467	1,556	1,265
Acquisitions, including net cash payments, debt assumed & equity issued	35,077	9	30,783	25	24
Repurchases of Common Stock	47	151	325	1,453	2,254
Dividends paid on Common Stock (excluding ESOP)	2,732	2,442	2,170	2,074	2,069
At Year End					
Working capital ^{(3), (4), (5)}	\$ 7,580	\$ (2,397)	\$ (2,284)	\$ 2,975	\$ 1,370
Total assets ^{(1), (2), (5)}	162,089	107,792	103,471	65,994	60,252
Long-term debt, including current portion ^{(3), (4), (5)}	31,576	40,959	43,763	26,917	23,131
Total debt ^{(3), (4), (5)}	31,823	43,252	45,191	27,279	23,696
Total debt to total capitalization	30 %	49 %	53 %	46 %	45 %
Total equity	\$ 73,852	\$ 44,231	\$ 40,610	\$ 31,421	\$ 29,169
Total backlog ^{(1), (3), (4)}	150,119	111,665	93,844	75,636	72,328
Number of employees ^{(3), (4)}	181,000	121,600	117,300	81,600	77,700

(1) Amounts prior to 2018 do not reflect the adoption of Accounting Standards Update (ASU) 2014-09, *Revenue Recognition from Contracts with Customers (Topic 606)*, in the first quarter of 2018 using the modified retrospective approach.

(2) Amounts prior to 2019 do not reflect the adoption of ASU 2016-02, *Leases (Topic 842)*, in the first quarter of 2019 using the modified retrospective approach.

(3) Amounts prior to 2020 do not reflect the impact of the Raytheon Merger. See “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K for additional information.

(4) Amounts prior to 2018 do not reflect the acquisition of Rockwell Collins, Inc. (Rockwell Acquisition). See “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K for additional information.

(5) Excludes assets and liabilities related to discontinued operations, for all periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

We are a global premier systems provider of high technology products and services to the aerospace and defense industries. On April 3, 2020, United Technologies Corporation (UTC) completed the Separation Transactions as defined below, and on April 3, 2020, completed the Raytheon Merger as defined below, to form the new company, Raytheon Technologies Corporation. As a result of these transactions, we now operate in four principal business segments: Collins Aerospace Systems (Collins Aerospace), Pratt & Whitney, Raytheon Intelligence & Space (RIS) and Raytheon Missiles & Defense (RMD).

Separation Transactions and Distributions. On April 3, 2020, UTC (since renamed Raytheon Technologies Corporation) completed the separation of its business into three independent, publicly traded companies – UTC, Carrier Global Corporation (Carrier) and Otis Worldwide Corporation (Otis) (such separations, the “Separation Transactions”). UTC distributed all of the outstanding shares of Carrier common stock and all of the outstanding shares of Otis common stock to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the distributions (the Distributions). UTC distributed 866,158,910 and 433,079,455 shares of common stock of Carrier and Otis, respectively in the Distributions, each of which was effective at 12:01 a.m., Eastern Time, on April 3, 2020. The historical results of Carrier and Otis are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Throughout this Annual Report on Form 10-K, unless otherwise indicated, amounts and activity are presented on a continuing operations basis.

Raytheon Merger. On April 3, 2020, following the completion of the Separation Transactions and the Distributions, pursuant to an Agreement and Plan of Merger dated June 9, 2019, as amended, UTC and Raytheon Company (Raytheon) completed their all-stock merger of equals transaction (the Raytheon Merger). Upon closing of the Raytheon Merger, Raytheon Company became a wholly owned subsidiary of UTC, which changed its name to “Raytheon Technologies Corporation.”

On November 26, 2018, we completed the acquisition of Rockwell Collins (the Rockwell Acquisition), a leader in aviation and high-integrity solutions for commercial and military customers as well as leading-edge avionics, flight controls, aircraft interior and data connectivity solutions. Refer to “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K for additional discussion on the Rockwell Acquisition.

Unless the context otherwise requires, the terms “we,” “our,” “us,” “the Company,” “Raytheon Technologies,” and “RTC” mean United Technologies Corporation and its subsidiaries when referring to periods prior to the Raytheon Merger and to the combined company, Raytheon Technologies Corporation, when referring to periods after the Raytheon Merger. Unless the context otherwise requires, the terms “Raytheon Company,” or “Raytheon” mean Raytheon Company and its subsidiaries prior to the Raytheon Merger.

UTC was determined to be the accounting acquirer in the merger, and as a result the financial statements of Raytheon Technologies for year ended December 31, 2020 include Raytheon Company’s financial position and results of operations for the period subsequent to the completion of the Raytheon Merger on April 3, 2020. The historical results of Carrier and Otis are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. See “Note 3: Discontinued Operations” within Item 8 of this Form 10-K for additional information.

Industry Considerations

Our worldwide operations can be affected by industrial, economic and political factors on both a regional and global level. Our operations include original equipment manufacturer (OEM) and extensive related aftermarket parts and services related to our aerospace operations. Our defense business serves both domestic and international customers primarily as a prime contractor or subcontractor on a broad portfolio of defense and related programs for government customers. Our business mix also reflects the combination of shorter cycles in our commercial aerospace spares contracts and certain service contracts in our defense business primarily at RIS, and longer cycles in our aerospace OEM and aftermarket maintenance contracts and on our defense contracts to design, develop, manufacture or modify complex equipment. Our customers are in the public and private sectors, and our businesses reflect an extensive geographic diversification that has evolved with continued globalization.

Government legislation, policies and regulations, including regulations related to global warming, carbon footprint and fuel efficiency, can have a negative impact on our worldwide operations. Government and industry-driven safety and performance regulations, restrictions on aircraft engine noise and emissions, government imposed travel restrictions, and government procurement practices can impact our businesses.

Collins Aerospace and Pratt & Whitney serve both commercial and government aerospace customers. Revenue passenger miles (RPMs), available seat miles and the general economic health of airline carriers are key barometers for our commercial aerospace operations. Performance in the general aviation sector is closely tied to the overall health of the economy and is

positively correlated to corporate profits. Our commercial aftermarket operations continue to evolve as a significant portion of our aerospace operations' customers are covered under long-term aftermarket service agreements at both Collins Aerospace and Pratt & Whitney. These agreements are comprehensive long-term spare part and service agreements with our customers.

RIS, RMD, and the defense operations of Collins Aerospace and Pratt & Whitney are affected by U.S. Department of Defense (DoD) budget and spending levels, changes in demand, changes in policy positions or priorities from a new U.S. Administration and the global political environment. Total sales to the U.S. government, excluding foreign military sales (FMS), were \$26.0 billion, \$9.1 billion and \$6.6 billion in 2020, 2019 and 2018 or 45.9%, 20.1% and 18.9% of total net sales for those years, respectively.

Impact of the COVID-19 Pandemic

In March 2020, the coronavirus disease 2019 (COVID-19) was declared a pandemic by the World Health Organization and a national emergency by the U.S. government. The pandemic has negatively affected the U.S. and global economy, disrupted global supply chains and financial markets, and resulted in significant travel restrictions, mandated facility closures and shelter-in-place and social distancing orders in numerous jurisdictions around the world. Raytheon Technologies is taking all prudent measures to protect the health and safety of our employees, such as practicing social distancing, performing deep cleaning in all of our facilities, temperature screening, health questionnaires and enabling our employees to work from home where possible. We have also taken appropriate actions to help support our communities in addressing the challenges posed by the pandemic, including the production and donation of personal protective equipment.

Our business and operations and the industries in which we operate have been significantly impacted by public and private sector policies and initiatives in the U.S. and worldwide to address the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working. Additionally, public sentiments regarding air travel have also had a significant impact. We began to experience issues related to COVID-19 in the first quarter of 2020, primarily related to a limited number of facility closures, less than full staffing, and disruptions in supplier deliveries, most significantly in our Collins Aerospace and Pratt & Whitney businesses.

The continued disruption to air travel and commercial activities and the significant restrictions and limitations on businesses, particularly within the aerospace and commercial airline industries, have negatively impacted global supply, demand and distribution capabilities. These conditions, which began in the second quarter of 2020, continued through the remainder of 2020. In particular, the unprecedented decrease in air travel resulting from the COVID-19 pandemic is adversely affecting our airline and airframer customers, and their demand for the products and services of our Collins Aerospace and Pratt & Whitney businesses. Based on recent public data, revenue passenger miles (RPMs) declined by approximately 65% in the first eleven months of 2020, compared to the prior year, due to the pandemic. As a result, our airline customers have reported significant reductions in fleet utilization, aircraft grounding and unplanned retirements, and have deferred and, in some cases, cancelled new aircraft deliveries. Airlines have shifted to cash conservation behaviors such as deferring engine maintenance due to lower flight hours and aircraft utilization, requesting extended payment terms, deferring delivery of new aircraft and spare engines and requesting discounts on engine maintenance. Some airline customers have filed for bankruptcy due to their inability to meet their financial obligations. Additionally, we are seeing purchase order declines in line with publicly communicated aircraft production volumes as original equipment manufacturer (OEM) customers delay and cancel orders. We continue to monitor these trends and are working closely with our customers. We have been and continue to actively mitigate costs and adjust production schedules to accommodate these declines in demand. We have also been taking actions to preserve capital and protect the long-term needs of our businesses, including cutting discretionary spending, significantly reducing capital expenditures and research and development spend, suspending our share buybacks in 2020, deferring merit increases and implementing temporary pay reductions, freezing non-essential hiring, repositioning employees to defense work, furloughing employees when needed, and personnel reductions. In 2020, we recorded total restructuring charges of \$777 million primarily related to personnel reductions at our Collins Aerospace and Pratt & Whitney businesses to preserve capital and at our corporate headquarters due to consolidation from the Raytheon Merger. The former Raytheon Company businesses, although experiencing minor impacts, have not experienced significant facility closures or other significant business disruptions as a result of the COVID-19 pandemic.

Given the impacts described above that have resulted from the COVID-19 pandemic, we expect our future operating results, particularly those of our Collins Aerospace and Pratt & Whitney businesses to continue to be significantly negatively impacted. Our expectations regarding the COVID-19 pandemic and its potential financial impact are based on available information and assumptions that we believe are reasonable at this time; however, the actual financial impact is highly uncertain and subject to a wide range of factors and future developments. While we believe that the long-term outlook for the aerospace industry remains positive due to the fundamental drivers of air travel demand, there is significant uncertainty with respect to when commercial air traffic levels will begin to recover, and whether and at what point capacity will return to and/or exceed pre-COVID-19 levels. Our latest estimates are that this recovery may occur in 2023 or 2024. New information may emerge concerning the

scope, severity and duration of the COVID-19 pandemic, as well as any worsening of the pandemic, the effect of mutating strains and whether additional outbreaks of the pandemic will continue to occur, actions to contain the pandemic's spread or treat its impact, timing of the availability of vaccines, and their distribution, acceptance and efficacy, and governmental, business and individual personal actions taken in response to the pandemic (including restrictions and limitations on travel and transportation, and changes in leisure and business travel patterns and work environments) among others. Some of these actions and related impacts may be trends that continue in the future even after the pandemic no longer poses a significant public health risk.

We considered the deterioration in general economic and market conditions primarily due to the COVID-19 pandemic to be a triggering event in the first and second quarters of 2020, requiring an impairment evaluation of goodwill, intangible assets and other assets in our commercial aerospace businesses, Collins Aerospace and Pratt & Whitney. Beginning in the second quarter of 2020, we observed several airline customer bankruptcies, delays and cancellations of aircraft purchases by airlines, fleet retirements and repositioning of OEM production schedules and we experienced a significant decline in revenues at our Collins Aerospace and Pratt & Whitney businesses due to a decline in flight hours, aircraft fleet utilization, shop visits and commercial OEM deliveries. These factors contributed to a deterioration of our expectations regarding the timing of a return to pre-COVID-19 commercial flight activity, which further reduced our future sales and cash flows expectations. Based on our updated forecast assumptions in the second quarter of 2020, we concluded that the carrying values of two of our Collins Aerospace reporting units were greater than their respective fair values, and accordingly, recorded a goodwill impairment charge of \$3.2 billion. We did not identify any further deterioration to our expectations in the third quarter of 2020 and, therefore, did not have a triggering event.

We completed our annual goodwill impairment testing as of October 1, 2020 and determined that no additional adjustments to the carrying value of our goodwill were necessary. Refer to "Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets" within Item 8 of this Form 10-K for additional information.

As described further in "Note 8: Commercial Aerospace Industry Assets and Commitments" within Item 8 of this Form 10-K, we have significant exposure related to our airline and airframer customers, including significant accounts receivable and contract assets balances. Given the uncertainty related to the severity and length of the pandemic, as well as any worsening of the pandemic, mutations to the strains of the virus and the timing and impact of vaccines and whether there will be additional outbreaks of the pandemic and its impact across the aerospace industry, we may be required to record additional charges or impairments in future periods. For a discussion on the 2020 impacts see "Note 1: Basis of Presentation and Summary of Accounting Principles" within Item 8 of this Form 10-K.

Although the impact of COVID-19 on our commercial business is significant, we currently believe we have sufficient liquidity to withstand the current estimated impacts.

Other Matters

Global economic and political conditions, changes in raw material and commodity prices, interest rates, foreign currency exchange rates, energy costs, levels of air travel, the financial condition of commercial airlines, and the impact from natural disasters and weather conditions create uncertainties that could impact our businesses in 2021. With regard to political conditions, in July 2019, the U.S. government suspended Turkey's participation in the F-35 Joint Strike Fighter program because Turkey accepted delivery of the Russian-built S-400 air and missile defense system. The U.S. has imposed, and may impose additional, sanctions on Turkey as a result of this or other political disputes. Turkish companies supply us with components, some of which are sole-sourced, primarily in our aerospace operations for commercial and military engines and aerospace products. Depending upon the scope and timing of U.S. sanctions on Turkey and potential reciprocal actions, if any, such sanctions or actions could impact our sources of supply and could have a material adverse effect on our results of operations, cash flows or financial condition. In addition, in October 2020, the People's Republic of China (China) announced that it may sanction RTC in connection with a possible Foreign Military Sale to Taiwan of six MS-110 Reconnaissance Pods and related equipment manufactured by Collins Aerospace. Foreign Military Sales are government-to-government transactions that are initiated by, and carried out at the direction of, the U.S. government. To date, the Chinese government has not imposed sanctions on RTC or indicated the nature or timing of any future potential sanctions or other actions. If China were to impose sanctions or take other regulatory action against RTC, our suppliers, teammates or partners, it could potentially disrupt our business operations. The impact of potential sanctions or other actions by China cannot be determined at this time.

The recent U.S. presidential and congressional election could result in changes to the U.S. government's foreign policies that may impact regulatory approval for direct commercial sales contracts for certain of our products and services to certain foreign customers. Likewise, it is uncertain whether approvals previously granted for prior sales could also be paused or revoked if the products and services have not yet been delivered to the customer. If we ultimately do not receive all of the regulatory approvals, or those approvals are revoked, it could have a material effect on our financial results.

In particular, we have direct commercial sales contracts for precision guided munitions with a certain Middle East customer, for which we have not yet obtained regulatory approval. Due to the result of the U.S. presidential and congressional election, and the resulting uncertainty surrounding U.S. foreign policy on direct commercial sales for precision guided munitions with this customer, we determined that it is no longer probable that we will be able to obtain required regulatory approvals for these contracts; however, this determination could change as the U.S. government's foreign policy views are clarified. Therefore, in the fourth quarter of 2020, we reversed \$119 million of sales for work performed on these specific contracts subsequent to the date of the Raytheon Merger and through the end of the third quarter of 2020, and the related operating profit. In addition, we recognized an unfavorable profit impact of \$516 million, primarily related to inventory reserves, contract asset impairments and recognition of supplier related obligations related to termination liability, which we now do not expect to be utilized or otherwise directed to other customers. In addition, we reversed \$755 million of backlog on these contracts. Our contract liabilities include \$405 million of advance payments received from the customer on these contracts, which may become refundable to the customer if the contracts are ultimately terminated.

See Item 1A. Risk Factors within Part I of this Form 10-K for further discussion of these items.

FINANCIAL SUMMARY

We use the following key financial performance measures to manage our business on a consolidated basis and by business segment, and to monitor and assess our results of operations:

- Net Sales—a growth metric that measures our revenue for the current year;
- Operating Profit—a measure of our profit from continuing operations for the year, before non-operating expenses, net and income taxes; and
- Operating Margin—a measure of our operating profit as a percentage of total net sales.

<i>(dollars in millions)</i>	2020	2019	2018
Total net sales	\$ 56,587	\$ 45,349	\$ 34,701
Operating profit (loss)	(1,889)	4,914	2,877
Operating margin	(3.3)%	10.8 %	8.3 %
Operating cash flow from continuing operations	\$ 4,334	\$ 5,821	\$ 2,670
Total backlog	150,119	111,665	93,844

Backlog, which is equivalent to our remaining performance obligations for our contracts, represents the dollar value of firm orders for which work has not been performed and excludes unexercised contract options and potential orders under ordering-type contracts (e.g., indefinite-delivery, indefinite-quantity (IDIQ) type contracts). Backlog generally increases with bookings and/or orders and generally converts into sales as we incur costs under the related contractual commitments for our contracts recognized over time or as products are transferred to our customers for point in time contracts. Backlog is affected by changes in foreign exchange rates.

In addition, we maintain a strong focus on program execution and the prudent management of capital and investments in order to maximize operating income and cash. We focus on adjusted earnings per share (EPS) and measures to assess our cash generation and the efficiency and effectiveness of our use of capital, such as free cash flow (FCF) and return on invested capital (ROIC), all of which are not defined measurements under U.S. Generally Accepted Accounting Principles (GAAP) and may be calculated differently by other companies.

Considered together, we believe these metrics are strong indicators of our overall performance and our ability to create shareowner value. We feel these measures are balanced among long-term and short-term performance, efficiency and growth. We also use these and other performance metrics for executive compensation purposes.

A discussion of our results of operations and financial condition follows below in Results of Operations, Segment Review, and Liquidity and Financial Condition.

RESULTS OF OPERATIONS

As described in our “Cautionary Note Concerning Factors That May Affect Future Results” in this Form 10-K, our period-to-period comparisons of our results, particularly at a segment level, may not be indicative of our future operating results. The following discussions of comparative results among periods, including the discussion of segment results, should be viewed in this context. As discussed further above in “Business Overview,” the results of RIS and RMD reflect the period subsequent to the completion of the Raytheon Merger on April 3, 2020. In addition, as a result of the Separations Transactions and the

Distributions, the historical results of Carrier and Otis are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

Net Sales

<i>(dollars in millions)</i>	2020	2019	2018
Net sales	\$ 56,587	\$ 45,349	\$ 34,701

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

<i>(dollars in millions)</i>	2020	2019
Organic ⁽¹⁾	\$ (10,438)	\$ 2,351
Foreign currency translation	14	(73)
Acquisitions and divestitures, net	21,662	8,370
Other	—	—
Total Change	\$ 11,238	\$ 10,648

(1) We provide the organic change in net sales for our consolidated results of operations. We believe that this measure is useful to investors because it provides transparency to the underlying performance of our business, which allows for better year-over-year comparability. The organic change excludes the effect of foreign currency exchange rate fluctuations; acquisitions and divestitures, net; and other significant non-recurring and non-operational items. A reconciliation of this measure to reported U.S. GAAP amounts is provided in the table above.

Net sales decreased \$10,438 million organically in 2020 compared to 2019. This decrease reflects lower organic sales of \$6.6 billion at Collins Aerospace, primarily driven by lower commercial aerospace OEM sales and lower commercial aerospace aftermarket sales, partially offset by higher military sales. The declines in commercial aerospace OEM sales and commercial aerospace aftermarket sales were primarily due to the current economic environment principally driven by the COVID-19 pandemic, which has resulted in lower flight hours, aircraft fleet utilization and commercial OEM deliveries. The decrease in net sales also reflects lower organic sales of \$4.1 billion at Pratt & Whitney primarily due to lower commercial aftermarket sales due to a significant reduction in shop visits and related spare part sales, and lower commercial OEM sales, primarily due to a significant reduction in commercial engine deliveries, all principally driven by the current economic and operating environment primarily due to the COVID-19 pandemic. The decrease at Pratt & Whitney was partially offset by higher military sales primarily driven by an increase in F135 engine sales and aftermarket growth on multiple platforms. The \$21,662 million sales increase in Acquisitions and divestitures, net in 2020 compared to 2019, is primarily driven by the Raytheon Merger on April 3, 2020. Included in the change in Acquisitions and divestitures, net was the sale of the Collins Aerospace military Global Positioning System (GPS) and space-based precision optics businesses sold in the third quarter of 2020, as further discussed in “Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K.

Net sales increased \$2,351 million organically in 2019 compared to 2018. This increase reflects higher organic sales of \$1.6 billion at Pratt & Whitney, primarily driven by higher military, commercial OEM, and commercial aftermarket sales. The increase in net sales also reflects higher organic sales of \$1.1 billion at Collins Aerospace primarily driven by higher commercial aftermarket and military sales, partially offset by lower commercial aerospace OEM sales. The \$8,370 million sales increase in Acquisitions and divestitures, net in 2019 compared to 2018, is primarily driven by the Rockwell Acquisition.

The composition of external net sales by products and services sales for 2020 was approximately the following:

	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense
Products	80 %	60 %	75 %	90 %
Services	20 %	40 %	25 %	10 %

<i>(dollars in millions)</i>	2020	2019	2018	% of Total Net Sales		
	2020	2019	2018	2020	2019	2018
Net Sales						
Products	\$ 43,319	\$ 32,998	\$ 24,141	77 %	73 %	70 %
Services	13,268	12,351	10,560	23 %	27 %	30 %
Total net sales	\$ 56,587	\$ 45,349	\$ 34,701	100 %	100 %	100 %

Net products sales grew \$10,321 million in 2020 compared to 2019 primarily due to an increase in external product sales of \$18.4 billion due to the Raytheon Merger on April 3, 2020, partially offset by decreases in external product sales of \$5.3 billion

at Collins Aerospace and \$2.8 billion at Pratt & Whitney. Net services sales grew \$917 million in 2020 compared to 2019 primarily due to an increase in external services sales of \$3.4 billion due to the Raytheon Merger on April 3, 2020, partially offset by decreases in external services sales of \$1.3 billion at Pratt & Whitney and \$1.2 billion at Collins Aerospace.

Net products sales grew \$8,857 million in 2019 compared to 2018 primarily due to an increase in external product sales of \$7.3 billion at Collins Aerospace principally driven by the Rockwell Acquisition and an increase in external product sales of \$1.6 billion at Pratt & Whitney. Net services sales grew \$1,791 million in 2019 compared to 2018 primarily due to an increase in external services sales of \$1.9 billion at Collins Aerospace primarily due to the Rockwell Acquisition.

Our sales to major customers were as follows:

<i>(dollars in millions)</i>	2020	2019	2018	% of Total Net Sales		
				2020	2019	2018
Sales to the U.S. government ⁽¹⁾	\$ 25,962	\$ 9,094	\$ 6,560	46 %	20 %	19 %
Foreign military sales through the U.S. government	4,585	1,571	902	8 %	3 %	3 %
Foreign government direct commercial sales	3,974	1,498	1,275	7 %	3 %	4 %
Commercial aerospace and other commercial sales	22,066	33,186	25,964	39 %	73 %	75 %
Total net sales	\$ 56,587	\$ 45,349	\$ 34,701	100 %	100 %	100 %

(1) Excludes foreign military sales through the U.S. government.

Cost of Products and Services Sold

<i>(dollars in millions)</i>	2020	2019	2018
Total cost of products and services sold	\$ 48,056	\$ 34,598	\$ 27,465
Percentage of net sales	85 %	76 %	79 %

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

<i>(dollars in millions)</i>	2020	2019
Organic ⁽¹⁾	\$ (4,432)	\$ 1,781
Foreign currency translation	8	(125)
Acquisitions and divestitures, net	17,696	5,241
Restructuring	220	89
FAS/CAS operating adjustment	(965)	—
Acquisition accounting adjustments	939	424
Other	(8)	(277)
Total Change	\$ 13,458	\$ 7,133

(1) We provide the organic change in cost of sales for our consolidated results of operations. We believe that this measure is useful to investors because it provides transparency to the underlying performance of our business, which allows for better year-over-year comparability. The organic change excludes the effect of foreign currency exchange rate fluctuations; acquisitions and divestitures, net; restructuring costs; costs related to certain acquisition accounting adjustments and other significant non-recurring and non-operational items. A reconciliation of this measure to reported U.S. GAAP amounts is provided in the table above.

The organic decrease in total cost of products and services sold in 2020 compared to 2019 of \$4,432 million was primarily driven by the organic sales decreases noted above. The increase in Acquisitions and divestitures, net of \$17,696 million in 2020 compared to 2019 is primarily driven by the Raytheon Merger on April 3, 2020. Included in the change in Acquisitions and divestitures, net is the sale of the Collins Aerospace military GPS and space-based precision optics businesses sold in the third quarter of 2020, as further discussed in “Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K and an unfavorable profit impact of \$516 million related to inventory reserves, contract asset impairments and recognition of supplier related obligations for certain international contracts at RMD as further described in “Segment Review” below. Included in the decrease in Other of \$8 million in 2020 compared to 2019 was prior year amortization of inventory fair value step-up associated with the Rockwell Collins acquisition of \$181 million at Collins Aerospace, partially offset by an \$89 million impairment of commercial aircraft program assets at Pratt & Whitney in the current year.

The organic increase in total cost of products and services sold in 2019 compared to 2018, of \$1,781 million was primarily driven by the organic sales increases noted above. The increase in Acquisitions and divestitures, net of \$5,241 million for 2019 compared to 2018 was primarily driven by the Rockwell Acquisition. The decrease in Other of \$277 million primarily reflects the absence of a 2018 customer contract settlement at Pratt & Whitney.

For further discussion on Restructuring costs see “Restructuring Costs” section below. For further discussion on FAS/CAS operating adjustment see “FAS/CAS operating adjustment” section below. For further discussion on Acquisition accounting adjustments, see “Acquisition accounting adjustments” subsection under the “Segment Review” section below.

<i>(dollars in millions)</i>	2020	2019	2018	% of Total Net Sales		
				2020	2019	2018
Cost of sales						
Products	\$ 38,137	\$ 26,910	\$ 21,083	67 %	59 %	61 %
Services	9,919	7,688	6,382	18 %	17 %	18 %
Total cost of sales	\$ 48,056	\$ 34,598	\$ 27,465	85 %	76 %	79 %

Net products cost of sales grew \$11,227 million in 2020 compared to 2019 primarily due to an increase in external product cost of sales due to the Raytheon Merger on April 3, 2020, partially offset by decreases in external product cost of sales at Collins Aerospace and Pratt & Whitney. Net services cost of sales grew \$2,231 million in 2020 compared to 2019 primarily due to an increase in external services cost of sales due to the Raytheon Merger on April 3, 2020, partially offset by a decrease in external services cost of sales at Collins Aerospace.

Net products cost of sales grew \$5,827 million in 2019 compared to 2018 primarily due to an increase in external product cost of sales at Collins Aerospace, primarily due to the Rockwell Acquisition, and at Pratt & Whitney. Net services cost of sales grew \$1,306 million in 2019 compared to 2018 primarily due to an increase in external services cost of sales at Collins Aerospace primarily due to the Rockwell Acquisition.

Research and Development

<i>(dollars in millions)</i>	2020	2019	2018
Company-funded	\$ 2,582	\$ 2,452	\$ 1,878
Percentage of net sales	4.6 %	5.4 %	5.4 %
Customer-funded ⁽¹⁾	\$ 4,111	\$ 2,283	\$ 1,517
Percentage of net sales	7.3 %	5.0 %	4.4 %

(1) Customer-funded research and development costs are included in cost of sales in our Consolidated Statement of Operations.

Research and development spending is subject to the variable nature of program development schedules and, therefore, year-over-year fluctuations in spending levels are expected. The increase in company-funded research and development of \$130 million in 2020 compared to 2019, was primarily driven by \$0.6 billion related to the Raytheon Merger on April 3, 2020, partially offset by lower expenses of \$0.3 billion across various commercial programs at Pratt & Whitney and \$0.2 billion across various commercial programs at Collins Aerospace, both principally driven by cost reduction measures in response to the current economic environment primarily due to COVID-19. The increase in company-funded research and development of \$574 million in 2019 compared to 2018, was primarily driven by \$0.5 billion related to the Rockwell Acquisition. Excluding this impact, Collins Aerospace company-funded research and development increased \$0.1 billion driven by higher expenses across various commercial programs.

The increase in customer-funded research and development of \$1,828 million in 2020 compared to 2019, was primarily driven by \$1.7 billion related to the Raytheon Merger on April 3, 2020. The increase in customer-funded research and development of \$766 million in 2019 compared to 2018, was primarily driven by \$0.8 billion related to the Rockwell Acquisition.

Selling, General and Administrative

<i>(dollars in millions)</i>	2020	2019	2018
Selling, general and administrative	\$ 5,540	\$ 3,711	\$ 2,864
Percentage of net sales	9.8 %	8.2 %	8.3 %

Selling, general and administrative expenses increased \$1,829 million in 2020 compared to 2019, primarily driven by \$1.6 billion related to the Raytheon Merger on April 3, 2020, excluding the impact of merger-related restructuring costs. The increase in Selling, general and administrative expenses also includes higher expenses of \$0.4 billion related to increased estimates of expected credit losses primarily due to customer bankruptcies and additional allowances for credit losses at Pratt & Whitney and Collins Aerospace, higher general and administrative restructuring costs of \$0.3 billion, and lower expenses due to cost reduction initiatives.

Selling, general and administrative expenses increased \$847 million in 2019 compared to 2018, primarily driven by \$0.6 billion of incremental selling, general and administrative expenses resulting from the Rockwell Acquisition and \$0.1 billion of costs

associated with the Raytheon Merger. The increase in Selling, general and administrative expenses also includes higher expenses of \$0.2 billion at Collins Aerospace, primarily driven by increased headcount and employee compensation related expenses partially offset by synergy capture related to the Rockwell Acquisition.

We are continuously evaluating our cost structure and have implemented restructuring actions in an effort to keep our cost structure competitive. As appropriate, the amounts reflected above include the beneficial impact of previous restructuring actions on Selling, general and administrative expenses. See “Note 14: Restructuring Costs” within Item 8 of this Form 10-K and Restructuring Costs, below, for further discussion.

Other Income, Net

<i>(dollars in millions)</i>	2020	2019	2018
Other income, net	\$ 885	\$ 326	\$ 383

Other income, net includes equity earnings in unconsolidated entities, royalty income, foreign exchange gains and losses, as well as other ongoing and nonrecurring items. The increase in Other income, net of \$559 million in 2020 compared to 2019 was primarily due to \$595 million of gains on the sales of the Collins Aerospace businesses, as further discussed in “Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K, and \$225 million related to foreign government wage subsidies due to COVID-19 at Pratt & Whitney and Collins Aerospace, partially offset by a net unfavorable year-over-year impact of foreign exchange gains and losses of \$138 million.

The decrease in Other income, net of \$57 million in 2019 compared to 2018, was primarily due to a net unfavorable impact of foreign exchange gains and losses.

Operating Profit (Loss)

<i>(dollars in millions)</i>	2020	2019	2018
Operating profit (loss)	\$ (1,889)	\$ 4,914	\$ 2,877
Operating profit (loss) margin	(3.3)%	10.8 %	8.3 %

The change in Operating profit (loss) of \$6,803 million in 2020 compared to 2019 was primarily driven by the operating performance at our segments as described below in “Segment Review” and the \$3,183 million goodwill impairment in the second quarter of 2020 related to two Collins Aerospace reporting units. Included in the change in Operating profit (loss) was an increase in acquisition accounting adjustments of \$1,057 million related to the Raytheon Merger, an increase in restructuring costs of \$527 million primarily related to restructuring actions taken at our Collins Aerospace segment and restructuring actions in connection with the Raytheon Merger on April 3, 2020 and an unfavorable profit impact of \$516 million related to inventory reserves, contract asset impairments and recognition of supplier related obligations for certain international contracts at RMD as further described in “Segment Review” below.

The increase in Operating profit (loss) of \$2,037 million in 2019 compared to 2018 was primarily driven by operating performance at our segments as described below in “Segment Review.” Included in the increase in Operating profit (loss) was an increase in acquisition accounting adjustments of \$375 million primarily related to the Rockwell acquisition and increase in restructuring costs of \$93 million primarily related to actions taken at our Collins Aerospace and Pratt & Whitney segments.

Non-service Pension (Income) Expense

<i>(dollars in millions)</i>	2020	2019	2018
Non-service pension (income) expense	\$ (902)	\$ (829)	\$ (659)

The change in Non-service pension (income) expense of \$73 million in 2020 compared to 2019 was primarily driven by the inclusion of Raytheon Company plans in 2020 as a result of the Raytheon Merger and a decrease in the interest rates at December 31, 2019 and during 2020 compared to December 31, 2018, partially offset by a decrease in the expected return on plan assets (EROA) assumption for the UTC plans in 2020 and a one-time curtailment gain of \$98 million in 2019. The one-time curtailment gain was due to the recognition of previously unrecognized prior service credits as a result of an amendment to the UTC domestic defined benefit plans to cease accrual of additional benefits for future service and compensation for non-union participants effective December 31, 2019.

The change in Non-service pension (income) expense of \$170 million in 2019 compared to 2018 was primarily driven the inclusion of Rockwell Collins plans in 2019 as a result of the Rockwell Collins acquisition and a one-time curtailment gain of \$98 million in 2019.

Interest Expense, Net

<i>(dollars in millions)</i>	2020	2019	2018
Interest expense	\$ 1,408	\$ 1,711	\$ 1,182
Interest income	(42)	(120)	(150)
Interest expense, net	\$ 1,366	\$ 1,591	\$ 1,032
Average interest expense rate - average outstanding borrowings during the year:			
Short-term borrowings	2.0 %	1.7 %	1.3 %
Total debt	4.0 %	3.6 %	3.5 %
Average interest expense rate - outstanding borrowings as of December 31:			
Short-term borrowings	0.6 %	2.3 %	1.9 %
Total debt	4.2 %	3.6 %	3.5 %

Interest expense, net decreased \$225 million in 2020 as compared with 2019, primarily due to a decrease in interest expense principally driven by the repayment of long-term debt, partially offset by a decrease in interest income principally driven by interest income of \$63 million related to tax settlements in the prior year. The average maturity of our long-term debt at December 31, 2020 was approximately 14 years.

Interest expense, net increased \$559 million in 2019 as compared with 2018, primarily due to an increase in interest expense driven by debt acquired from the Rockwell Acquisition and the impact of the August 16, 2018 issuance of notes representing \$11 billion in aggregate principal amount. The average maturity of our long-term debt at December 31, 2019 was approximately 10 years.

Income Taxes

	2020	2019	2018
Effective income tax rate	(24.4)%	10.1 %	43.8 %

The 2020 negative effective tax rate is a result of having tax expense of \$575 million on a loss from continuing operations before income taxes of \$2,353 million. The loss from continuing operations before income taxes includes the \$3,183 million goodwill impairment as described in “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets,” within Item 8 of this Form 10-K, most of which is non-deductible for tax purposes. Tax expense includes net deferred tax charges of \$367 million resulting from the Separation Transactions and the Raytheon Merger primarily related to the impairment of deferred tax assets, and incremental tax expense of \$177 million related to the disposal of businesses, including the sales of the Collins Aerospace and RIS businesses and the entry into a definitive agreement to sell Forcepoint, as described in “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K. As a result of the Separation Transactions and the restructuring charges recognized in 2020, tax expense also includes \$49 million related to revaluation of the tax benefit for certain international tax incentives, as the Company no longer expects to meet the incentive requirements. Also included in the 2020 effective tax rate are tax benefits of \$142 million associated with U.S. research and development credits and \$83 million associated with Foreign Derived Intangible Income (FDII).

The 2019 effective tax rate includes tax benefits of \$290 million primarily associated with the conclusion of the audit by the Examination Division of the Internal Revenue Service (IRS) for the Company’s 2014, 2015 and 2016 tax years and the filing by a subsidiary of the Company to participate in an amnesty program offered by the Italian Tax Authority. The 2019 effective tax rate also includes tax benefits of \$138 million associated with FDII and \$101 million related to U.S. research and development credits.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was enacted. The 2018 effective tax rate reflects a net charge of \$744 million for TCJA related adjustments. The amount primarily relates to non-U.S. taxes that will become due when previously reinvested earnings of certain international subsidiaries are remitted. The 2018 effective tax rate also includes tax benefits of \$102 million associated with FDII and \$73 million related to U.S. research & development credits.

For additional discussion of income taxes and the effective income tax rate, see “Income Taxes” within Critical Accounting Estimates, below, and “Note 13: Income Taxes” within Item 8 of this Form 10-K.

Net Income (Loss) from Continuing Operations Attributable to Common Shareowners

<i>(dollars in millions, except per share amounts)</i>	2020	2019	2018
Net income (loss) from continuing operations attributable to common shareowners	\$ (3,109)	\$ 3,510	\$ 1,216
Diluted earnings (loss) per share from continuing operations	\$ (2.29)	\$ 4.06	\$ 1.50

Net loss from continuing operations attributable to common shareowners for 2020 includes the following:

- acquisition accounting adjustments primarily related to the Raytheon Merger of \$1,435 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$1.06;
- restructuring charges of \$598 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.44;
- \$3,240 million of primarily non-deductible goodwill and intangibles impairment charges related to our Collins Aerospace segment, which had an unfavorable impact on diluted EPS from continuing operations of \$2.37;
- significant unfavorable contract adjustments at Collins Aerospace and Pratt & Whitney of \$667 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.49;
- \$415 million of tax charges in connection with the Separation Transactions, including the impairment of deferred tax assets not expected to be utilized, which had an unfavorable impact on diluted EPS from continuing operations of \$0.31;
- unfavorable profit impact at RMD of \$412 million, net of tax, related to certain direct commercial sales contracts for precision guided munitions with a certain Middle East customer, which had an unfavorable impact on diluted EPS from continuing operations of \$0.30;
- increased estimates of expected credit losses driven by customer bankruptcies and additional allowances for credit losses of \$300 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.22; and
- gains on the sales of the Collins Aerospace businesses of \$240 million, net of tax, which had a favorable impact on diluted EPS from continuing operations of \$0.18.

Net income from continuing operations attributable to common shareowners for 2019 includes the following:

- acquisition accounting adjustments of \$704 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.81;
- restructuring charges of \$186 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.21;
- tax settlements and related interest income on tax settlements of \$341 million, which had a favorable impact on diluted EPS from continuing operations of \$0.39; and
- amortization on the inventory fair value step-up associated with the Rockwell Acquisition of \$140 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.16.

Net income from continuing operations attributable to common shareowners for 2018 includes the following:

- acquisition accounting adjustments of \$432 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.53;
- restructuring charges of \$114 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.14;
- an income tax charge related to the estimated impact of the TCJA of \$744 million, which had an unfavorable impact on diluted EPS from continuing operations of \$0.92; and
- the unfavorable impact of customer contract matters at Pratt & Whitney of \$220 million, net of tax, which had an unfavorable impact on diluted EPS from continuing operations of \$0.27.

Net Income (Loss) from Discontinued Operations Attributable to Common Shareowners

<i>(dollars in millions, except per share amounts)</i>	2020	2019	2018
Net income (loss) from discontinued operations attributable to common shareowners	\$ (410)	\$ 2,027	\$ 4,053
Diluted earnings (loss) per share from discontinued operations	\$ (0.30)	\$ 2.35	\$ 5.00

On April 3, 2020, we completed the separation of our commercial businesses, Carrier and Otis. Effective as of such date, the historical results of the Carrier and Otis segments have been reclassified to discontinued operations for all periods presented. See “Note 3: Discontinued Operations” within Item 8 of this Form 10-K for additional information.

The change in net income (loss) from discontinued operations attributable to common shareowners of \$2,437 million and the related change in diluted earnings (loss) per share from discontinued operations of \$2.65 in 2020 compared to 2019 was

primarily due to prior year Carrier and Otis operating activity, as the Separation Transactions occurred on April 3, 2020, partially offset by higher prior year costs associated with the separation of our commercial businesses as discussed below.

Net income (loss) from discontinued operations for 2020 and 2019 includes \$888 million, net of tax, and \$1,284 million, net of tax, respectively, of costs associated with the Company's separation of its commercial businesses. Separation costs in 2020 primarily related to debt extinguishment costs of \$611 million in connection with the early repayment of outstanding principal.

The change in net income (loss) from discontinued operations attributable to common shareowners of \$2,026 million and the related change in diluted earnings (loss) per share from discontinued operations of \$2.65 in 2019 compared to 2018 was primarily due to the increased costs associated with the separation of our commercial businesses in 2019 and the absence of a gain on Carrier's sale of Taylor Company of \$591 million, net of tax in 2018.

Net Income (Loss) Attributable to Common Shareowners

<i>(dollars in millions, except per share amounts)</i>	2020	2019	2018
Net income (loss) attributable to common shareowners	\$ (3,519)	\$ 5,537	\$ 5,269
Diluted earnings (loss) per share from operations	\$ (2.59)	\$ 6.41	\$ 6.50

The change in net income (loss) attributable to common shareowners and diluted EPS from operations for 2020 compared to 2019 was driven by the decrease in continuing operations, as discussed above in Net Income (Loss) from Continuing Operations Attributable to Common Shareowners and the decrease from discontinued operations, as discussed above in Net Income (Loss) from Discontinued Operations Attributable to Common Shareowners.

The change in net income (loss) attributable to common shareowners and diluted EPS from operations for 2019 compared to 2018 was driven by the increase in continuing operations, as discussed above in Net Income (Loss) from Continuing Operations Attributable to Common Shareowners, partially offset by the decrease from discontinued operations, as discussed above in Net Income (Loss) from Discontinued Operations Attributable to Common Shareowners.

RESTRUCTURING COSTS

<i>(dollars in millions)</i>	2020	2019	2018
Restructuring costs	\$ 777	\$ 245	\$ 158

Restructuring actions are an essential component of our operating margin improvement efforts and relate to existing and recently acquired operations. Charges generally arise from severance related to workforce reductions and facility exit costs associated with the consolidation of field and manufacturing operations and costs to exit legacy programs. 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.

2020 Actions. During 2020, we recorded net pre-tax restructuring charges of \$770 million for restructuring efforts initiated in 2020, primarily related to severance and restructuring actions at Pratt & Whitney and Collins Aerospace in response to the impact on our operating results related to the current economic environment primarily caused by the COVID-19 pandemic, the Raytheon Merger, and the ongoing cost reduction efforts. We expect to incur additional restructuring and other charges of \$40 million to complete these actions. We are targeting to complete in 2021 the majority of actions initiated in 2020. We expect recurring pre-tax savings in continuing operations related to these actions to reach approximately \$1.1 billion annually within one to two years. Approximately 80% of the total pre-tax charge will require cash payments, which we have funded and expect to continue to fund with cash generated from operations. During 2020, we had cash outflows of approximately \$400 million related to the 2020 actions.

2019 Actions. During 2020 and 2019, we recorded net pre-tax restructuring charges of \$10 million and \$162 million, respectively, for actions initiated in 2019. We expect to incur additional restructuring charges of \$58 million to complete these actions. We are targeting to complete in 2021 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2019. We expect annual recurring pre-tax savings in continuing operations related to these actions to reach approximately \$200 million annually within two years of initiating these actions. Approximately 90% of the total pre-tax charge will require cash payments, which we have funded and expect to continue to fund with cash generated from operations. During 2020, we had cash outflows of approximately \$40 million related to the 2019 actions.

In addition, during 2020, we reversed \$3 million of net pre-tax restructuring costs for restructuring actions initiated in 2018 and prior. In 2019 and 2018, we recorded \$83 million and \$158 million, respectively, of net pre-tax restructuring costs for restructuring actions initiated in 2018 and prior. For additional discussion of restructuring, see "Note 14: Restructuring Costs" within Item 8 of this Form 10-K.

SEGMENT REVIEW

As discussed further above in Business Overview, on April 3, 2020, United Technologies Corporation (UTC) completed the Separation Transactions, and on April 3, 2020, completed the Raytheon Merger with United Technologies Corporation being renamed Raytheon Technologies Corporation. As a result of these transactions, we now operate in four principal business segments: Collins Aerospace Systems (Collins Aerospace), Pratt & Whitney, Raytheon Intelligence & Space (RIS) and Raytheon Missiles & Defense (RMD). The results of RIS and RMD reflect the period subsequent to the completion of the Raytheon Merger on April 3, 2020. The historical results of Carrier and Otis are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

For a detailed description of our businesses, see “Business” within Item 1 of this Form 10-K.

In conjunction with the Raytheon Merger, we revised our measurement of segment performance to reflect how management now reviews and evaluates operating performance. Under the new segment performance measurement, certain acquisition accounting adjustments are now excluded from segments’ results in order to better represent the ongoing operational performance of those segments. In addition, the majority of Corporate expenses are now allocated to the segments, excluding certain items that remain at Corporate because they are not included in management’s review of the segments’ results. Historical results, discussion and presentation of our business segments reflect the impact of these adjustments for all periods presented.

Also as a result of the Raytheon Merger, we now present a FAS/CAS operating adjustment outside of segment results, which represents the difference between the service cost component of our pension and postretirement benefit (PRB) expense under the Financial Accounting Standards (FAS) requirements of U.S. GAAP and our pension and PRB expense under U.S. government Cost Accounting Standards (CAS) primarily related to our RIS and RMD segments. While the ultimate liability for pension and PRB costs under FAS and CAS is similar, the pattern of cost recognition is different. Over time we generally expect to recover the related RIS and RMD pension and PRB liabilities through the pricing of our products and services to the U.S. government. Because the Collins Aerospace and Pratt & Whitney segments generally record pension and PRB expense on a FAS basis, historical results were not impacted by this change in segment reporting.

Segments are generally based on the management structure of the businesses and the grouping of similar operations, based on capabilities and technologies, where each management organization has general operating autonomy over diversified products and services. Segment total net sales and operating profit include intercompany sales and profit, which are ultimately eliminated within Eliminations and other, which also includes certain smaller non-reportable segments. For our defense contracts, where the primary customer is the U.S. government subject to Federal Acquisition Regulation (FAR) part 12, our intercompany sales and profit is generally recorded at cost-plus a specified fee, which may differ from what the selling entity would be able to obtain on sales to external customers. Segment results exclude certain acquisition accounting adjustments, the FAS/CAS operating adjustment and certain corporate expenses, as further discussed below.

We attempt to quantify material factors within our discussion of the results of each segment whenever those factors are determinable. However, in some instances, the factors we cite within our segment discussion are based upon input measures or qualitative information that does not lend itself to quantification when discussed in the context of the financial results measured on an output basis and are not, therefore, quantified in the below discussions.

Given the nature of our business, we believe that total net sales and operating profit (and the related operating profit margin percentage), which we disclose and discuss at the segment level, are most relevant to an understanding of management’s view of our segment performance, as described below.

Total Net Sales. Total net sales by segment were as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Collins Aerospace Systems	\$ 19,288	\$ 26,028	\$ 16,634
Pratt & Whitney	16,799	20,902	19,402
Raytheon Intelligence & Space	10,841	—	—
Raytheon Missiles & Defense	11,660	—	—
Total segment	58,588	46,930	36,036
Eliminations and other	(2,001)	(1,581)	(1,335)
Consolidated	\$ 56,587	\$ 45,349	\$ 34,701

Operating Profit (Loss). Operating profit (loss) by segment was as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Collins Aerospace Systems	\$ 1,466	\$ 4,508	\$ 2,397
Pratt & Whitney	(564)	1,801	1,402
Raytheon Intelligence & Space	1,014	—	—
Raytheon Missiles & Defense	890	—	—
Total segment	2,806	6,309	3,799
Eliminations and other	(111)	(140)	(69)
Corporate expenses and other unallocated items	(590)	(367)	(340)
FAS/CAS operating adjustment	1,106	—	—
Acquisition accounting adjustments ⁽¹⁾	(5,100)	(888)	(513)
Consolidated	\$ (1,889)	\$ 4,914	\$ 2,877

(1) Acquisition accounting adjustments in 2020 includes the \$3.2 billion goodwill impairment loss in the second quarter of 2020 related to two Collins Aerospace reporting units. Refer to “Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets” in Item 8 of this Form 10-K for additional information.

Included in segment operating profit are Estimate at Completion (EAC) adjustments, which relate to changes in operating profit and margin due to revisions to total estimated revenues and costs at completion. These changes reflect improved or deteriorated operating performance or award fee rates. For a full description of our EAC process, refer to “Note 1: Basis of Presentation and Summary of Accounting Principles” within Item 8 of this Form 10-K. Given that we have thousands of individual contracts and given the types and complexity of the assumptions and estimates we must make on an on-going basis, we have both favorable and unfavorable EAC adjustments. We had the following aggregate EAC adjustments for the periods presented:

<i>(dollars in millions)</i>	2020	2019	2018
Gross favorable	\$ 994	\$ 419	\$ 579
Gross unfavorable	(1,637)	(488)	(629)
Total net EAC adjustments	\$ (643)	\$ (69)	\$ (50)

As a result of the Raytheon Merger, RIS’s and RMD’s long-term contracts that are accounted for on a percentage of completion basis, were reset to zero percent complete as of the merger date since only the unperformed portion of the contract at the merger date represents an obligation of the Company. This has had the impact of reducing gross favorable and unfavorable EAC adjustments for these segments in the short-term, with the exception of EAC adjustments related to loss reserves. The change in net EAC adjustments of \$574 million in 2020 compared 2019 was primarily due to an increase in net unfavorable EAC adjustments of \$544 million at Pratt & Whitney, principally due to the current economic and operating environment primarily driven by the COVID-19 pandemic. Net EAC adjustments in 2019 were relatively consistent with 2018. Significant EAC adjustments in the years ended December 31, 2020, 2019 and 2018 are discussed in each business segment’s discussion below. Refer to the individual segment results for further information.

Defense Backlog and Defense Bookings. We believe defense backlog and defense bookings are relevant to an understanding of management’s view of our defense operations’ performance. Our defense operations consist primarily of our RIS and RMD businesses and operations in the defense businesses within our Collins Aerospace and Pratt & Whitney segments. Defense backlog was approximately \$67.3 billion and \$22.3 billion as of December 31, 2020 and 2019, respectively, out of total backlog, including commercial, of \$150.1 billion and \$111.7 billion as of December 31, 2020 and 2019, respectively. Defense bookings were approximately \$31.2 billion, \$16.9 billion and \$14.1 billion for 2020, 2019 and 2018 respectively.

Defense backlog, which is equivalent to our remaining performance obligations for our defense contracts, represents the dollar value of firm orders for which work has not been performed and excludes unexercised contract options and potential orders under ordering-type contracts (e.g., IDIQ type contracts). Defense backlog is affected by changes in foreign exchange rates.

Defense bookings generally represent the dollar value of new external defense contracts awarded to us during the reporting period and include firm orders for which funding has not been appropriated. We believe defense bookings are an important measure of future performance for our defense operations and are an indicator of potential future changes in these operations’ total net sales, because we cannot record revenues under a new contract without first having a booking in the current or a preceding period.

Defense bookings exclude unexercised contract options and potential orders under ordering-type contracts (e.g., IDIQ type contracts), and are reduced for contract cancellations and terminations of bookings recognized in the current period. We reflect contract cancellations and terminations from prior year bookings, as well as the impact of changes in foreign exchange rates,

directly as an adjustment to backlog in the period in which the cancellation or termination occurs and the impact is determinable. Contract cancellations and terminations also include contract underruns on cost-type programs.

Defense bookings are impacted by the timing and amounts of awards in a given period, which are subject to numerous factors, including: (1) the desired capability by the customer and urgency of customer needs, (2) customer budgets and other fiscal constraints, (3) political and economic and other environmental factors, (4) the timing of customer negotiations, (5) the timing of governmental approvals and notifications, and (6) the timing of option exercises or increases in scope. In addition, due to these factors, quarterly bookings tend to fluctuate from period to period, particularly on a segment basis. As a result, we believe comparing bookings on a quarterly basis or for periods less than one year is less meaningful than for longer periods and that shorter term changes in bookings may not necessarily indicate a material trend.

Collins Aerospace Systems

<i>(dollars in millions)</i>	2020	2019	2018	% Change	
				2020 compared with 2019	2019 compared with 2018
Net Sales	\$ 19,288	\$ 26,028	\$ 16,634	(26)%	56 %
Operating Profit	1,466	4,508	2,397	(67)%	88 %
Operating Profit Margins	7.6 %	17.3 %	14.4 %		

2020 Compared with 2019

<i>(dollars in millions)</i>	Factors Contributing to Total Change					Total Change
	Organic ⁽¹⁾	FX Translation	Acquisitions / Divestitures, net	Restructuring Costs	Other	
Net Sales	\$ (6,554)	\$ 15	\$ (201)	\$ —	\$ —	\$ (6,740)
Operating Profit	(3,598)	(1)	(12)	(258)	827	(3,042)

2019 Compared with 2018

<i>(dollars in millions)</i>	Factors Contributing to Total Change					Total Change
	Organic ⁽¹⁾	FX Translation	Acquisitions / Divestitures, net	Restructuring Costs	Other	
Net Sales	\$ 1,068	\$ (72)	\$ 8,398	\$ —	\$ —	\$ 9,394
Operating Profit	47	32	2,005	58	(31)	2,111

(1) We provide the organic change in net sales and operating profit for our Collins Aerospace and Pratt & Whitney segments. We believe that these measures are useful to investors because they provide transparency to the underlying performance of our business, which allows for better year-over-year comparability. The organic change excludes the effect of foreign currency exchange rate fluctuations; acquisitions and divestitures, net; restructuring costs and other significant non-recurring and non-operational items. A reconciliation of these measures to reported U.S. GAAP amounts is provided in the table above.

2020 Compared with 2019

The organic sales decrease of \$6.6 billion in 2020 compared to 2019 primarily relates to lower commercial aerospace OEM sales of \$3.7 billion and lower commercial aerospace aftermarket sales of \$3.4 billion, including declines across all aftermarket sales channels. These reductions were primarily due to the current economic environment principally driven by the COVID-19 pandemic, which has resulted in lower flight hours, aircraft fleet utilization and commercial OEM deliveries. This decrease was partially offset by higher military sales of \$0.6 billion. Included in the organic sales decrease were lower commercial aerospace OEM and aftermarket sales of approximately \$1.0 billion related to the Boeing 737 Max program and fewer upgrades due to certain regulatory mandates that were primarily completed in early 2020.

The organic profit decrease of \$3.6 billion in 2020 compared to 2019 is primarily due to lower commercial aerospace operating profit of \$4.0 billion principally driven by the lower commercial aerospace OEM and aftermarket sales volume discussed above. Included in the lower commercial OEM operating profit were \$157 million of significant unfavorable adjustments principally driven by the expected acceleration of fleet retirements of a certain aircraft. The decrease was partially offset by lower Research and development expenses of \$0.2 billion, which includes the impact of cost reduction initiatives. Included in the operating profit decrease was \$125 million of increased estimates of expected credit losses due to customer bankruptcies and additional allowances for credit losses.

Included in organic profit in 2020 was other income of \$72 million related to foreign government wage subsidies due to COVID-19 and \$12 million related to the favorable impact of a contract related matter in the first quarter of 2020.

The decrease in net sales and operating profit due to acquisitions / divestitures, net primarily relates to the sale of our Collins Aerospace military GPS and space-based precision optics businesses in the third quarter of 2020 as further discussed in “Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K.

The increase in Other operating profit of \$0.8 billion in 2020 compared to 2019 primarily relates to gains of \$595 million on the sales of the Collins Aerospace businesses discussed above, the absence of prior year amortization of inventory fair value step-up associated with the Rockwell Acquisition of \$181 million and the absence of a prior year loss on the sale of a business of \$25 million.

2019 Compared with 2018

The organic sales increase of \$1.1 billion in 2019 compared to 2018 primarily reflects higher commercial aerospace aftermarket sales of \$0.8 billion and higher military sales of \$0.4 billion, partially offset by lower commercial aerospace OEM sales of \$0.1 billion.

Organic profit in 2019 was relatively consistent compared to 2018. Included in the change in organic profit was higher commercial aerospace margin contribution of \$0.2 billion driven by the commercial aftermarket sales growth noted above partially offset by lower commercial aerospace OEM margin contribution, and higher military margin contribution of \$0.1 billion driven by the sales growth noted above. This increase was partially offset by higher Selling, general and administrative expenses of \$0.2 billion and higher Research and development costs of \$0.1 billion.

The increase in net sales and operating profit due to acquisitions / divestitures, net primarily relates to the acquisition of Rockwell Collins in 2018 as further discussed in “Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K.

Pratt & Whitney

<i>(dollars in millions)</i>	2020	2019	2018	% Change	
				2020 compared with 2019	2019 compared with 2018
Net Sales	\$ 16,799	\$ 20,902	\$ 19,402	(20)%	8 %
Operating Profit	(564)	1,801	1,402	(131)%	28 %
Operating Profit Margins	(3.4)%	8.6 %	7.2 %		

2020 Compared with 2019

<i>(dollars in millions)</i>	Factors Contributing to Total Change					
	Organic ⁽¹⁾	FX Translation ⁽²⁾	Acquisitions / Divestitures, net	Restructuring Costs	Other	Total Change
Net Sales	\$ (4,080)	\$ (23)	\$ —	\$ —	\$ —	\$ (4,103)
Operating Profit	(2,126)	(5)	—	(47)	(187)	(2,365)

2019 Compared with 2018

<i>(dollars in millions)</i>	Factors Contributing to Total Change					
	Organic ⁽¹⁾	FX Translation ⁽²⁾	Acquisitions / Divestitures, net	Restructuring Costs	Other	Total Change
Net Sales	\$ 1,576	\$ (48)	\$ (28)	\$ —	\$ —	\$ 1,500
Operating Profit	228	(7)	(7)	(140)	325	399

(1) We provide the organic change in net sales and operating profit for our Collins Aerospace and Pratt & Whitney segments. We believe that these measures are useful to investors because they provide transparency to the underlying performance of our business, which allows for better year-over-year comparability. The organic change excludes the effect of foreign currency exchange rate fluctuations; acquisitions and divestitures, net; restructuring costs and other significant non-recurring and non-operational items. A reconciliation of these measures to reported U.S. GAAP amounts is provided in the table above.

(2) For Pratt & Whitney only, the transactional impact of foreign exchange hedging at Pratt & Whitney Canada (P&WC) has been netted against the translational foreign exchange impact for presentation purposes in the table above. For all other segments these foreign exchange transactional impacts are included within the organic/operational caption in their respective tables. Due to its significance to Pratt & Whitney’s overall operating results, we believe it is useful to segregate the foreign exchange transactional impact in order to clearly identify the underlying financial performance.

2020 Compared with 2019

The organic sales decrease of \$4.1 billion in 2020 compared to 2019 primarily reflects lower commercial aftermarket sales of \$3.8 billion, due to a significant reduction in shop visits and related spare part sales, and lower commercial OEM sales of \$1.1 billion, primarily due to a significant reduction in commercial engine deliveries, all principally driven by the current

economic and operating environment primarily due to the COVID-19 pandemic. These declines were partially offset by higher military sales of \$0.8 billion primarily driven by an increase in F135 engine sales and aftermarket growth on multiple platforms. Included in the lower commercial aftermarket sales is a \$0.4 billion impact to sales from the net unfavorable contract adjustments discussed further below.

The organic profit decrease of \$2.1 billion in 2020 compared to 2019 was primarily driven by lower commercial aftermarket operating profit of \$2.4 billion driven by the sales volume decrease discussed above, unfavorable mix, a \$334 million unfavorable EAC adjustment on a commercial engine aftermarket contract due to lower estimated revenues driven by a change in the estimated maintenance coverage period, an unfavorable EAC adjustment of \$129 million related to lower estimated revenues due to the restructuring of a customer contract, and \$86 million related to an unfavorable EAC adjustment and increased allowances for warranty for legacy fleet related retrofits. The decrease was also driven by higher Selling, general and administrative expenses of \$0.2 billion primarily driven by \$257 million of increased estimates of expected credit losses due to customer bankruptcies and additional allowances for credit losses. This decrease in organic profit was partially offset by lower Research and development costs of \$0.3 billion, which includes the impact of cost reduction initiatives, and other income of \$153 million related to foreign government wage subsidies due to COVID-19.

Included in organic profit was an increase in net unfavorable EAC adjustments of \$544 million, which included the unfavorable EAC adjustments discussed above and significant net unfavorable EAC adjustments of \$62 million based on a portfolio review of our commercial aftermarket programs in the second quarter of 2020 in consideration of the estimated lower flight hours, a change in the estimated number of shop visits and the related amount of estimated costs. Also included was an unfavorable EAC adjustment of \$44 million in the second quarter of 2020 on a military program primarily driven by a shift in estimated overhead costs due to the lower commercial engine activity discussed above.

The decrease in Other operating profit of \$187 million in 2020 compared to 2019 was primarily due to an \$89 million impairment of commercial aircraft program assets in the current year and \$43 million of reserves related to a commercial financing arrangement in the current year.

2019 Compared with 2018

The organic sales increase of \$1.6 billion primarily reflects higher military sales of \$0.8 billion, higher commercial OEM sales of \$0.5 billion, and higher commercial aftermarket sales of \$0.2 billion.

The organic profit increase of \$0.2 billion was primarily driven by higher military margin contribution of \$0.2 billion, driven by the sales increase noted above and higher commercial OEM margin contribution of \$0.1 billion primarily driven by continued year-over-year cost reduction and favorable mix on large commercial engine shipments. These increases were partially offset by higher Research and development costs and Selling, general and administrative expenses of \$0.1 billion.

The \$0.3 billion increase in Other operating profit primarily reflects the absence of a 2018 customer contract settlement.

Raytheon Intelligence & Space

<i>(dollars in millions)</i>	2020	2019	2018	% Change	
				2020 compared with 2019	2019 compared with 2018
Net Sales	\$ 10,841	—	—	NM	NM
Operating Profit	1,014	—	—	NM	NM
Operating Profit Margins	9.4 %	—	—		
Bookings	\$ 10,243	—	—	NM	NM

NM = Not meaningful

The increase in net sales of \$10,841 million in 2020 compared to 2019 was due to the Raytheon Merger on April 3, 2020.

The increase in operating profit of \$1,014 million and the related increase in operating profit margins in 2020 compared to 2019 was due to the Raytheon Merger. Included in operating profit in 2020 were \$124 million of unfavorable EAC adjustments for loss reserves related to a domestic classified fixed price development program in a net loss position, of which \$87 million was recorded in the fourth quarter of 2020.

Backlog and Bookings— Backlog was \$18,676 million at December 31, 2020 compared to zero at December 31, 2019. The increase in backlog of \$18,676 million was due to the Raytheon Merger. In 2020, RIS booked \$3,294 million on a number of classified contracts, \$236 million to produce and deliver Silent Knight radar systems and spares for the U.S. Special Operations Command, \$229 million to perform operations and sustainment for the U.S. Air Force's Launch and Test Range System (LTRS), \$201 million on the Development, Operations and Maintenance (DOMino) cyber program for the Department of

Homeland Security (DHS), \$193 million on the Global Aircrew Strategic Network Terminal (Global ASNT) program for the U.S. Air Force, and \$157 million for the Military GPS User Equipment Increment 2 Miniature Serial Interface Receiver Card (MGUE INC 2 MSI) program for the U.S. Air Force.

Raytheon Missiles & Defense

<i>(dollars in millions)</i>	2020	2019	2018	% Change	
				2020 compared with 2019	2019 compared with 2018
Net Sales	\$ 11,660	—	—	NM	NM
Operating Profit	890	—	—	NM	NM
Operating Profit Margins	7.6 %	—	—		
Bookings	\$ 10,041	—	—	NM	NM

NM = Not meaningful

The increase in net sales of \$11,660 million in 2020 compared to 2019 was due to the Raytheon Merger on April 3, 2020.

The increase in operating profit of \$890 million and the related increase in operating profit margins in 2020 compared to 2019 was due to the Raytheon Merger. Included in operating profit in 2020 was an unfavorable net impact of \$516 million related to certain international contracts as further described below, and a \$25 million net favorable EAC adjustment due to a revised estimate in costs to complete an industrial cooperation agreement obligation on multiple contracts for an international customer based upon an agreement signed in the fourth quarter of 2020.

In the fourth quarter of 2020, RMD reversed \$119 million of sales for work performed subsequent to the date of the Raytheon Merger through the end of the third quarter of 2020, and the related operating profit, on our direct commercial sales contracts for precision guided munitions with a certain Middle East customer, for which we have not yet obtained regulatory approval. As discussed in the “Other Matters” subsection of the “Business Overview” section above, due to the recent U.S. presidential and congressional election and the resulting uncertainty surrounding U.S. foreign policy on direct commercial sales for precision guided munitions with this customer, we determined that it is no longer probable that we will be able to obtain regulatory approvals for these contracts. RMD also recognized an unfavorable profit impact of \$516 million related to these contracts, primarily related to inventory reserves, contract asset impairments and recognition of supplier related obligations related to termination liability, which we now do not expect to be utilized or otherwise directed to other customers. In addition, we reversed \$755 million of backlog on these contracts.

Backlog and Bookings— Backlog was \$29,593 million at December 31, 2020 compared to zero at December 31, 2019. The increase in backlog of \$29,593 million was due to the Raytheon Merger. In 2020, RMD booked \$2,426 million on the Army Navy/Transportable Radar Surveillance-Model 2 (AN/TPY-2) radar program for the Kingdom of Saudi Arabia (KSA), \$351 million for Standard Missile-3 (SM-3) for the Missile Defense Agency (MDA) and an international customer, \$340 million for StormBreaker for the U.S. Air Force, \$268 million for the AN/TPY-2 radar sustainment program for the MDA, and \$237 million for Tube-launched, Optically-tracked, Wireless-guided (TOW) missiles for the U.S. Army and international customers. RMD also booked \$1,503 million on a number of classified contracts, including \$354 million on a major contract. In 2020, RMD recorded a backlog adjustment of \$755 million on certain international contracts as discussed above.

Eliminations and other

Eliminations and other reflects the elimination of sales, other income and operating profit transacted between segments, as well as the operating results of certain smaller non-reportable business segments, including Forcepoint, LLC, which was acquired as part of the Raytheon Merger and subsequently disposed of in January 2021, as further discussed in “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K.

<i>(dollars in millions)</i>	Net Sales			Operating Profit		
	2020	2019	2018	2020	2019	2018
Inter-segment eliminations	\$ (2,528)	\$ (1,594)	\$ (1,347)	\$ (83)	\$ (208)	\$ (181)
Other non-reportable segments	527	13	12	(28)	68	112
Eliminations and other	\$ (2,001)	\$ (1,581)	\$ (1,335)	\$ (111)	\$ (140)	\$ (69)

The increase in inter-segment eliminations sales in 2020 compared to 2019, was primarily due to the Raytheon Merger on April 3, 2020.

The increase in other non-reportable segment sales in 2020 compared to 2019, was primarily related to Forcepoint sales.

The decrease in other non-reportable segments operating profit in 2020 compared to 2019, was primarily due to the impact of foreign currency translation, partially offset by operating profit related to Forcepoint.

Other non-reportable segment sales in 2019 were relatively consistent with 2018.

The decrease in other non-reportable segments operating profit in 2019 compared to 2018, was primarily due to the impact of foreign currency translation.

Corporate expenses and other unallocated items

Corporate expenses and other unallocated items consists of costs and certain other unallowable corporate costs not considered part of management's evaluation of reportable segment operating performance including restructuring and merger costs related to the Raytheon Merger, net costs associated with corporate research and development, including the Lower Tier Air and Missile Defense Sensor (LTAMDS) program which was acquired as part of the Raytheon Merger, and certain reserves. See Restructuring Costs, above, for a more detailed discussion of our restructuring costs.

<i>(dollars in millions)</i>	2020	2019	2018
Corporate expenses and other unallocated items	\$ (590)	\$ (367)	\$ (340)

The change in Corporate expenses and other unallocated items of \$223 million for 2020 compared to 2019 was primarily driven by increased restructuring costs of \$201 million, \$130 million of net expenses related to the LTAMDS project acquired as part of the Raytheon Merger and an increase in merger-related costs for the Raytheon Merger of \$82 million, partially offset by \$40 million of merger-related costs for the Rockwell Acquisition in 2019 and other unallocated items with no individual or common significant driver.

Corporate expenses and other unallocated items in 2019 was relatively consistent with 2018. Included in the change were merger-related costs for the Raytheon Merger of \$83 million in 2019 and a decrease in merger-related costs for the Rockwell Acquisition of \$78 million.

FAS/CAS operating adjustment

The segment results of RIS and RMD only include pension and PRB expense as determined under U.S. government CAS, which we generally recover through the pricing of our products and services to the U.S. government. The difference between our CAS expense and the FAS service cost attributable to these segments under U.S. GAAP is the FAS/CAS operating adjustment. The FAS/CAS operating adjustment results in consolidated pension expense in operating profit equal to the service cost component of FAS expense under U.S. GAAP. The segment results of Collins Aerospace and Pratt & Whitney include FAS service cost.

The pension and PRB components of the FAS/CAS operating adjustment were as follows:

<i>(dollars in millions)</i>	2020	2019	2018
FAS service cost (expense)	\$ (354)	\$ —	\$ —
CAS expense	1,460	—	—
FAS/CAS operating adjustment	\$ 1,106	\$ —	\$ —

The change in our FAS/CAS operating adjustment of \$1,106 million in 2020 compared to 2019 was due to the Raytheon Merger on April 3, 2020.

Acquisition accounting adjustments

Acquisition accounting adjustments include the amortization of acquired intangible assets related to acquisitions, the amortization of the property, plant and equipment fair value adjustment acquired through acquisitions and the amortization of customer contractual obligations related to loss making or below market contracts acquired. These adjustments are not considered part of management's evaluation of segment results.

The components of Acquisition accounting adjustments were as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Goodwill impairment charge	\$ (3,183)	\$ —	\$ —
Amortization of acquired intangibles	(2,142)	(1,211)	(689)
Amortization of property, plant and equipment fair value adjustment	(69)	(23)	(76)
Amortization of customer contractual obligations related to acquired loss-making and below-market contracts	294	346	252
Acquisition accounting adjustments	\$ (5,100)	\$ (888)	\$ (513)

Acquisition accounting adjustments related to acquisitions in each segment were as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Collins Aerospace Systems	\$ (3,926)	\$ (605)	\$ (235)
Pratt & Whitney	(117)	(283)	(278)
Raytheon Intelligence & Space	(394)	—	—
Raytheon Missiles & Defense	(607)	—	—
Total segment	(5,044)	(888)	(513)
Eliminations and other	(56)	—	—
Acquisition accounting adjustments	\$ (5,100)	\$ (888)	\$ (513)

The change in the Acquisition accounting adjustments of \$4,212 million in 2020 compared to 2019, is primarily driven by the \$3.2 billion goodwill impairment in the second quarter of 2020 related to two Collins Aerospace reporting units and an increase of \$1.1 billion related to the Raytheon Merger, primarily related to the amortization of acquired intangibles. Refer to “Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets” within Item 8 of this Form 10-K for additional information on the goodwill impairment.

The change in the Acquisition accounting adjustments of \$375 million in 2019 compared to 2018, is primarily driven by a change of \$370 million at Collins Aerospace primarily related to the Rockwell Acquisition.

LIQUIDITY AND FINANCIAL CONDITION

<i>(dollars in millions)</i>	2020	2019
Cash and cash equivalents	\$ 8,802	\$ 4,937
Total debt	31,823	43,252
Total equity	73,852	44,231
Total capitalization (total debt plus total equity)	105,675	87,483
Total debt to total capitalization	30 %	49 %

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our principal source of liquidity is cash flows from operating activities. In addition to operating cash flows, other significant factors that affect our overall management of liquidity include: capital expenditures, customer financing requirements, investments in businesses, dividends, common stock repurchases, pension funding, access to the commercial paper markets, adequacy of available bank lines of credit, redemptions of debt and the ability to attract long-term capital at satisfactory terms. We had \$6.84 billion available under our various credit facilities at December 31, 2020.

As discussed above in Business Overview, in response to the COVID-19, we have taken actions to preserve capital and protect the long-term needs of our business. Although our business has been and will continue to be significantly impacted by COVID-19, we currently believe we have sufficient liquidity to withstand the potential impacts.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), along with earlier issued IRS guidance, provides for a net deferral of payroll tax payments. We did not realize any cash flows benefit in 2020, and do not expect an impact to future years’ cash flows, from a net deferral of payroll tax payments. In addition, deferrals of required estimated federal, foreign and state income tax payments due to the CARES Act and other similar state and foreign stimulus incentives only impacted the timing of these payments within the year. The CARES Act, among other things, also contains numerous other provisions which may impact us. We continue to refine our understanding of the impact of the CARES Act on our business, and ongoing government guidance related to COVID-19 that may be issued. We may be entitled to recovery for certain costs through the

pricing of our products and services to the U.S. government; however, we do not believe these costs are probable of recovery at this time, and therefore, have not assumed any recovery within our EACs.

At December 31, 2020, we had cash and cash equivalents of \$8.8 billion, of which approximately 45% was held by RTC'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. The Company no longer intends to reinvest certain undistributed earnings of its international subsidiaries that have been previously taxed in the U.S. As such, we recorded the taxes associated with the future remittance of these earnings. For the remainder of the Company's undistributed international earnings, unless tax effective to repatriate, RTC will continue to permanently reinvest these earnings. We repatriated \$2.3 billion and \$1.6 billion of cash for the year ended December 31, 2020 and 2019, respectively.

On occasion, we are required to maintain cash deposits with certain banks with respect to contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2020 and 2019, the amount of such restricted cash was \$30 million and \$24 million respectively.

Historically, our strong credit ratings and financial position have enabled us to issue long-term debt at favorable market rates.

As of December 31, 2020, our maximum commercial paper borrowing limit was \$5.0 billion as the commercial paper is backed by our \$5.0 billion revolving credit agreement. We had \$160 million of commercial paper borrowings as of December 31, 2020. The maximum amount of short-term commercial paper borrowings outstanding at any point in time during the year ended December 31, 2020 was \$1,904 million. We use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions, pension contributions, debt refinancing, dividend payments and repurchases of our common stock. The commercial paper notes outstanding have original maturities of not more than 90 days from the date of issuance.

In preparation for and in anticipation of the Separation Transactions, the Distributions and the Raytheon Merger, the Company entered into and terminated a number of credit agreements. Refer to "Note 10: Borrowings and Lines of Credit" within Item 8 of this Form 10-K for additional information.

On March 16, 2020, we entered into a revolving credit agreement with various banks permitting aggregate borrowings of up to \$5.0 billion which became available upon completion of the Raytheon Merger on April 3, 2020. This credit agreement matures on April 3, 2025. On May 6, 2020, we entered into a revolving credit agreement with various banks permitting aggregate borrowings of up to \$2.0 billion. This credit agreement matures on May 5, 2021. As of December 31, 2020, we had revolving credit agreements with various banks permitting aggregate borrowings of up to \$7.0 billion, and there were no borrowings outstanding under these agreements.

We have an existing universal shelf registration statement, which we filed with the Securities and Exchange Commission (SEC) on September 27, 2019, for an indeterminate amount of debt and equity securities for future issuance, subject to our internal limitations on the amount of debt to be issued under this shelf registration statement.

The Company has offered a voluntary supply chain finance (SCF) program with a global financial institution for more than 10 years, which enables our suppliers, at their sole discretion, to sell their receivables from the Company to the financial institution at a rate that leverages our credit rating, which might be beneficial to them. Our suppliers' participation in the SCF program does not impact or change our terms and conditions with those suppliers, and therefore, we have no economic interest in a supplier's decision to participate in the program. In addition, we provide no guarantees or otherwise pay for any of the costs of the program incurred by those suppliers that choose to participate, and have no direct financial relationship with the financial institution, as it relates to the program. As such, amounts due to suppliers that have elected to participate in the SCF program are included in Accounts payable on our Consolidated Balance Sheet and all payment activity related to amounts due to suppliers that elected to participate in the SCF program are reflected in cash flows from operating activities in our Consolidated Statement of Cash Flow. As of December 31, 2020, and December 31, 2019, the amount due to suppliers participating in the SCF program and included in Accounts payable was approximately \$394 million and \$460 million, respectively. The decrease from December 31, 2019 to December 31, 2020 is due to decreases in our underlying supply chain purchases. The SCF program does not impact our overall liquidity.

We believe our future operating cash flows will be sufficient to meet our future operating cash needs. Further, we continue to have access to the commercial paper markets and our existing credit facilities, and our ability to obtain debt or equity financing, as well as the availability under committed credit lines, provides additional potential sources of liquidity should they be required or appropriate.

Cash Flow—Operating Activities

<i>(dollars in millions)</i>	2020	2019	2018
Net cash flows provided by operating activities from continuing operations	\$ 4,334	\$ 5,821	\$ 2,670
Net cash flows (used in) provided by operating activities from discontinued operations	(728)	3,062	3,652

2020 Compared with 2019 - Continuing Operations

Cash generated from operating activities in 2020 was \$1,487 million lower than 2019. This decrease is primarily due to a decrease in net income after adjustments for depreciation and amortization, the 2020 goodwill impairment charge, the deferred income tax provision, stock compensation costs and net periodic pension and other post retirement (income) expense of \$1,950 million primarily driven by a decrease at Pratt & Whitney and Collins Aerospace as a result of the current economic environment primarily driven by COVID-19, partially offset by net income from RIS and RMD following the Raytheon Merger. Included in the decrease in operating cash flows was an increase in pension contributions, as further discussed below, and an unfavorable impact from accounts payable primarily at Collins Aerospace and Pratt & Whitney due to a decline in volume principally driven by the current economic environment primarily driven by COVID-19, which was partially offset by a favorable change in inventory at Collins Aerospace and Pratt & Whitney due to the decline in volume and a favorable change in accounts receivable and contract assets due to the timing of billings and collections in 2020 across our segments.

The Company enters into various factoring agreements with third-party financial institutions to sell certain of its receivables. Factoring activity resulted in a decrease of approximately \$1.6 billion in cash flows from operating activities during the year ended December 31, 2020, as compared to the prior year. This decrease in factoring activity was driven by a decrease in factoring levels at Collins Aerospace and Pratt & Whitney primarily driven by lower sales volume.

2019 Compared with 2018 - Continuing Operations

Cash generated from operating activities in 2019 was \$3.2 billion higher than 2018. The increase is largely driven by an increase in Net income after adjustments for depreciation and amortization, the deferred income tax provision, stock compensation costs, and the net periodic pension and other postretirement (income) expense of \$2.3 billion and an increase in other long term assets and liabilities cash flows of \$1.1 billion, partially offset by a decrease in working capital cash flows of \$0.7 billion.

Factoring activity resulted in a decrease of approximately \$200 million in cash generated from operating activities during the year ended December 31, 2019, as compared to the prior year. This decrease in factoring activity was primarily driven by a decrease in factoring levels at Pratt & Whitney, partially offset by an increase at Collins Aerospace.

We make both required and discretionary contributions to our pension plans. Required contributions are primarily determined by Employee Retirement Income Security Act of 1974 (ERISA) funding rules, which require us to fully fund our U.S. qualified pension plans over a rolling seven-year period as determined annually based on the Pension Protection Act of 2006 (PPA) calculated funded status at the beginning of each year. The funding requirements are primarily based on the year's expected service cost and amortization of other previously unfunded liabilities, which are dependent upon many factors, including returns on invested assets, the level of market interest rates and actuarial assumptions. We can contribute cash or RTC shares to our plans at our discretion, subject to applicable regulations. As of December 31, 2020, the total investment by the U.S. qualified pension plans in RTC shares was less than 1% of total plan assets.

We made the following contributions to our U.S. qualified and international defined benefit and PRB plans' trusts during the years ended December 31:

<i>(dollars in millions)</i>	2020	2019	2018
U.S. qualified defined benefit plans	\$ 885	\$ 25	\$ —
International defined benefit plans	125	30	79
PRB plans	15	—	—
Total	\$ 1,025	\$ 55	\$ 79

The contributions to our U.S. qualified defined benefit plans for the year ended December 31, 2020 include a \$750 million discretionary contribution to the Raytheon Company U.S. qualified pension plans' trust. As a result of this discretionary contribution, we do not expect to make any required contributions to our U.S. qualified plans' trust until 2022.

The contributions to our International defined benefit plans for the year ended December 31, 2020 include a \$51 million discretionary contribution. We expect to make total contributions of approximately \$50 million to our international defined benefit plans' trusts in 2021, which are expected to meet or exceed the current funding requirements.

Global pension and PRB cash funding requirements are expected to be \$370 million, \$850 million and \$750 million in 2021, 2022 and 2023, respectively, which includes benefit payments to be paid directly by the company.

Operating Activities - Discontinued Operations

The \$3,790 million decrease in cash flows provided by operating activities from discontinued operations in 2020 compared to 2019 primarily relates to a decrease in net income from discontinued operations driven by the absence of operating activity for the majority of the year, as the Separation Transactions occurred on April 3, 2020. The \$590 million decrease in cash flows provided by operating activities from discontinued operations in 2019 compared to 2018 primarily relates to a decrease in net income from discontinued operations, partially offset by an increase in working capital cash inflows.

Cash Flow—Investing Activities

<i>(dollars in millions)</i>	2020	2019	2018
Net cash flows provided by (used in) investing activities from continuing operations	\$ 3,343	\$ (2,676)	\$ (17,259)
Net cash flows (used in) provided by investing activities from discontinued operations	(241)	(416)	286

Our investing activities primarily include capital expenditures, cash investments in customer financing assets, investments/dispositions of businesses, payments related to our collaboration intangible assets and contractual rights to provide product on new aircraft platforms, and settlements of derivative contracts not designated as hedging instruments.

2020 Compared with 2019 - Continuing Operations

The \$6.0 billion increase in cash flows used in investing activities in 2020 compared to 2019 primarily relates to cash acquired in the Raytheon Merger of \$3.2 billion, the sale of our Collins Aerospace military GPS and space-based precision optics businesses for a combined \$2.3 billion in gross cash proceeds and a net increase in the source of cash from customer financing assets of \$747 million, partially offset by an increase in cash outflows resulting from the Blue Canyon Technologies acquisition of \$419 million.

Additions to property, plant and equipment were as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Additions to property, plant and equipment	\$ (1,795)	\$ (1,868)	\$ (1,467)

Capital expenditures decreased by \$73 million in 2020 compared to 2019 as reductions at Collins Aerospace of \$321 million and Pratt & Whitney of \$257 million were largely offset by increased capital expenditures driven by the Raytheon Merger.

Dispositions of businesses in 2020 of \$2,556 million primarily related to the sale of our Collins Aerospace military GPS and space-based precision optics businesses for a combined \$2.3 billion in gross cash proceeds.

Increases to customer financing assets is primarily driven by additional Geared Turbofan engines to support customer fleets and was a use of cash of \$280 million and \$787 million in 2020 and 2019, respectively. The decline within increases to customer financing assets is due to fewer engines added in 2020 compared to 2019. The decrease in customer financing assets which provided a source of cash of \$368 million in 2020 compared to \$128 million in 2019 is driven by a sale and leaseback transaction for the sale of equipment in 2020. Refer to “Note 12: Leases” within Item 8 of this Form 10-K for additional discussion of the sale lease-back transaction.

In 2020, we increased our collaboration intangible assets by approximately \$172 million, which primarily relates to payments made under our 2012 agreement to acquire Rolls-Royce’s collaboration interests in International Aero Engines AG (IAE).

At December 31, 2020, we had commercial aerospace financing and other contractual commitments, including exclusivity and collaboration payments of approximately \$13.4 billion. Refer to “Note 19: Commitments and Contingencies” within Item 8 of this Form 10-K for further details on our commercial aerospace financing and other contractual commitments.

As discussed in “Note 15: Financial Instruments” within Item 8 of this Form 10-K, we enter into derivative instruments primarily for risk management purposes, including derivatives designated as hedging instruments under the Derivatives and Hedging Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and those utilized as economic hedges. 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 have used derivative instruments, including swaps, forward contracts and options to manage certain foreign currency, interest rate and commodity price exposures. During the years ended December 31, 2020 and 2019, we had net cash receipts of approximately \$32 million and \$342 million, respectively, from the settlement of these derivative instruments not designated as hedging instruments.

In October 2020, we entered into a definitive agreement to sell our Forcepoint business, which we completed in January 2021, for \$1.1 billion in cash.

In December 2020, we completed the acquisition of Blue Canyon Technologies, a leading provider of small satellites and spacecraft systems components, for \$426 million, net of cash received. Blue Canyon Technologies is reported in the Raytheon Intelligence & Space segment.

2019 Compared with 2018 - Continuing Operations

The \$14.6 billion decrease in cash flows used in investing activities in 2019 compared to 2018 primarily relates to the absence of cash paid to acquire Rockwell Collins of \$14.9 billion in November 2018.

Capital expenditures of \$1.9 billion for 2019 increased \$401 million from 2018. This increase primarily relates to several projects at Collins Aerospace and investments in production and aftermarket capacity at Pratt & Whitney.

Dispositions of businesses in 2019 of \$134 million primarily consisted of the businesses sold in connection with the Rockwell Acquisition.

Increases to customer financing assets is primarily driven by additional Geared Turbofan engines to support customer fleets and was a use of cash of \$787 million and \$988 million in 2019 and 2018, respectively. The decrease in the source of cash related to customer financing assets of \$128 million in 2019 compared to \$604 million in 2018 is driven by lower repayments on customer financing.

In 2019, we increased our collaboration intangible assets by approximately \$351 million, which primarily relates to payments made under our 2012 agreement to acquire Rolls-Royce's collaboration interests in IAE.

Investing Activities - Discontinued Operations

The \$175 million increase in cash flows used in investing activities from discontinued operations in 2020 compared to 2019 primarily relates to a reduction in capital expenditures at Carrier and Otis of approximately \$300 million, partially offset by a reduction in investment cash of approximately \$135 million. The \$702 million decrease in cash flows provided by investing activities from discontinued operations in 2019 compared to 2018 primarily relates to the absence of \$1.0 billion in proceeds from the sale of Taylor Company in June 2018 by Carrier, partially offset by a decrease in business acquisition activity.

Cash Flow—Financing Activities

<i>(dollars in millions)</i>	2020	2019	2018
Net cash flows (used in) provided by financing activities from continuing operations	\$ (3,860)	\$ (1,913)	\$ 12,209
Net cash flows used in financing activities from discontinued operations	(1,414)	(2,651)	(4,244)

Our financing activities primarily include the issuance and repayment of short-term and long-term debt, payment of dividends and stock repurchases.

2020 Compared with 2019 - Continuing Operations

Financing activities were a cash outflow of \$3.9 billion in 2020 compared to a cash outflow of \$1.9 billion in 2019. This change is driven by increases in long-term debt repayments of \$13.4 billion, a \$4.4 billion change in net cash transfers to discontinued operations, an increase in short-term borrowing repayments of \$2.9 billion, and an increase in dividends paid on common stock of \$0.3 billion, partially offset by an increase in long-term debt issuances of \$19.2 billion. The 2020 debt issuances reflect debt incurred by Carrier and Otis of approximately \$6 billion and \$11 billion, respectively. The net proceeds of these issuances and draws were primarily utilized by UTC to extinguish Raytheon Technologies short-term and long-term debt in order to not exceed the maximum applicable net indebtedness required by the Raytheon Merger Agreement.

At December 31, 2020, management had remaining authority to repurchase approximately \$5.0 billion of our common stock under the December 7, 2020 share repurchase program. Under this program, shares may be purchased on the open market, in privately negotiated transactions, under accelerated share repurchase programs, and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. We may also reacquire shares outside of the program from time to time in connection with the surrender of shares to cover taxes on vesting of restricted stock and as required under our employee savings plan. We expect to engage in share repurchase activity in 2021. Our ability to repurchase shares is subject to applicable law.

2019 Compared with 2018 - Continuing Operations

Financing activities was a cash outflow of \$1.9 billion in 2019 compared to a cash inflow of \$12.2 billion in 2018. This change is driven by the absence of \$13.4 billion of long-term debt issuances in the prior year which was primarily utilized to fund the

Rockwell Acquisition, an increase in dividends paid on common stock of \$0.3 billion and an increase in debt repayments of \$0.2 billion, partially offset by an increase in short term borrowings of \$1.3 billion and a reduction in common stock repurchases of \$0.2 billion.

Our share repurchases were as follows for the years ended December 31:

	2020		2019		2018	
	\$	Shares	\$	Shares	\$	Shares
Shares of Common Stock repurchased	\$ 47	330	\$ 151	1,133	\$ 325	2,727

Our Board of Directors authorized the following cash dividends for the years ended December 31:

	2020		2019		2018	
(dollars in millions, except per share amounts)	\$		\$		\$	
Dividends per share of Common Stock	\$ 2.160		\$ 2.940		\$ 2.840	
Total dividends paid	\$ 2,732		\$ 2,442		\$ 2,170	

On February 6, 2021, the Board of Directors declared a dividend of \$0.475 per share payable March 25, 2021 to shareowners of record at the close of business on February 26, 2021.

We had the following issuances of long-term debt during 2020 and 2018, which is inclusive of issuances made by Carrier and Otis which were primarily used by the Company to extinguish certain Raytheon Technologies short-term and long-term debt and, therefore, were treated as a distribution from discontinued operations within financing activities from continuing operation on our Consolidated Statement of Cash Flows:

Issuance Date	Description of Notes	Aggregate Principal Balance (in millions)
May 18, 2020	2.250% notes due 2030	\$ 1,000
	3.125% notes due 2050	\$ 1,000
March 27, 2020	Term Loan due 2023 (Otis) ⁽¹⁾	\$ 1,000
	Term Loan due 2023 (Carrier) ⁽¹⁾	\$ 1,750
February 27, 2020	1.923% notes due 2023 ⁽¹⁾	\$ 500
	LIBOR plus 0.450% floating rate notes due 2023 ⁽¹⁾	\$ 500
	2.056% notes due 2025 ⁽¹⁾	\$ 1,300
	2.242% notes due 2025 ⁽¹⁾	\$ 2,000
	2.293% notes due 2027 ⁽¹⁾	\$ 500
	2.493% notes due 2027 ⁽¹⁾	\$ 1,250
	2.565% notes due 2030 ⁽¹⁾	\$ 1,500
	2.722% notes due 2030 ⁽¹⁾	\$ 2,000
	3.112% notes due 2040 ⁽¹⁾	\$ 750
	3.377% notes due 2040 ⁽¹⁾	\$ 1,500
	3.362% notes due 2050 ⁽¹⁾	\$ 750
	3.577% notes due 2050 ⁽¹⁾	\$ 2,000
	August 16, 2018	3.350% notes due 2021 ⁽²⁾
3.650% notes due 2023 ⁽²⁾		\$ 2,250
3.950% notes due 2025 ⁽²⁾		\$ 1,500
4.125% notes due 2028 ⁽²⁾		\$ 3,000
4.450% notes due 2038 ⁽²⁾		\$ 750
4.625% notes due 2048 ⁽³⁾		\$ 1,750
	LIBOR plus 0.65% floating rate notes due 2021 ⁽²⁾	\$ 750
May 18, 2018	1.150% notes due 2024 ⁽⁴⁾	€ 750
	2.150% notes due 2030 ⁽⁴⁾	\$ 500
	EURIBOR plus 0.20% floating rate notes due 2020 ⁽⁴⁾	\$ 750

(1) The debt issuances and term loan draws reflect debt incurred by Carrier and Otis. The net proceeds of these issuances were primarily utilized to extinguish Raytheon Technologies short-term and long-term debt in order to not exceed the maximum applicable net indebtedness required by the Raytheon Merger Agreement.

- (2) The net proceeds received from these debt issuances were used to partially finance the cash consideration portion of the purchase price for Rockwell Collins and fees, expenses and other amounts related to the Rockwell Acquisition.
- (3) The net proceeds from these debt issuances were used to fund the repayment of commercial paper and for other general corporate purposes.
- (4) The net proceeds received from these debt issuances were used for general corporate purposes.

We had no issuances of long-term debt during 2019.

We made the following repayments of debt during 2020, 2019 and 2018:

Repayment Date	Description of Notes	Aggregate Principal Balance (in millions)
October 15, 2020	3.125% notes due 2020 ⁽¹⁾	\$ 1,000
May 19, 2020	3.650% notes due 2023 ⁽²⁾⁽³⁾	\$ 410
May 15, 2020	EURIBOR plus 0.20% floating rate notes due 2020 (€750 million principal value) ⁽³⁾	\$ 817
March 29, 2020	4.500% notes due 2020 ⁽²⁾⁽³⁾	\$ 1,250
	1.125% notes due 2021 (€950 million principal value) ⁽²⁾⁽³⁾	\$ 1,082
	1.250% notes due 2023 (€750 million principal value) ⁽²⁾⁽³⁾	\$ 836
	1.150% notes due 2024 (€750 million principal value) ⁽²⁾⁽³⁾	\$ 841
	1.875% notes due 2026 (€500 million principal value) ⁽²⁾⁽³⁾	\$ 567
March 3, 2020	1.900% notes due 2020 ⁽²⁾⁽³⁾	\$ 1,000
	3.350% notes due 2021 ⁽²⁾⁽³⁾	\$ 1,000
	LIBOR plus 0.650% floating rate notes due 2021 ⁽²⁾⁽³⁾	\$ 750
	1.950% notes due 2021 ⁽²⁾⁽³⁾	\$ 750
	2.300% notes due 2022 ⁽²⁾⁽³⁾	\$ 500
	3.100% notes due 2022 ⁽²⁾⁽³⁾	\$ 2,300
	2.800% notes due 2024 ⁽²⁾⁽³⁾	\$ 800
March 2, 2020	4.875% notes due 2020 ⁽²⁾⁽³⁾	\$ 171
February 28, 2020	3.650% notes due 2023 ⁽²⁾⁽³⁾	\$ 1,669
	2.650% notes due 2026 ⁽²⁾⁽³⁾	\$ 431
November 15, 2019	8.875% notes	\$ 271
November 13, 2019	EURIBOR plus 0.15% floating rate notes	€ 750
November 1, 2019	LIBOR plus 0.350% floating rate notes	\$ 350
	1.500% notes	\$ 650
July 15, 2019	1.950% notes ⁽⁴⁾	\$ 300
	5.250% notes ⁽⁴⁾	\$ 300
December 14, 2018	Variable-rate term loan due 2020 (1 month LIBOR plus 1.25%) ⁽⁴⁾	\$ 482
May 4, 2018	1.778% junior subordinated notes	\$ 1,100
February 22, 2018	EURIBOR plus 0.80% floating rate notes	€ 750
February 1, 2018	6.80% notes	\$ 99

- (1) These notes were assumed in connection with the Raytheon Merger and subsequently repaid.
- (2) In connection with the early repayment of outstanding principal, Raytheon Technologies recorded debt extinguishment costs of \$703 million for the year ended December 31, 2020, which are classified as discontinued operations in our Consolidated Statement of Operations as we would not have had to redeem the debt, except for the Separation Transactions. No proceeds of the notes issued May 18, 2020 were used to fund the May 19, 2020 redemption.
- (3) Extinguishment of Raytheon Technologies short-term and long-term debt in order to not exceed the maximum net indebtedness required by the Raytheon Merger Agreement.
- (4) These notes were assumed in connection with the Rockwell Collins Acquisition and subsequently repaid.

Financing Activities - Discontinued Operations

The \$1.2 billion decrease in cash flows used in financing activities from discontinued operations in 2020 compared to 2019 primarily relates to \$703 million of debt extinguishment costs related to the early repayment of debt in 2020 and cash distributions made to Carrier and Otis of \$2.8 billion, which were more than offset by a change in net transfer activity of \$4.5 billion. The \$1.6 billion decrease in cash flows used in financing activities from discontinued operations in 2019 compared to 2018 primarily relates to the change in net transfers to continuing operations.

CRITICAL ACCOUNTING ESTIMATES

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. The most significant areas involving management judgments and estimates are described below. Actual results in these areas could differ from management's estimates.

Long-Term Contract Accounting. We recognize revenue on an over-time basis for substantially all defense contracts and certain long-term aerospace aftermarket contracts. We measure progress toward completion of these contracts on a percentage of completion basis, using costs incurred to date relative to total estimated costs at completion. Incurred costs represent work performed, which correspond with and best depict transfer of control to the customer. Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management's judgment. We review our Estimate at Completion (EACs) on significant contracts on a periodic basis and for others, no less than annually or when a change in circumstances warrant a modification to a previous estimate. Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment by management on a contract by contract basis. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities relate to management's judgment about the ability and cost to achieve the schedule, consideration of customer-directed delays or reductions in scheduled deliveries, technical requirements, customer activity levels, such as flight hours or aircraft landings, and related variable consideration. Management's judgment related to these considerations has become increasingly more significant given the current economic environment primarily caused by the COVID-19 pandemic. Management must make assumptions and estimates regarding contract revenue and costs, including estimates of labor productivity and availability, the complexity and scope of the work to be performed, the availability and cost of materials, the length of time to complete the performance obligation, execution by our subcontractors, the availability and timing of funding from our customer, overhead cost rates, and current and past maintenance cost and frequency driven by estimated aircraft and engine utilization and estimated useful lives of components, among others. In particular, fixed-price development programs involve significant management judgment, as development contracts by nature have elements that have not been done before and thus, are highly subject to future unexpected cost growth. Cost estimates may also include the estimated cost of satisfying our industrial cooperation agreements, sometimes in the form of either offset obligations or in-country industrial participation (ICIP) agreements, required under certain contracts primarily within our RIS and RMD segments. These obligations may or may not be distinct depending on their nature. If cash is paid to a customer to satisfy our offset obligations it is recorded as a reduction in the transaction price. Changes in estimates of net sales, cost of sales and the related impact to operating profit are recognized on a cumulative catch-up basis, which recognizes the cumulative effect of the profit changes on current and prior periods based on a performance obligation's percentage of completion in the current period. A significant change in one or more of these estimates could affect the profitability of one or more of our performance obligations. Our EAC adjustments also include the establishment of loss provisions on our contracts accounted for on a percentage of completion basis.

Net EAC adjustments had the following impact on our operating results:

<i>(dollars in millions, except per share amounts)</i>	2020	2019	2018
Operating profit (loss)	\$ (643)	\$ (69)	\$ (50)
Income (loss) from continuing operations attributable to common shareowners ⁽¹⁾	(508)	(55)	(40)
Diluted earnings (loss) per share from continuing operations attributable to common shareowners ⁽¹⁾	\$ (0.37)	\$ (0.06)	\$ (0.05)

(1) Amounts reflect a U.S. statutory tax rate of 21%, which approximates our tax rate on our EAC adjustments.

As a result of the Raytheon Merger, Raytheon Company's contracts accounted for on a percentage of completion basis were reset to zero percent complete as of the merger date, since only the unperformed portion of the contract at the merger date represents the obligation of the Company. For additional information related to the Raytheon Merger, see "Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets" within Item 8 of this Form 10-K.

Costs incurred for engineering and development of aerospace products under contracts with customers are capitalized as contract fulfillment costs, to the extent recoverable from the associated contract margin and customer funding, and subsequently amortized as the OEM products are delivered to the customer. The estimation of contract margin requires management's judgment. We regularly assess capitalized contract fulfillment costs for impairment.

Income Taxes. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits, which may be realized over an extended period of time. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided.

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

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. In addition, we have entered into certain internal legal entity restructuring transactions necessary to effectuate the Separation Transactions. We have accrued tax on these transactions based on our interpretation of the applicable tax laws and our determination of appropriate entity valuations. See "Note 1: Basis of Presentation and Summary of Accounting Principles" and "Note 13: Income Taxes" within Item 8 of this Form 10-K for further discussion.

Management has determined that the distributions of Carrier and Otis on April 3, 2020, and certain related internal business separation transactions, qualified as tax-free under applicable law. In making these determinations, we applied the tax law in the relevant jurisdictions to our facts and circumstances and obtained tax rulings from the relevant taxing authorities, tax opinions, and/or other external tax advice related to the concluded tax treatment. If the completed distributions of Carrier or Otis, in each case, or certain internal business separation transactions, were to fail to qualify for tax-free treatment, the Company could be subject to significant liabilities, and there could be material adverse impacts on the Company's business, financial condition, results of operations and cash flows in future reporting periods.

Goodwill and Intangible Assets. The assets and liabilities of acquired businesses are recorded under the acquisition method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying identifiable net assets of acquired businesses. Intangible assets acquired in business combinations consist of patents, trademarks/tradenames, developed technology, customer relationships, and other intangible assets. The fair value for acquired customer relationship intangibles is determined as of the acquisition date based on estimates and judgments regarding expectations for the future after-tax cash flows arising from the follow-on revenue from customer relationships that existed on the acquisition date over their estimated lives, including the probability of expected future contract renewals and revenue, less a contributory assets charge, all of which is discounted to present value. The fair value of the trademark and tradename intangible assets are determined utilizing the relief from royalty method which is a form of the income approach. Under this method, a royalty rate based on observed market royalties is applied to projected revenue supporting the tradename and discounted to present value using an appropriate discount rate. See "Note 1: Basis of Presentation and Summary of Accounting Principles" within Item 8 of this Form 10-K for further details.

We applied these approaches to the valuation of intangibles for the Raytheon Merger, for which the most significant intangible assets identified were customer relationships and tradenames. Specific to these intangible assets, our estimates of market participant future cash flows included forecasted revenue growth rates, remaining developmental effort, operational performance including company specific synergies, program life cycles, material and labor pricing, and other relevant customer, contractual and market factors. For the customer relationships, where appropriate, the net cash flows were probability-adjusted to reflect the uncertainties associated with the underlying assumptions, including cancellation rates related to backlog, government demand for sole-source and re-compete contracts and win rates for re-compete contracts, as well as the risk profile of the net cash flows utilized in the valuation. In addition, the net cash flows were discounted using an appropriate discount rate that requires judgment by management. The estimated fair value of identifiable intangible assets acquired in connection with the Raytheon Merger was approximately \$19.1 billion.

Also included within intangible assets are exclusivity assets, which are payments made to secure certain contractual rights to provide products on new commercial aerospace platforms. Such payments are capitalized when there are distinct rights obtained and there are sufficient incremental cash flows to support the recoverability of the assets established. Otherwise, the applicable

portion of the payments are expensed. The gross value of these contractual commitments at December 31, 2020 was approximately \$11.6 billion, of which approximately \$3.3 billion has been paid to date. We regularly assess the recoverability of these intangibles, which is dependent upon our assumptions around the future success and profitability of the underlying aircraft platforms including the associated aftermarket revenue streams, and the related future cash flows.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment testing annually, or more frequently if events or changes in circumstances indicate the asset might be impaired. The impairment test compares carrying values of the reporting units to its estimated fair values. If the carrying value exceeds the fair value then the carrying value is reduced to fair value. In developing our estimates for the fair value of our reporting units, significant judgment is required in the determination of the appropriateness of using a qualitative assessment or quantitative assessment. For the quantitative assessments that are performed, fair value is primarily based on income approaches using a discounted cash flow method and relief from royalty method, which have significant assumptions including sales growth rates, projected operating profit, terminal growth rates, discount rates and royalty rates. Such assumptions are subject to variability from year to year and are directly impacted by, among other things, global market conditions.

We considered the deterioration in general economic and market conditions primarily due to the COVID-19 pandemic to be a triggering event in the first and second quarters of 2020, requiring an impairment evaluation of goodwill, intangible assets and other assets in our commercial aerospace businesses, Collins Aerospace and Pratt & Whitney. Beginning in the second quarter of 2020, we observed several airline customer bankruptcies, delays and cancellations of aircraft purchases by airlines, fleet retirements and repositioning of OEM production schedules and we experienced a significant decline in revenues at our Collins Aerospace and Pratt & Whitney businesses due to a decline in flight hours, aircraft fleet utilization, shop visits and commercial OEM deliveries. These factors contributed to a deterioration of our expectations regarding the timing of a return to pre-COVID-19 commercial flight activity, which further reduced our future sales and cash flows expectations.

In the second quarter of 2020, we evaluated the Collins Aerospace and Pratt & Whitney reporting units for goodwill impairment and determined that the carrying values of two of the six Collins Aerospace reporting units exceeded the sum of discounted future cash flows, resulting in goodwill impairments of \$3.2 billion. Collins Aerospace discounted future cash flow estimates were developed for three scenarios: a base case, a downside case, and an upside case. These scenarios included assumptions regarding future airline flight activity, out of warranty hours on original equipment, expected repairs, upgrades and replacements, future OEM manufacturing schedules and related environmental assumptions, including individuals' desire to return to normal travel, business needs to travel, and potential cures or vaccines to prevent or reduce the effects of COVID-19. These estimates require a significant amount of judgment and are subject to change based upon factors outside our control. We weighted the three scenarios as follows: 50% for the base case, 40% for the downside case, and 10% for the upside case, and used these weightings, as we believed they reflected the risks and opportunities relative to our estimates. Goodwill impairment was not indicated for any of the other reporting units evaluated for impairment in any of these scenarios.

We did not identify any further deterioration to our expectations in the third quarter of 2020, and therefore, did not have a triggering event.

On October 1, 2020, we changed our annual goodwill impairment testing date from July 1 to October 1 to better align with the timing of our annual long-term planning process. This change was not material to our Consolidated Financial Statements as it did not delay, accelerate, or avoid any potential goodwill impairment charges. We completed our annual impairment testing as of October 1, 2020, where we assessed our Pratt & Whitney, RIS, RMD and one of the Collins Aerospace reporting units using qualitative factors to determine whether it was more likely than not that any individual reporting unit's fair value is less than its carrying value (step 0) and determined that no further testing was required based on there being no significant changes at RIS and RMD since the acquisition of Raytheon Company and the substantial cushion of fair value over book value at the other reporting units. For the remainder of our Collins Aerospace reporting units, we compared the fair value of the reporting units to their respective carrying values (step 1), and determined that no additional adjustments to the carrying value of goodwill were necessary.

Based on our annual impairment analysis as of October 1, 2020, the reporting unit that was closest to impairment was a reporting unit at Collins Aerospace with a fair value in excess of book value, including goodwill, of \$1.2 billion or 7%. All other factors equal, if the discount rate used for the annual impairment analysis increased by 25 basis points, the fair value in excess of book value for the Collins Aerospace reporting unit would have been approximately \$0.3 billion or 2%. Alternatively, all other factors equal, if the cash flows were decreased by 10%, the fair value for the Collins Aerospace reporting unit would have decreased by approximately \$1.8 billion. Material changes in these estimates could occur and result in additional impairments in future periods.

The Company continuously monitors for events and circumstances that could negatively impact the key assumptions in determining the fair value of goodwill, including long-term revenue growth projections, profitability, discount rates, recent market valuations from transactions by comparable companies, volatility in the Company's market capitalization, and general

industry, market and macro-economic conditions. It is possible that future changes in such circumstances, including a more prolonged and/or severe COVID-19 pandemic than originally anticipated, or future changes in the variables associated with the judgments, assumptions and estimates used in assessing the fair value of our reporting units, including the expected long term recovery of airline travel to pre-COVID-19 levels, would require the Company to record a non-cash impairment charge.

Contingent Liabilities. Our operating units include businesses which sell products and services and conduct operations throughout the world. As described in “Note 19: Commitments and Contingencies” within Item 8 of this Form 10-K, contractual, regulatory and other matters in the normal course of business may arise that subject us to claims or litigation. Of note, the design, development, production and support of new aerospace technologies is inherently complex and subject to risk. Since the PW1000G Geared Turbofan engine entered into service in 2016, technical issues have been identified and experienced with the engine, which is typical for new engines and new aerospace technologies. Pratt & Whitney has addressed these issues through various improvements and modifications. These issues have resulted in financial impacts, including increased warranty provisions, customer contract settlements, and reductions in contract performance estimates. Additional technical issues, either related to this program or other programs, may also arise in the normal course, which may result in financial impacts that could be material to the Company’s financial position, results of operations and cash flows.

Additionally, we have significant contracts with the U.S. government, subject to government oversight and audit, which may require significant adjustment of contract prices. We accrue for liabilities associated with these matters 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 then currently available facts with respect to each matter. When no amount within a range of estimates is more likely, the minimum is accrued. The inherent uncertainty related to the outcome of these matters can result in amounts materially different from any provisions made with respect to their resolution.

Employee Benefit Plans. We sponsor domestic and foreign defined benefit pension and PRB plans. Assumptions used to calculate our funded status are determined based on company data and appropriate market indicators. They are evaluated annually at December 31 and when significant events require a mid-year remeasurement. A change in any of these assumptions or actual experience that differs from these assumptions are subject to recognition in pension and postretirement net periodic benefit (income) expense reported in the Consolidated Financial Statements.

Assumptions used in the accounting for these employee benefit plans require judgement. Major assumptions include the discount rate and EROA. Other assumptions include mortality rates, demographic assumptions (such as retirement age), rate of increase in employee compensation levels, and health care cost increase projections.

The weighted-average discount rates used to measure pension and PRB liabilities are based on yield curves developed using high-quality corporate bonds as well as plan specific cash flows. For our significant plans, we utilize a full yield curve approach in the estimation of the service cost and interest cost components of net periodic benefit expense by applying the specific spot rates along the yield curve used in determination of the benefit obligation to the relevant discounted projected cash flows.

The following table shows the sensitivity of our pension and PRB plan liabilities and net periodic benefit income to a 25 basis point change in the discount rates for benefit obligations, interest cost and service cost as of December 31, 2020:

<i>(dollars in millions)</i>	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Projected benefit obligation	\$ (2,072)	\$ 2,183
Net periodic benefit income	(7)	8

The discount rate sensitivities assume no change in the shape of the yield curve that will be applied to the projected cash outflows for future benefit payments in order to calculate interest and service cost. A flattening of the yield curve, results in a narrowing of the spread between interest and obligation discount rates and would decrease our net periodic benefit income. Conversely, a steepening of the yield curve would result in an increase in the spread between interest and obligation discount rates and would increase our net periodic benefit income.

The EROA is the average rate of earnings expected over the long term on assets invested to fund anticipated future benefit payment obligations. In determining the EROA assumption, we consider the target asset allocation of plan assets, as well as economic and other indicators of future performance. We may consult with and consider the opinions of financial and other professionals in determining the appropriate capital market assumptions. Return projections are validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns. Differences between actual asset returns in a given year and the EROA do not necessarily indicate a change in the assumption is required, as the EROA represents the expected average returns over a long-term horizon.

Net periodic benefit income is also sensitive to changes in the EROA. An increase or decrease of 25 basis points in the EROA would have increased or decreased our 2020 net periodic benefit income by approximately \$116 million.

We must apply both Financial Accounting Standards (FAS) requirements under U.S. GAAP (as described above) and U.S. government Cost Accounting Standards (CAS) requirements to calculate pension and PRB expense. Both FAS and CAS expense use long term assumptions requiring judgement, but the CAS expense calculation is different from the FAS requirements and calculation methodology. While the ultimate liability for pension costs under FAS and CAS is similar, the pattern of cost recognition is different. Our CAS pension expense is comprised primarily of CAS service cost as well as amortization amounts resulting from demographic or economic experience different than expected, changes in assumptions, or changes in plan provisions. CAS requires contractors to compare the liability using a discount rate based on the EROA to a liability using a discount rate based on high-quality corporate bonds, and use the greater of the two liability calculations in developing CAS expense. Additionally, unlike FAS, CAS expense is only recognized for plans that are not fully funded. Consequently, if plans become or cease to be fully funded under CAS due to our asset or liability experience, our CAS expense will change accordingly.

ACCOUNTING STANDARDS

For a discussion of recent accounting pronouncements, see the Accounting Pronouncements section in “Note 1: Basis of Presentation and Summary of Accounting Principles” within Item 8 of this Form 10-K.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

We extend a variety of financial guarantees to third parties in support of unconsolidated affiliates and for potential financing requirements of commercial aerospace customers. We also have obligations arising from sales of certain businesses and assets, including indemnities for representations and warranties and environmental, health and safety, tax and employment matters. Circumstances that could cause the contingent obligations and liabilities arising from these arrangements to come to fruition include changes in an underlying transaction (e.g., hazardous waste discoveries, etc.), nonperformance under a contract, customer requests for financing, or deterioration in the financial condition of the guaranteed party.

A summary of our consolidated contractual obligations and commitments as of December 31, 2020 is as follows:

<i>(dollars in millions)</i>	Total	Payments Due by Period			
		2021	2022-2023	2024-2025	Thereafter
Long-term debt—principal	\$ 31,470	\$ 550	\$ 2,805	\$ 2,844	\$ 25,271
Long-term debt—future interest	19,915	1,328	2,532	2,390	13,665
Operating leases	2,470	632	803	389	646
Purchase obligations	22,111	14,407	6,669	874	161
Other long-term liabilities	3,642	587	2,001	261	793
Total contractual obligations	\$ 79,608	\$ 17,504	\$ 14,810	\$ 6,758	\$ 40,536

Purchase obligations include amounts committed for the purchase of goods and services under legally enforceable contracts or purchase orders. Where it is not practically feasible to determine the legally enforceable portion of our obligation under certain of our long-term purchase agreements, we include additional expected purchase obligations beyond what is legally enforceable. Approximately 60% of our purchase obligations disclosed above represent purchase orders for products to be delivered under firm contracts with the U.S. government for which we have full recourse under customary contract termination clauses.

Other long-term liabilities primarily include those amounts on our December 31, 2020 balance sheet representing performance and operating cost guarantees, estimated environmental remediation costs and expected cash funding requirements under employee benefit programs. Amounts beyond 2023 for cash funding requirements under employee benefits plans are not included. The timing of expected cash flows associated with these obligations is based upon management’s estimates over the terms of these agreements and is largely based upon historical experience.

The above table also does not reflect unrecognized tax benefits of \$1,225 million, the timing of which is uncertain, except for \$36 million that may become payable during 2021. Refer to “Note 13: Income Taxes” within Item 8 of this Form 10-K for additional discussion on unrecognized tax benefits.

COMMITMENTS AND CONTINGENCIES

Refer to “Note 19: Commitments and Contingencies” within Item 8 of this Form 10-K for discussion on contractual commitments and contingencies.

ENVIRONMENTAL MATTERS

Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As a result, we have established, and continually update, policies relating to environmental standards of performance for our operations worldwide. We believe that expenditures necessary to comply with the present regulations governing environmental protection will not have a material effect upon our competitive position, results of operations, cash flows or financial condition.

We have been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), more commonly known as a Superfund, for a number of sites. The nature and extent of environmental concerns vary from site to site and our share of responsibility varies from sole responsibility to very little responsibility. In estimating our liability for remediation, we consider our likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations. We also lease certain government-owned properties and generally are not liable for remediation of preexisting environmental contamination at these sites. As a result, we generally do not provide for these costs in our Consolidated Financing Statements.

At December 31, 2020 and 2019, we had \$835 million and \$725 million reserved for environmental remediation, respectively. Cash outflows for environmental remediation were \$53 million in 2020, \$44 million in 2019, and \$41 million in 2018. We estimate that ongoing environmental remediation expenditures in each of the next two years will not exceed approximately \$100 million.

GOVERNMENT MATTERS

As described above in “Critical Accounting Estimates—Contingent Liabilities,” our contracts with the U.S. government are subject to audits. Such audits may recommend that certain contract prices should be reduced to comply with various government regulations, or that certain payments be delayed or withheld. We are also the subject of one or more investigations and legal proceedings initiated by the U.S. government with respect to government contract matters. See Item 3. Legal Proceedings, within Part I, and “Note 13: Income Taxes” and “Note 19: Commitments and Contingencies” within Item 8 of this Form 10-K for further discussion of these and other government matters.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market exposures are to fluctuations in foreign currency exchange rates and interest rates as it relates to our market risk sensitive instruments, which are primarily cash, debt and derivative instruments. To quantify our market risk exposure, we perform a sensitivity analysis based on hypothetical changes in foreign currency exchange rates and interest rates. We changed our methodology for quantifying our market risk exposure in the second quarter of 2020 to better align with how we manage our risk exposure. Refer to “Note 1: Basis of Presentation and Summary of Accounting Principles,” “Note 10: Borrowings and Lines of Credit” and “Note 15: Financial Instruments” within Item 8 of this Form 10-K for additional discussion of foreign currency exchange, interest rates and financial instruments.

Foreign Currency Exchange Rate Risk. We are subject to foreign currency exchange rate risk relating to receipts from customers and payments to suppliers in foreign currencies and to various internal or external financing arrangements. We use foreign currency forward contracts to hedge the price risk associated with firmly committed and forecasted foreign denominated payments and receipts related to our ongoing business and financing. We actively manage foreign currency exposures that are associated with committed foreign currency purchases and sales, and other assets and liabilities created in the normal course of business at the operating unit level. More than insignificant exposures that cannot be naturally offset within an operating unit are hedged with foreign currency derivatives. Foreign exchange exposures arising from intercompany loan and deposit transactions are also hedged regularly. The aggregate notional amount of our outstanding foreign currency hedges was \$11.6 billion and \$13.0 billion at December 31, 2020 and 2019, respectively. Foreign currency forward contracts are sensitive to changes in foreign currency exchange rates. A 10% unfavorable exchange rate movement in our portfolio of foreign currency contracts would have resulted in an increase in unrealized losses of \$0.8 billion and \$1.2 billion at December 31, 2020 and 2019, respectively. Such losses or gains would be offset by corresponding gains or losses in the remeasurement of the underlying transactions being hedged. We believe these foreign currency forward exchange contracts and the offsetting underlying commitments, when taken together, do not create material market risk

Within our aerospace business, our sales are typically denominated in U.S. Dollars. However, for our non-U.S. based entities, such as Pratt & Whitney Canada (P&WC), a substantial portion of their costs are incurred in local currencies. Consequently, there is a foreign currency exchange impact and risk to operational results as U.S. Dollars must be converted to local currencies such as the Canadian Dollar in order to meet local currency cost obligations. Additionally, we transact business in various foreign currencies which exposes our cash flows and earnings to changes in foreign currency exchange rates. In order to minimize the exposure that exists from changes in the exchange rate of the U.S. Dollar against these other currencies, we hedge

a certain portion of sales to secure the rates at which U.S. Dollars will be converted. The majority of this hedging activity occurs at P&WC and Collins Aerospace, and hedging activity also occurs to a lesser extent at the remainder of Pratt & Whitney. At P&WC and Collins Aerospace, firm and forecasted sales for both original equipment and spare parts are hedged at varying amounts for up to 49 months on the U.S. Dollar sales exposure as represented by the excess of U.S. Dollar sales over U.S. Dollar denominated purchases. Hedging gains and losses resulting from movements in foreign currency exchange rates are partially offset by the foreign currency translation impacts that are generated on the translation of local currency operating results into U.S. Dollars for reporting purposes. While the objective of the hedging program is to minimize the foreign currency exchange impact on operating results, there are typically variances between the hedging gains or losses and the translational impact due to the length of hedging contracts, changes in the sales profile, volatility in the exchange rates and other such operational considerations.

Interest Rate Risk. We have financial instruments that are subject to interest rate risk, principally fixed-rate debt obligations. A 100 basis points unfavorable interest rate movement would have had an approximate \$4 billion impact on the fair value of our fixed-rate debt at both December 31, 2020 and 2019. The investors in our fixed-rate debt obligations do not generally have the right to demand we pay off these obligations prior to maturity. Therefore, exposure to interest rate risk is not believed to be material for our fixed-rate debt. From time to time, we may hedge to floating rates using interest rate swaps. Currently, we do not hold any derivative contracts that hedge our interest exposures, but may consider such strategies in the future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of RTC is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of RTC's internal control over financial reporting as of December 31, 2020. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its *Internal Control—Integrated Framework*, released in 2013. Management concluded that based on its assessment, RTC's internal control over financial reporting was effective as of December 31, 2020. The effectiveness of RTC's internal control over financial reporting, as of December 31, 2020, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ GREGORY J. HAYES

Gregory J. Hayes
President and Chief Executive Officer

/s/ ANTHONY F. O'BRIEN

Anthony F. O'Brien
Executive Vice President and Chief Financial Officer

/s/ MICHAEL J. WOOD

Michael J. Wood
Corporate Vice President and Controller

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners and Board of Directors of Raytheon Technologies Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Raytheon Technologies Corporation and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

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

Valuation of Acquired Customer Relationship and Tradename Intangible Assets

As described in Note 2 to the consolidated financial statements, the Company completed its merger with Raytheon Company ("Raytheon") on April 3, 2020 for net consideration of \$33.2 billion. The merger was accounted for using the acquisition method of accounting, and the Company was treated as the accounting acquirer. As a result of this merger, \$12.9 billion of customer relationship intangible assets and \$5.4 billion of tradename intangible assets were recorded. Fair value of the customer relationship intangible assets were estimated using a discounted cash flow valuation method and fair value of the tradename intangible assets were estimated using a relief from royalty valuation method. Management applied significant judgment in determining the fair value of the intangible assets, which involved the use of significant assumptions for forecasted revenue growth rates and the discount rate.

The principal considerations for our determination that performing procedures relating to the valuation of acquired customer relationship and tradename intangible assets arising from the merger with Raytheon is a critical audit matter are the significant judgment by management when determining the fair value of these intangible assets, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence relating to management's assumptions for the forecasted revenue growth rates and the discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls over management's determination of forecasted revenue growth rates and the discount rate assumptions used in the valuation of the customer relationship and tradename intangible assets. These procedures also included, among others, testing management's process for determining the fair value of the customer relationship and tradename intangible assets. Testing management's process included evaluating the appropriateness of the valuation methods, testing the completeness, accuracy and relevance of the underlying data used in the valuations and evaluating the reasonableness of significant assumptions related to the forecasted revenue growth rates and the discount rate. Evaluating the reasonableness of the forecasted revenue growth rates involved considering the past performance of Raytheon, as well as economic and industry data. The discount rate was evaluated by considering the cost of capital of comparable businesses and other industry factors. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discount rate assumption.

Tax-free Determinations of Certain Internal Separation Transactions and the Distributions of Carrier Global Corporation and Otis Worldwide Corporation.

As described in Note 13 to the consolidated financial statements, management has determined that the distributions of Carrier Global Corporation ("Carrier") and Otis Worldwide Corporation ("Otis") on April 3, 2020, and certain related internal business separation transactions (the distributions and internal separation transactions referred to together as the "Transactions"), qualified as tax-free under applicable law. In making these determinations, management applied the tax law in the relevant jurisdictions to their facts and circumstances and obtained tax rulings from the relevant taxing authorities, tax opinions, and/or other external tax advice related to the concluded tax treatment. If the completed distributions of Carrier or Otis, in each case, or certain internal business separation transactions, were to fail to qualify for tax-free treatment, the Company could be subject to significant liabilities, and there could be material adverse impacts on the Company's business, financial condition, results of operations and cash flows in future reporting periods.

The principal considerations for our determination that performing procedures relating to the tax-free determinations of certain internal separation transactions and the distributions of Carrier and Otis is a critical audit matter are (i) the significant judgment by management in applying relevant tax laws and regulations and assumptions in determining that certain internal separation transactions and the distributions of Carrier and Otis qualify for tax-free status, and (ii) the significant impact to the financial statements if these tax-free determinations were determined to be inappropriate by the relevant taxing authorities. This in turn led to a significant degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating audit evidence relating to the tax-free determination of certain internal separation transactions and the distributions of Carrier and Otis. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the significant judgments, including inputs and assumptions, relating to the determination of the tax-free nature of the transactions. These procedures also included, among others, evaluating the information, including tax rulings from relevant taxing authorities, external opinions and other tax advice, tax law, and other relevant evidence used by management to support management's position that the Transactions qualified for tax-free status. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Transactions, related assumptions, and certain representations from management, as well as the application of relevant tax laws.

Revenue Recognition - Contract Estimates at Completion

As described in Note 1 to the consolidated financial statements, a significant portion of the Company's revenues of \$56.6 billion for the year ended December 31, 2020 are from long-term contracts associated with the design, development, manufacture or modification of complex aerospace or defense equipment or related services. The timing of the satisfaction of performance obligations varies across the Company's businesses due to their diverse product and service mix, customer base, and contractual terms. Substantially all of the Company's revenues from the Raytheon Intelligence & Space and Raytheon Missiles & Defense segments are recognized over time because of the continuous transfer of control to the customer. The Company's revenues from certain long-term aftermarket contracts within its Pratt & Whitney segment are recognized over the contract period as a series of daily performance obligations to stand ready to provide spare parts, product maintenance and aftermarket services. For the performance obligations satisfied over time, revenue is recognized on a percentage of completion basis using costs incurred to date relative to total estimated costs at completion to measure progress. Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment by management on a contract by contract basis. Within the Raytheon Intelligence & Space and Raytheon Missiles & Defense segments, the variables and significant judgments relate to key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities for the contracts relate to management's ability and cost to achieve the schedule, consideration of customer-directed delays or reductions in scheduled deliveries, technical requirements, customer activity levels and related variable consideration. Management also makes judgments about variables related to estimates of labor productivity and availability, the complexity and scope of the work to be performed, the availability and cost of materials, the length of time to complete the performance obligation, execution by the Company's subcontractors, the availability and timing of funding from the customer, overhead cost rates, and the estimated cost of satisfying the Company's industrial cooperation agreements required under certain contracts. Within the Pratt & Whitney segment these variables and significant judgments relate to current and past maintenance cost and frequency experience. Management reviews contract estimates at completion on a periodic basis and no less than annually or when a change in circumstances warrant a modification to a previous estimate.

The principal considerations for our determination that performing procedures relating to revenue recognition - contract estimates at completion is a critical audit matter are the significant judgment by management in developing their estimates of total revenue and total costs at completion, including significant judgments and assumptions on a contract by contract basis. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating audit evidence relating to management's estimates of total revenue and total cost at completion for contracts.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the estimates of total revenue and total costs at completion. These procedures also included, among others, testing management's process for developing the estimated total revenue and total costs at completion. Testing management's process included evaluating on a test basis the reasonableness of certain significant

judgments and variables considered by management specific to each contract or performance obligation. Evaluating the significant judgments and assumptions related to the estimates of total revenue and total costs at completion involved evaluating whether the significant judgments and assumptions used were reasonable considering: (i) management's historical forecasting accuracy, (ii) evidence to support the relevant aforementioned variables, (iii) the consistent application of accounting policies, and (iv) the timely identification of circumstances which may warrant a modification to a previous estimate.

Certain Goodwill and Unamortized Intangible Assets Impairment Assessments

As described in Notes 1 and 2 to the consolidated financial statements, the Company's consolidated goodwill and intangible asset balances were \$54.3 billion and \$40.5 billion, respectively, as of December 31, 2020. Intangible assets included unamortized intangible assets of \$8.7 billion as of December 31, 2020. Goodwill and unamortized intangible assets are subject to impairment testing annually, or more frequently if events or changes in circumstances indicate the asset might be impaired. In the second quarter of 2020, management observed several airline customer bankruptcies, delays and cancellations of aircraft purchases by airlines, fleet retirements and repositioning of production schedules. These factors contributed to a deterioration of management's expectations regarding the timing of a return to pre-COVID-19 commercial flight activity, which reduced future sales and cash flows expectations. Management considered these factors to be a triggering event requiring impairment evaluation of goodwill, intangible assets and other assets in its commercial aerospace businesses. The carrying value of two Collins Aerospace reporting units exceeded the sum of discounted cash flows resulting in goodwill impairments of \$3.2 billion. In developing the estimates for the fair value of reporting units and unamortized intangible assets, significant judgment is required by management in the determination of the appropriateness of using a qualitative assessment or quantitative assessment. For the quantitative assessments that are performed for goodwill and unamortized intangible assets, fair value is primarily based on income approaches using a discounted cash flow method and relief from royalty method, respectively, which have significant assumptions related to sales growth rates, projected operating profit, terminal growth rates, discount rates and royalty rates. The impairment testing compares carrying values to estimated fair values. If the carrying value exceeds the fair value, then the carrying value is reduced to fair value.

The principal considerations for our determination that performing procedures relating to certain goodwill and unamortized intangible assets quantitative impairment assessments is a critical audit matter are the significant judgment by management when developing the fair value measurements of these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's fair value measurements and the applicable significant assumptions for both goodwill and unamortized intangible assets relating to sales growth rates, projected operating profit, terminal growth rates, and discount rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and unamortized intangible assets quantitative impairment assessments, including controls over the valuation of the Company's reporting units and unamortized intangible assets. These procedures also included, among others, testing management's process for developing the fair value estimates, which included evaluating the appropriateness of the discounted cash flow and relief from royalty methods; testing the completeness, accuracy, and relevance of underlying data in the estimates; and evaluating the significant assumptions used by management relating to sales growth rates, projected operating profit, terminal growth rates and discount rates. Evaluating management's assumptions related to sales growth rates, projected operating profit, and terminal growth rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting units and unamortized intangible assets, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow and relief from royalty methods, and terminal growth rate and discount rate assumptions.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 8, 2021

We have served as the Company's auditor since 1947.

RAYTHEON TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(dollars in millions, except per share amounts; shares in millions)

	2020	2019	2018
Net Sales:			
Product sales	\$ 43,319	\$ 32,998	\$ 24,141
Service sales	13,268	12,351	10,560
Total Net Sales	56,587	45,349	34,701
Costs and Expenses:			
Cost of products sold	38,137	26,910	21,083
Cost of services sold	9,919	7,688	6,382
Research and development	2,582	2,452	1,878
Selling, general and administrative	5,540	3,711	2,864
Total Costs and Expenses	56,178	40,761	32,207
Goodwill impairment	(3,183)	—	—
Other income, net	885	326	383
Operating profit (loss)	(1,889)	4,914	2,877
Non-operating expense (income), net			
Non-service pension benefit	(902)	(829)	(659)
Interest expense, net	1,366	1,591	1,032
Total non-operating expense, net	464	762	373
Income (loss) from continuing operations before income taxes	(2,353)	4,152	2,504
Income tax expense	575	421	1,098
Net income (loss) from continuing operations	(2,928)	3,731	1,406
Less: Noncontrolling interest in subsidiaries' earnings from continuing operations	181	221	190
Income (loss) from continuing operations attributable to common shareowners	(3,109)	3,510	1,216
Discontinued operations (Note 3):			
Income (loss) from discontinued operations	(216)	4,091	5,776
Income tax expense from discontinued operations	151	1,874	1,528
Net income (loss) from discontinued operations	(367)	2,217	4,248
Less: Noncontrolling interest in subsidiaries' earnings from discontinued operations	43	190	195
Income (loss) from discontinued operations attributable to common shareowners	(410)	2,027	4,053
Net income (loss) attributable to common shareowners	\$ (3,519)	\$ 5,537	\$ 5,269
Earnings (loss) per share attributable to common shareowners - basic			
Income (loss) from continuing operations attributable to common shareowners	\$ (2.29)	\$ 4.11	\$ 1.52
Income (loss) from discontinued operations	(0.30)	2.37	5.06
Net income (loss) attributable to common shareowners	\$ (2.59)	\$ 6.48	\$ 6.58
Earnings (loss) per share attributable to common shareowners - diluted			
Income (loss) from continuing operations attributable to common shareowners	\$ (2.29)	\$ 4.06	\$ 1.50
Income (loss) from discontinued operations	(0.30)	2.35	5.00
Net income (loss) attributable to common shareowners	\$ (2.59)	\$ 6.41	\$ 6.50
Weighted average number of shares outstanding:			
Basic shares	1,357.8	854.8	800.4
Diluted shares	1,357.8	863.9	810.1

See accompanying Notes to Consolidated Financial Statements

RAYTHEON TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(dollars in millions)

	2020	2019	2018
Net income (loss) from continuing and discontinued operations	\$ (3,295)	\$ 5,948	\$ 5,654
Pension and postretirement benefit plans			
Net actuarial loss arising during period	(202)	(543)	(1,819)
Prior service credit (cost) arising during period	2,095	(6)	(22)
Amortization of actuarial loss and prior service cost	373	228	344
Other	(51)	(93)	105
Pension and postretirement benefit plans	2,215	(414)	(1,392)
Unrealized loss on available-for-sale securities	—	—	(5)
Change in unrealized cash flow hedging	263	18	(323)
Foreign currency translation adjustments	609	268	(518)
Other comprehensive income (loss), before tax	3,087	(128)	(2,238)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(547)	43	400
Other comprehensive income (loss), net of tax	2,540	(85)	(1,838)
Comprehensive income (loss)	(755)	5,863	3,816
Less: comprehensive income attributable to noncontrolling interest	224	399	355
Comprehensive income (loss) attributable to common shareowners	\$ (979)	\$ 5,464	\$ 3,461

See accompanying Notes to Consolidated Financial Statements

RAYTHEON TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEET

(dollars in millions, except per share amounts; shares in thousands)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 8,802	\$ 4,937
Accounts receivable, net	9,254	8,743
Contract assets	9,931	4,462
Inventory, net	9,411	9,047
Assets related to discontinued operations	64	31,823
Other assets, current	5,914	2,565
Total Current Assets	43,376	61,577
Customer financing assets	3,144	3,463
Fixed assets, net	14,962	10,322
Operating lease right-of-use assets	1,880	1,252
Goodwill	54,285	36,609
Intangible assets, net	40,539	24,473
Other assets	3,967	1,919
Total Assets	\$ 162,153	\$ 139,615
Liabilities, Redeemable Noncontrolling Interests and Equity		
Current liabilities		
Short-term borrowings	\$ 247	\$ 2,293
Accounts payable	8,639	7,816
Accrued employee compensation	3,006	1,353
Other accrued liabilities	10,401	8,417
Contract liabilities	12,889	9,014
Liabilities related to discontinued operations	116	14,443
Long-term debt currently due	550	3,258
Total Current Liabilities	35,848	46,594
Long-term debt	31,026	37,701
Operating lease liabilities, non-current	1,516	1,093
Future pension and postretirement benefit obligations	10,342	2,487
Other long-term liabilities	9,537	7,414
Total Liabilities	88,269	95,289
Commitments and contingent liabilities (Note 19)		
Redeemable noncontrolling interest	32	95
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, \$1 par value; 250,000 shares authorized; None issued or outstanding	—	—
Common Stock, \$1 par value; 4,000,000 shares authorized; 1,706,173 and 1,450,845 shares issued	36,930	23,019
Treasury Stock— 186,734 and 586,479 common shares at average cost	(10,407)	(32,626)
Retained earnings	49,423	61,594
Unearned ESOP shares	(49)	(64)
Accumulated other comprehensive loss	(3,734)	(10,149)
Total Shareowners' Equity	72,163	41,774
Noncontrolling interest	1,689	2,457
Total Equity	73,852	44,231
Total Liabilities, Redeemable Noncontrolling Interests and Equity	\$ 162,153	\$ 139,615

See accompanying Notes to Consolidated Financial Statements

RAYTHEON TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(dollars in millions)

	2020	2019	2018
Operating Activities:			
Net income (loss) from continuing operations	\$ (2,928)	\$ 3,731	\$ 1,406
Adjustments to reconcile net income from continuing operations to net cash flows provided by operating activities:			
Depreciation and amortization	4,156	2,708	1,896
Deferred income tax (benefit) provision	(99)	38	763
Stock compensation cost	330	268	169
Net periodic pension and other postretirement (income) expense	(413)	(566)	(392)
Goodwill impairment charge	3,183	—	—
Change in:			
Accounts receivable	1,318	88	(1,147)
Contract assets	63	(679)	(651)
Inventory	412	(1,267)	(417)
Other current assets	(445)	(984)	(645)
Accounts payable and accrued liabilities	(1,666)	1,111	2,738
Contract liabilities	1,129	1,234	325
Global pension contributions	(1,025)	(55)	(79)
Canadian government settlement	—	(38)	(429)
Other operating activities, net	319	232	(867)
Net cash flows provided by operating activities from continuing operations	4,334	5,821	2,670
Investing Activities:			
Capital expenditures	(1,795)	(1,868)	(1,467)
Increase in customer financing assets	(280)	(787)	(988)
Decrease in customer financing assets	368	128	604
Investments in businesses (Note 2)	(419)	(9)	(15,039)
Cash acquired in Raytheon Merger	3,208	—	—
Dispositions of businesses (Note 2)	2,556	134	74
Increase in collaboration intangible assets	(172)	(351)	(400)
Receipts (payments) from settlements of derivative contracts	(32)	342	140
Other investing activities, net	(91)	(265)	(183)
Net cash flows provided by (used in) investing activities from continuing operations	3,343	(2,676)	(17,259)
Financing Activities:			
Issuance of long-term debt	2,004	(19)	13,337
Distribution from discontinued operation	17,207	—	—
Repayment of long-term debt	(16,082)	(2,693)	(2,520)
(Decrease) increase in short-term borrowings, net	(2,041)	896	(370)
Proceeds from Common Stock issued under employee stock plans	15	27	36
Dividends paid on Common Stock	(2,732)	(2,442)	(2,170)
Repurchase of Common Stock	(47)	(151)	(325)
Net transfer (to) from discontinued operations	(2,033)	2,387	3,979
Other financing activities, net	(151)	82	242
Net cash flows (used in) provided by financing activities from continuing operations	(3,860)	(1,913)	12,209
Discontinued Operations:			
Net cash (used in) provided by operating activities	(728)	3,062	3,652
Net cash (used in) provided by investing activities	(241)	(416)	286
Net cash used in financing activities	(1,414)	(2,651)	(4,244)
Net cash flows used in discontinued operations	(2,383)	(5)	(306)
Effect of foreign exchange rate changes on cash and cash equivalents from continuing operations	54	1	(6)
Effect of foreign exchange rate changes on cash and cash equivalents from discontinued operations	(76)	(20)	(114)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,412	1,208	(2,806)
Cash, cash equivalents and restricted cash, beginning of year	4,961	3,731	6,118
Cash, cash equivalents and restricted cash within assets related to discontinued operations, beginning of year	2,459	2,481	2,900
Cash, cash equivalents and restricted cash, end of year	8,832	7,420	6,212
Less: Restricted cash, included in Other assets	30	24	38
Less: Cash, cash equivalents and restricted cash for discontinued operations	—	2,459	2,481
Cash and cash equivalents, end of year	\$ 8,802	\$ 4,937	\$ 3,693
<i>Supplemental Disclosure of Cash Flow Information⁽¹⁾:</i>			
Interest paid, net of amounts capitalized	\$ 1,628	\$ 1,801	\$ 1,027
Income taxes paid, net of refunds	1,716	1,768	1,714

(1) Amounts are inclusive of continuing operations and discontinued operations payments.

See accompanying Notes to Consolidated Financial Statements

RAYTHEON TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(dollars in millions, except per share amounts; shares in thousands)

	2020	2019	2018
Equity at January 1	\$ 44,231	\$ 40,610	\$ 31,421
Common Stock			
Balance at January 1	23,019	22,514	17,574
Common Stock issued under employee plans	417	525	423
Common Stock issued for Raytheon Company outstanding common stock & equity awards	10,897	—	—
Adjustment to Common Stock for the Otis Distribution	2,598	—	—
Common Stock issued for Rockwell Collins outstanding common stock & equity awards	—	—	4,523
Purchase of subsidiary shares from noncontrolling interest, net	(1)	(20)	(6)
Balance at December 31	36,930	23,019	22,514
Treasury Stock			
Balance at January 1	(32,626)	(32,482)	(35,596)
Common Stock issued under employee plans	2	7	6
Common Stock repurchased	(43)	(151)	(329)
Common Stock issued for Raytheon Company outstanding common stock & equity awards	22,269	—	—
Common Stock issued for Rockwell Collins outstanding common stock & equity awards	—	—	3,437
Other	(9)	—	—
Balance at December 31	(10,407)	(32,626)	(32,482)
Retained Earnings			
Balance at January 1	61,594	57,823	55,242
Net income (loss)	(3,519)	5,537	5,269
Adjustment to retained earnings for the Carrier Distribution	(5,805)	—	—
Dividends on Common Stock	(2,732)	(2,442)	(2,170)
Dividends on ESOP Common Stock	(50)	(70)	(71)
Redeemable noncontrolling interest fair value adjustment	—	4	7
ASU 2018-02 adoption impact (Note 20)	—	745	—
Revenue Standard adoption impact	—	—	(480)
Other, including the adoption impact of ASU 2016-13 (Note 1)	(65)	(3)	26
Balance at December 31	49,423	61,594	57,823
Unearned ESOP Shares			
Balance at January 1	(64)	(76)	(85)
Common Stock issued under employee plans	15	12	9
Balance at December 31	(49)	(64)	(76)
Accumulated Other Comprehensive Income (Loss)			
Balance at January 1	(10,149)	(9,333)	(7,525)
Other comprehensive loss, net of tax	2,540	(71)	(1,808)
Separation of Carrier and Otis	3,875	—	—
ASU 2018-02 adoption impact (Note 20)	—	(745)	—
Balance at December 31	(3,734)	(10,149)	(9,333)
Noncontrolling Interest			
Balance at January 1	2,457	2,164	1,811
Net income	224	411	385
Less: Redeemable noncontrolling interest net income	(4)	7	(4)
Other comprehensive income (loss), net of tax	—	(12)	(30)
Dividends attributable to noncontrolling interest	(159)	(268)	(315)
Sale (purchase) of subsidiary shares from noncontrolling interest, net	66	70	(23)
Acquisition (disposition) of noncontrolling interest, net	1	(23)	(8)
Separation of Carrier and Otis	(865)	—	—
Capital contributions (distributions)	(31)	108	342
Other	—	—	6
Balance at December 31	1,689	2,457	2,164
Equity at December 31	\$ 73,852	\$ 44,231	\$ 40,610
Supplemental share information			
Shares of Common Stock issued under employee plans, net	2,689	3,883	2,775
Shares of Common Stock repurchased	330	1,133	2,727
Shares of Common Stock issued for Raytheon Company outstanding common stock & equity awards	652,638	—	—
Dividends per share of Common Stock	\$ 2.16	\$ 2.94	\$ 2.84

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING PRINCIPLES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Separation Transactions and Distributions. On April 3, 2020, United Technologies Corporation (UTC) (since renamed Raytheon Technologies Corporation) completed the previously announced separation of its business into three independent, publicly traded companies – UTC, Carrier Global Corporation (Carrier) and Otis Worldwide Corporation (Otis) (such separations, the Separation Transactions). UTC distributed all of the outstanding shares of Carrier common stock and all of the outstanding shares of Otis common stock to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the distributions (the Distributions). UTC distributed 866,158,910 and 433,079,455 shares of common stock of Carrier and Otis, respectively in the Distributions, each of which was effective at 12:01 a.m., Eastern Time, on April 3, 2020. The historical results of Carrier and Otis are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Unless otherwise indicated, amounts and activity throughout these Consolidated Financial Statements are presented on a continuing operations basis, and includes the reclassification of certain long term assets and liabilities to current using the duration of the related contract or program as our operating cycle. Refer to “Note 3: Discontinued Operations” and “Consolidation and Classification” below for further details.

Raytheon Merger. On April 3, 2020, following the completion of the Separation Transactions and the Distributions, pursuant to an Agreement and Plan of Merger dated June 9, 2019, as amended, UTC and Raytheon Company (Raytheon) completed their previously announced all-stock merger of equals transaction (the Raytheon Merger). Upon closing of the Raytheon Merger, Raytheon Company became a wholly owned subsidiary of UTC, which changed its name to “Raytheon Technologies Corporation.”

Unless the context otherwise requires, the terms “we,” “our,” “us,” “the Company,” “Raytheon Technologies,” and “RTC” mean United Technologies Corporation and its subsidiaries when referring to periods prior to the Raytheon Merger and to the combined company, Raytheon Technologies Corporation, when referring to periods after the Raytheon Merger. Unless the context otherwise requires, the terms “Raytheon Company,” or “Raytheon” mean Raytheon Company and its subsidiaries prior to the Raytheon Merger. UTC was determined to be the accounting acquirer in the merger and, as a result, the financial statements of Raytheon Technologies as of and for the year ended December 31, 2020 include Raytheon Company’s financial position and results of operations for the period subsequent to the completion of the Raytheon Merger on April 3, 2020.

COVID-19 Pandemic. In March 2020, the coronavirus disease 2019 (COVID-19) was declared a pandemic by the World Health Organization and a national emergency by the U.S. government. The pandemic has negatively affected the U.S. and global economy, disrupted global supply chains and financial markets, and resulted in significant travel restrictions, mandated facility closures and shelter-in-place and social distancing orders in numerous jurisdictions around the world. Raytheon Technologies is taking all prudent measures to protect the health and safety of our employees, such as practicing social distancing, performing deep cleaning in all of our facilities, temperature screening, health questionnaires and enabling our employees to work from home where possible. We have also taken appropriate actions to help support our communities in addressing the challenges posed by the pandemic, including the production and donation of personal protective equipment.

Our business and operations and the industries in which we operate have been significantly impacted by public and private sector policies and initiatives in the U.S. and worldwide to address the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working. Additionally, public sentiments regarding air travel have also had a significant impact. We began to experience issues related to COVID-19 in the first quarter of 2020, primarily related to a limited number of facility closures, less than full staffing, and disruptions in supplier deliveries, most significantly in our Collins Aerospace Systems (Collins Aerospace) and Pratt & Whitney businesses.

The continued disruption to air travel and commercial activities and the significant restrictions and limitations on businesses, particularly within the aerospace and commercial airline industries, have negatively impacted global supply, demand and distribution capabilities. These conditions, which began in the second quarter of 2020, continued through the remainder of 2020. In particular, the unprecedented decrease in air travel resulting from the COVID-19 pandemic is adversely affecting our airline and airframer customers, and their demand for the products and services of our Collins Aerospace and Pratt & Whitney businesses. Based on recent public data, revenue passenger miles (RPMs) declined by approximately 65% in the first eleven months of 2020, compared to the prior year, due to the pandemic. As a result, our airline customers have reported significant reductions in fleet utilization, aircraft grounding and unplanned retirements, and have deferred and, in some cases, cancelled new aircraft deliveries. Airlines have shifted to cash conservation behaviors such as deferring engine maintenance due to lower flight hours and aircraft utilization, requesting extended payment terms, deferring delivery of new aircraft and spare engines and

requesting discounts on engine maintenance. Some airline customers have filed for bankruptcy due to their inability to meet their financial obligations. Additionally, we are seeing purchase order declines in line with publicly communicated aircraft production volumes as original equipment manufacturer (OEM) customers delay and cancel orders. We continue to monitor these trends and are working closely with our customers. We have been and continue to actively mitigate costs and adjust production schedules to accommodate these declines in demand. We have also been taking actions to preserve capital and protect the long-term needs of our businesses, including cutting discretionary spending, significantly reducing capital expenditures and research and development spend, suspending our share buybacks in 2020, deferring merit increases and implementing temporary pay reductions, freezing non-essential hiring, repositioning employees to defense work, furloughing employees when needed, and personnel reductions. In 2020, we recorded total restructuring charges of \$777 million primarily related to personnel reductions at our Collins Aerospace and Pratt & Whitney businesses to preserve capital and at our corporate headquarters due to consolidation from the Raytheon Merger. The former Raytheon Company businesses, although experiencing minor impacts, have not experienced significant facility closures or other significant business disruptions as a result of the COVID-19 pandemic.

Given the impacts described above that have resulted from the COVID-19 pandemic, we expect our future operating results, particularly those of our Collins Aerospace and Pratt & Whitney businesses to continue to be significantly negatively impacted. Our expectations regarding the COVID-19 pandemic and its potential financial impact are based on available information and assumptions that we believe are reasonable at this time; however, the actual financial impact is highly uncertain and subject to a wide range of factors and future developments. While we believe that the long-term outlook for the aerospace industry remains positive due to the fundamental drivers of air travel demand, there is significant uncertainty with respect to when commercial air traffic levels will begin to recover, and whether and at what point capacity will return to and/or exceed pre-COVID-19 levels. Our latest estimates are that this recovery may occur in 2023 or 2024. New information may emerge concerning the scope, severity and duration of the COVID-19 pandemic, as well as any worsening of the pandemic, the effect of mutating strains and whether additional outbreaks of the pandemic will continue to occur, actions to contain the pandemic's spread or treat its impact, timing of the availability of vaccines, and their distribution, acceptance and efficacy, and governmental, business and individual personal actions taken in response to the pandemic (including restrictions and limitations on travel and transportation, and changes in leisure and business travel patterns and work environments) among others. Some of these actions and related impacts may be trends that continue in the future even after the pandemic no longer poses a significant public health risk.

We considered the deterioration in general economic and market conditions primarily due to the COVID-19 pandemic to be a triggering event in the first and second quarters of 2020, requiring an impairment evaluation of goodwill, intangible assets and other assets in our commercial aerospace businesses, Collins Aerospace and Pratt & Whitney. Beginning in the second quarter of 2020, we observed several airline customer bankruptcies, delays and cancellations of aircraft purchases by airlines, fleet retirements and repositioning of OEM production schedules and we experienced a significant decline in revenues at our Collins Aerospace and Pratt & Whitney businesses due to a decline in flight hours, aircraft fleet utilization, shop visits and commercial OEM deliveries. These factors contributed to a deterioration of our expectations regarding the timing of a return to pre-COVID-19 commercial flight activity, which further reduced our future sales and cash flows expectations. Based on our updated forecast assumptions in the second quarter of 2020, we concluded that the carrying values of two of our Collins Aerospace reporting units were greater than their respective fair values, and accordingly, recorded a goodwill impairment charge of \$3.2 billion. We did not identify any further deterioration to our expectations in the third quarter of 2020, and therefore, did not have a triggering event.

We completed our annual goodwill impairment testing as of October 1, 2020 and determined that no additional adjustments to the carrying value of our goodwill were necessary. Refer to "Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets" for additional information.

Additionally, in 2020 we recorded write-downs of non-goodwill assets and significant unfavorable Estimate at Completion (EAC) adjustments in our Collins Aerospace and Pratt & Whitney businesses primarily related to:

- increased estimated credit losses on both our receivables and contract assets of \$387 million,
- an unfavorable EAC adjustment on a Pratt & Whitney commercial engine aftermarket contract due to lower estimated revenues driven by a change in the estimated maintenance coverage period of \$334 million,
- contract asset and inventory impairments at Collins Aerospace due to the impact of lower estimated future customer activity resulting from the expected acceleration of fleet retirements of a commercial aircraft of \$146 million,
- an unfavorable EAC adjustment of \$129 million related to lower estimated revenues due to the restructuring of a customer contract at Pratt & Whitney,
- an \$89 million impairment of commercial aircraft program assets at Pratt & Whitney,
- the impairment of a Collins Aerospace trade name of \$57 million,

- net unfavorable EAC adjustments on commercial aftermarket contracts at Pratt & Whitney based on a change in estimated future customer activity of \$75 million,
- an unfavorable EAC adjustment at Pratt & Whitney related to a shift in overhead costs to military contracts of \$44 million, and
- reserves related to a commercial financing arrangement at Pratt & Whitney of \$43 million.

As described further in “Note 8: Commercial Aerospace Industry Assets and Commitments,” we have significant exposure related to our airline and airframer customers, including significant accounts receivable and contract assets balances. Given the uncertainty related to the severity and length of the pandemic, as well as any worsening of the pandemic, mutations to the strains of the virus and the timing and impact of vaccines and whether there will be additional outbreaks of the pandemic and its impact across the aerospace industry, we may be required to record additional charges or impairments in future periods.

Although the impact of COVID-19 on our commercial business is significant, we currently believe we have sufficient liquidity to withstand the current estimated impacts.

Summary of Accounting Principles. As a result of the Raytheon Merger and the Separation Transactions, several of our accounting policies have been modified and certain additional policies have been added. The following represents the significant accounting principles of Raytheon Technologies Corporation.

Consolidation and Classification. The Consolidated Financial Statements include the accounts of Raytheon Technologies Corporation, and all wholly owned, majority-owned and otherwise controlled domestic and foreign subsidiaries. All intercompany transactions have been eliminated. For classification of certain current assets and liabilities, the duration of our contracts or programs is utilized to define our operating cycle, which is generally longer than one year. Included within our current assets and liabilities are contract assets and liabilities related to our aftermarket and development arrangements, which can generally span up to fifteen years.

As a result of the Separation Transactions, the Distributions and the Raytheon Merger, certain reclassifications have been made to the prior year amounts to conform to the current year presentation. These reclassifications include the presentation of current assets and liabilities based upon the duration of our operating cycle, the reclassification of certain unbilled accounts receivable from accounts receivable, net to contract assets, reclassifications of lease amortization within our presentation of cash flows, reclassifications within our segment presentation, and the reclassification of the historical Carrier and Otis results to discontinued operations.

Use of Estimates. Our Consolidated Financial statements are based on the application of U.S. Generally Accepted Accounting Principles (GAAP), which require us to make estimates and assumptions about future events that affect the amounts reported in our Consolidated Financial statements and the accompanying notes. As discussed above, the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, financial condition, and cash flows, including sales, expenses, reserves and allowances, asset recoverability and EAC adjustments, will depend on future developments that are highly uncertain, including new information that may emerge concerning COVID-19 and related containment and treatment actions, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods. Other future events, including COVID-19, and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to our Consolidated Financial statements.

Cash and Cash Equivalents. Cash and cash equivalents includes cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less. The estimated fair value of cash and cash equivalents approximates the carrying value due to their short maturities.

On occasion, we are required to maintain cash deposits with certain banks with respect to contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2020 and 2019, the amount of such restricted cash was approximately \$30 million and \$24 million, respectively. This restricted cash is excluded from cash and cash equivalents and is included in other assets, current and other assets on our Consolidated Balance Sheet.

Accounts Receivable. Accounts receivable are stated at the net amount expected to be collected. The allowance for credit losses is established to provide for the expected lifetime credit losses by evaluating factors such as customer creditworthiness, historical payment and loss experiences, current economic conditions and the age and status of outstanding receivables. See the Accounting Pronouncements section below for additional information as to how we develop our allowance for credit losses under Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

Unbilled receivables represent revenues that are not currently billable to the customer under the terms of the contract and include unbilled amounts under commercial contracts where payment is solely subject to the passage of time. These items are expected to be billed and collected in the normal course of business. Accounts receivable as of December 31, 2020 and 2019 includes unbilled receivables of \$228 million and \$265 million, respectively, which primarily includes unbilled receivables with commercial aerospace customers. Other unbilled receivables not just subject to the passage of time are included in Contract assets in the Consolidated Balance Sheet, and are generally classified as current.

Contract Assets and Liabilities. Contract assets and liabilities represent the difference in the timing of revenue recognition from receipt of cash from our customers. Contract assets reflect revenue recognized and performance obligations satisfied or partially satisfied in advance of customer billing.

Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts.

Contract assets and contract liabilities are generally classified as current as our operating cycle is generally longer than one year. See “Note 6: Contract Assets and Liabilities” for further discussion of contract assets and liabilities.

Inventory. Inventory is stated at the lower of cost or estimated realizable value and is primarily based on first-in, first-out (FIFO) or average cost methods.

Valuation reserves for excess, obsolete, and slow-moving inventory are estimated by comparing the inventory levels of individual parts to both future sales forecasts or production requirements and historical usage rates in order to identify inventory where the resale value or replacement value is less than inventoriable cost. Other factors that management considers in determining the adequacy of these reserves include whether individual inventory parts meet current specifications and can be substituted for a part currently being sold or used as a service part, overall market conditions, and other inventory management initiatives. Manufacturing costs are allocated to current production contracts. In our commercial aerospace businesses, excess costs beyond standard manufacturing costs are expensed when they meet certain thresholds.

Equity Method Investments. Investments in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are included in Other assets on the Consolidated Balance Sheet. Under this method of accounting, our share of the net earnings or losses of the investee is included in Other income, net on the Consolidated Statement of Operations since the activities of the investee are closely aligned with the operations of the business segment holding the investment. We evaluate our equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period. RTC sells products to and purchases products and services from unconsolidated entities accounted for under the equity method, which are considered related parties. This activity is not considered material to the Consolidated Statement of Operations nor Consolidated Balance Sheet of RTC.

Customer Financing Assets. Customer financing assets (CFA) relate to our commercial aerospace businesses in which we provide financing to airline customers. Our financing predominately relates to products under lease, and to a lesser extent, notes and lease receivables. In certain limited circumstances, we pay deposits on behalf of our airline customers to secure production slots with the airframers, and such pre-delivery payments are included in our notes receivables. Any unfunded pre-delivery payments are included within our commercial aerospace financing commitments as further discussed in “Note 19: Commitments and Contingencies.” We record revenue from lease assets by applying Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842: Leases, and from interest income on the notes and lease receivables. Interest income from notes and financing leases and rental income from operating lease assets is generally included in Other income, net in the Consolidated Statement of Operations, while gains or losses on sales of operating lease assets are included in product sales and cost of sales. The current portion of these financing arrangements are aggregated in Other assets, current and the non-current portion of these financing arrangements are aggregated in CFA in the Consolidated Balance Sheet. The increases and decreases in CFA from funding, receipts and certain other activity, are generally reflected as Investing Activities in the Consolidated Statement of Cash Flows. Leased assets are valued at cost and reviewed for impairment when circumstances indicate that the related carrying amounts may not be recoverable. Notes and lease receivables are valued at the net amount expected to be collected. For notes and lease receivables, we determine a specific reserve for exposure based on the difference between the carrying value of the receivable and the estimated fair value of the related collateral in connection with the evaluation of credit risk and collectability. As of December 31, 2020 and 2019 the reserves related to CFA were not material. At December 31, 2020 and 2019, we did not have any significant balances that are considered to be delinquent, on non-accrual status, past due 90 days or more, or considered to be impaired.

Business Combinations. Once a business is acquired, the fair value of the identifiable assets acquired and liabilities assumed is determined with the excess cost recorded to goodwill. As required, a preliminary fair value is determined once a business is acquired, with the final determination of the fair value being completed no later than one year from the date of acquisition.

In connection with the acquisitions of Rockwell Collins in 2018 and Goodrich in 2012, and to a lesser extent the acquisition of Raytheon Company in 2020, we recorded assumed liabilities related to customer contractual obligations on certain contracts with economic returns that were lower than what could be realized in market transactions as of the acquisition date. We measured these assumed liabilities based on the estimated cash flows of the programs plus a reasonable contracting profit margin required to transfer the contracts to market participants. These liabilities are being amortized in accordance with the underlying pattern of obligations, as reflected by the expenses incurred on the contracts. The balance of the contractual obligations was \$1,243 million and \$1,408 million at December 31, 2020 and 2019, respectively. Total consumption of the contractual obligations for the years ended December 31, 2020, 2019 and 2018 was \$295 million, \$345 million and \$252 million, respectively, with future consumption expected to be as follows: \$223 million in 2021, \$119 million in 2022, \$96 million in 2023, \$115 million in 2024, \$130 million in 2025 and \$560 million thereafter.

Goodwill and Intangible Assets. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment testing annually, or more frequently if events or changes in circumstances indicate the asset might be impaired. The goodwill impairment test compares carrying values of the reporting units to their estimated fair values. If the carrying value exceeds the fair value then the carrying value is reduced to fair value. In developing our estimates for the fair value of our reporting units and unamortized intangible assets, significant judgment is required in the determination of the appropriateness of using a qualitative assessment or quantitative assessment. For the quantitative assessments that are performed, fair value is primarily based on income approaches using a discounted cash flow method or relief from royalty method, which have significant assumptions including sales growth rates, projected operating profit, terminal growth rates, discount rates and royalty rates. Such assumptions are subject to variability from year to year and are directly impacted by, among other things, global market conditions. Finite-lived intangible assets are tested for impairment when events occur that indicate that the net book value will not be recovered over future cash flows.

Intangible assets consist of patents, trademarks/tradenames, customer relationships, exclusivity assets, developed technology and other intangible assets including collaboration assets. Acquired intangible assets are recognized at fair value in purchase accounting. Finite-lived intangible assets are amortized to cost of sales and selling, general and administrative expenses over the applicable useful lives. Exclusivity assets are commercial aerospace payments made to secure certain contractual rights to provide product on new aircraft platforms. We classify amortization of such payments as a reduction of sales. Such payments are capitalized when there are distinct rights obtained and there are sufficient incremental cash flows to support the recoverability of the assets established. Otherwise, the applicable portion of the payments are expensed. In addition, in connection with our 2012 agreement to acquire Rolls-Royce's ownership and collaboration interests in International Aero Engines AG (IAE), additional payments are due to Rolls-Royce contingent upon each hour flown through June 2027 by the V2500-powered aircraft in service as of the acquisition date. These flight hour payments are being capitalized as collaboration assets and amortized to cost of sales.

Useful lives of finite-lived intangible assets are estimated based upon the nature of the intangible asset and the industry in which the intangible asset is used. These intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are consumed, as represented by the underlying cash flows, which may result in an amortization method other than straight-line. For both our commercial aerospace collaboration assets and exclusivity arrangements, the pattern of economic benefit generally results in no amortization during the development period with amortization beginning as programs enter full rate production and aftermarket cycles. If a pattern of economic benefit cannot be reliably determined or if straight-line amortization approximates the pattern of economic benefit, a straight-line amortization method may be used. The range of estimated useful lives is as follows:

	Years
Collaboration assets	30
Customer relationships and related programs	3 to 32
Developed technology	15 to 25
Patents and trademarks	4 to 30
Exclusivity assets	5 to 25

Leases. We account for leases in accordance with ASC Topic 842: Leases, which we adopted on January 1, 2019. As a lessee, we record a right-of-use asset and a lease liability on the Consolidated Balance Sheet for all leases with terms longer than 12

months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the Consolidated Statement of Operations.

We enter into lease agreements for the use of real estate space, vehicles, information technology equipment, and certain other equipment under both operating and finance leases. We determine if an arrangement contains a lease at inception. Operating leases are included in Operating lease right-of-use assets, Accrued liabilities for the current portion of our operating lease liabilities, and Operating lease liabilities in our Consolidated Balance Sheet. Finance leases are not considered significant to our Consolidated Balance Sheet or Consolidated Statement of Operations.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments, and use the implicit rate when readily determinable. We determine our incremental borrowing rate through market sources including relevant industry rates. Our lease right-of-use assets also include any initial direct costs and lease prepayments made at or before the commencement date and are reduced for any lease incentives received at or before the commencement date. Certain of our leases include variable payments, which may vary based upon changes in facts or circumstances after the start of the lease. We exclude variable payments from lease right-of-use assets and lease liabilities, to the extent not considered fixed, and instead, expense variable payments as incurred. Variable lease expense and lease expense for short duration contracts are not a material component of lease expense. Some of our leases include the option to extend or terminate the lease. We include these options in the recognition of our right-of-use assets and lease liabilities when it is reasonably certain that we will exercise the option. Lease expense is generally recognized on a straight-line basis over the lease term.

In limited instances we act as a lessor, primarily for commercial aerospace engines, the majority of which are classified as operating leases. These leases are not significant to our Consolidated Balance Sheet or Consolidated Statement of Operations.

Other Long-Lived Assets. We evaluate the potential impairment of other long-lived assets whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. If the carrying value of other long-lived assets held and used exceeds the sum of the undiscounted expected future cash flows, the carrying value is written down to fair value. In order for long-lived assets to be considered held for disposal, we must have committed to a plan to dispose of the assets. Once deemed held for disposal, the assets are stated at the lower of the carrying amount or fair value.

Income Taxes. Future income taxes represent the tax effects of transactions which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets and tax carryforwards. Future income tax benefits and payables within the same tax paying component of a particular jurisdiction are offset for presentation in the Consolidated Balance Sheet. In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest expense has also been recognized. We recognize accrued interest related to unrecognized tax benefits in interest expense. Penalties, if incurred, would be recognized as a component of income tax expense. State income tax amounts are generally included in income tax expense; however state income tax payments related to our Raytheon Intelligence & Space (RIS) and Raytheon Missiles & Defense (RMD) segments are generally recoverable through the pricing of products and services to the U.S. government. Accordingly, these state income taxes are generally allocated to contracts and reclassified to Selling, general and administrative expenses when paid (recovered) or otherwise agreed as allocable with the U.S. government.

We have elected to account for tax on Global Intangible Low-Taxed Income (GILTI) as a period cost, as incurred.

Revenue Recognition. The vast majority of our revenues are from long-term contracts associated with the design, development, manufacture or modification of complex aerospace or defense equipment or related services. Collins Aerospace and Pratt & Whitney primarily serve commercial and government customers in both the OEM and aftermarket parts and services markets of the aerospace industry, while RIS and RMD primarily provide products and services to government customers in the defense industry.

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. For certain contracts that meet the foregoing requirements, primarily contracts that are directly with a foreign government, we are required

to obtain certain regulatory approvals. In these cases, we recognize revenue based on the likelihood of obtaining regulatory approvals based upon all known facts and circumstances. A performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. Some of our contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract contains multiple distinct units (such as engines or certain aerospace components) or spans multiple phases of the product life-cycle such as production, maintenance and support. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as the performance obligation is satisfied. When there are multiple performance obligations within a contract, we allocate the transaction price to each performance obligation based on its standalone selling price when available. If standalone selling price is not available, we estimate the standalone selling price of each performance obligation, which is generally based on an expected cost plus a margin approach.

We consider the contractual consideration payable by the customer and assess variable consideration that may affect the total transaction price, including contractual discounts, contract incentive payments, estimates of award fees, flight hours, aircraft landings or other customer usage activities on long term maintenance contracts, and other sources of variable consideration, when determining the transaction price of each contract. When reasonably able to estimate, we include variable consideration in the transaction price at the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. These estimates are based on historical experience, anticipated performance and our best judgment at the time. We also consider whether our contracts contain a significant financing component, which they generally do not.

Timing of the satisfaction of performance obligations varies across our businesses due to our diverse product and service mix, customer base, and contractual terms.

Performance obligations are satisfied as of a point in time for certain aerospace components, engines, and spare parts. Revenue is recognized when control of the product transfers to the customer, generally upon product shipment. Since billing also typically occurs upon product shipment, we generally do not have contract assets or contract liabilities balances related to point in time sales.

Performance obligations are satisfied over-time if the customer receives the benefits as we perform work, if the customer controls the asset as it is being produced (continuous transfer of control), or if the product being produced for the customer has no alternative use and we have a contractual right to payment for performance to date. We recognize revenue on an over-time basis for substantially all defense contracts and certain long-term aerospace OEM and aftermarket contracts.

Substantially all of our defense business revenue, which primarily relates to our RIS and RMD segments, and to a lesser extent Pratt & Whitney and Collins Aerospace, is recognized over time because of the continuous transfer of control to our customers. For performance obligations satisfied over time, revenue is recognized on a percentage of completion basis using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which correspond with and best depict transfer of control to the customer. Contract costs can include labor, materials, subcontractors' costs, or other direct costs and indirect costs. Our contracts with the U.S. government are typically subject to the Federal Acquisition Regulation (FAR) and are priced based on estimated or actual costs of producing goods or providing services. The FAR provides guidance on the types of costs that are allowable in establishing prices for goods and services provided under U.S. government contracts. The pricing for non-U.S. government contracts is based on the specific negotiations with each customer. Under the typical payment terms of our U.S. government fixed-price contracts, the customer pays us either performance-based payments (PBPs) or progress payments. PBPs are interim payments equal to a negotiated percentage of the contract price based on quantifiable measures of performance or on the achievement of specified events or milestones. Progress payments are interim payments up to 80-90% of costs incurred as the work progresses. Because the customer retains a portion of the contract price until completion of the contract, our U.S. government fixed-price contracts generally result in revenue recognized in excess of billings which we present as Contract assets on the Consolidated Balance Sheet. For our U.S. government cost-type contracts, the customer generally pays us for our costs incurred within a short period of time. For non-U.S. government contracts, we typically receive interim payments as work progresses, although for some contracts, we may be entitled to receive an advance payment. Such advances are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract and to protect us from the other party failing to adequately complete some or all of its obligations under the contract. We recognize a liability for advance payments in excess of revenue recognized and present it as Contract liabilities on the Consolidated Balance Sheet.

For certain of our long-term aftermarket contracts, revenue is recognized over the contract period. We generally account for such contracts as a series of daily performance obligations to stand ready to provide spare parts, product maintenance and aftermarket services. These arrangements include the sale of spare parts with integral services to our customers, and are generally classified as Service sales, with the corresponding costs classified in Cost of services sold, within the Consolidated

Statement of Operations. Revenue is primarily recognized on a percentage of completion basis using costs incurred to date relative to total estimated costs at completion to measure progress, as sufficient historical evidence indicates that the cost of performing services under the contract is incurred on an other-than-straight-line basis. For some of our long-term aftermarket contracts, we receive payment prior to delivery of products and services, resulting in a contract liability balance, while for others, we deliver products or services in advance of payment, resulting in a contract asset balance.

Contracts are often modified to account for changes in contract specifications or requirements. We consider contract modifications to exist when the modification either creates new or changes existing enforceable rights and obligations. Contract modifications for goods or services that are not distinct are accounted for as part of the existing contract either on a cumulative catch-up basis or prospective basis depending on the nature of the modification.

Loss provisions on contracts are recognized to the extent that estimated contract costs exceed the estimated consideration from the products or services contemplated under the contractual arrangement. For new commitments, we generally record loss provisions at contract signing except for certain contracts under which losses are recorded upon receipt of the purchase order that obligates us to perform. For existing commitments, anticipated losses on contractual arrangements are recognized in the period in which losses become evident. In estimating losses, products contemplated under contractual arrangements include firm quantities of product sold under contract and, in the commercial engine and wheels and brakes businesses, future highly probable sales of replacement parts required by regulation that are expected to be sold subsequently for incorporation into the original equipment. In our commercial engine and wheels and brakes businesses, when the OEM product is sold for a loss, but the combined OEM and aftermarket arrangement for each individual sales campaign is profitable, we record OEM product losses at the time of product delivery.

We review our Estimate at Completion (EACs) on significant contracts on a periodic basis and for others, no less than annually or when a change in circumstances warrant a modification to a previous estimate. Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment by management on a contract by contract basis. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities relate to management's judgment about the ability and cost to achieve the schedule, consideration of customer-directed delays or reductions in scheduled deliveries, technical requirements, customer activity levels, such as flight hours or aircraft landings, and related variable consideration. Management's judgment related to these considerations has become increasingly more significant given the current economic environment primarily caused by the COVID-19 pandemic. Management must make assumptions and estimates regarding contract revenue and costs, including estimates of labor productivity and availability, the complexity and scope of the work to be performed, the availability and cost of materials, the length of time to complete the performance obligation, execution by our subcontractors, the availability and timing of funding from our customer, overhead cost rates, and current and past maintenance cost and frequency driven by estimated aircraft and engine utilization and estimated useful lives of components, among others. Cost estimates may also include the estimated cost of satisfying our industrial cooperation agreements, sometimes in the form of either offset obligations or in-country industrial participation (ICIP) agreements, required under certain contracts primarily within our RIS and RMD segments. These obligations may or may not be distinct depending on their nature. If cash is paid to a customer to satisfy our offset obligations it is recorded as a reduction in the transaction price.

Changes in estimates of net sales, cost of sales and the related impact to operating profit on contracts recognized over time are recognized on a cumulative catch-up basis, which recognizes the cumulative effect of the profit changes on current and prior periods based on a performance obligation's percentage of completion in the current period. A significant change in one or more of these estimates could affect the profitability of one or more of our performance obligations. Our EAC adjustments also include the establishment of loss provisions for our contracts accounted for on a percentage of completion basis.

Net EAC adjustments had the following impact on our operating results:

<i>(dollars in millions, except per share amounts)</i>	2020	2019	2018
Operating profit (loss)	\$ (643)	\$ (69)	\$ (50)
Income (loss) from continuing operations attributable to common shareowners ⁽¹⁾	(508)	(55)	(40)
Diluted earnings (loss) per share from continuing operations attributable to common shareowners ⁽¹⁾	\$ (0.37)	\$ (0.06)	\$ (0.05)

(1) Amounts reflect a U.S. statutory tax rate of 21%, which approximates our tax rate on our EAC adjustments.

For additional discussion on significant unfavorable EAC adjustments see the COVID-19 Pandemic discussion above. In 2020, 2019 and 2018, revenue was reduced by a net of \$407 million, \$106 million and increased by \$72 million, respectively, for

performance obligations satisfied (or partially satisfied) in previous periods. This primarily relates to EAC adjustments that impacted revenue.

As a result of the Raytheon Merger, Raytheon Company's contracts accounted for on a percentage of completion basis were reset to zero percent complete as of the date of completion of the Raytheon Merger, since only the unperformed portion of the contract at such date represents an obligation of the Company. This will have the impact of reducing gross favorable and unfavorable EAC adjustments for these segments in the short-term, with the exception of EAC adjustments related to loss contracts. For additional information related to the Raytheon Merger, see "Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets."

In our Collins Aerospace and Pratt & Whitney businesses, we incur contract fulfillment costs for engineering and development of aerospace OEM products directly related to existing or anticipated contracts with customers. Such costs generate or enhance our ability to satisfy our performance obligations under these contracts. We capitalize these costs as contract fulfillment costs to the extent the costs are recoverable from the associated contract margin and customer funding, and subsequently amortize the costs as the related performance obligations are satisfied. In instances where intellectual property does not transfer to the customer, we generally defer the customer funding of product engineering and development and recognize revenue when the related performance obligations are satisfied. Capitalized contract fulfillment costs were \$1,981 million and \$1,519 million as of December 31, 2020 and 2019, respectively and are classified in Other assets in our Consolidated Balance Sheet and are included in Other operating activities, net in our Consolidated Statement of Cash Flows. We regularly assess capitalized contract fulfillment costs for impairment. We had \$111 million of impairment for contract fulfillment costs in 2020, and had no impairment in 2019 or 2018. Costs to obtain contracts are not material.

In view of the risks and costs associated with developing new engines and the large up-front investments required that often require returns generated over the full estimated life of the engine, Pratt & Whitney has entered into certain collaboration arrangements in which sales, costs and risks are shared. Sales generated from engine programs, spare parts sales, and aftermarket business under these collaboration arrangements are recorded consistent with our revenue recognition policies in our Consolidated Financial Statements. Amounts attributable to our collaborators for their share of sales are recorded as cost of sales in our Consolidated Financial Statements based upon the terms and nature of the arrangement. Costs associated with engine programs under collaborative arrangements are expensed as incurred. Under these arrangements, collaborators contribute their program share of engine parts, incur their own production costs and make certain payments for shared or joint program costs. The reimbursement from collaborators of their share of program costs is recorded as a reduction of the related expense item at that time. As of December 31, 2020, the collaborators' interests in all commercial engine programs ranged from 13% to 49%, inclusive of a portion of Pratt & Whitney's interests held by other participants. Pratt & Whitney is the principal participant in all existing collaborative arrangements, with the exception of the Engine Alliance (EA), a joint venture with GE Aviation, which markets and manufactures the GP7000 engine for the Airbus A380 aircraft. There are no individually significant collaborative arrangements, and none of the collaborators individually have more than a 31% share in an individual program. The following table illustrates the Consolidated Statement of Operations classification and amounts attributable to transactions arising from the collaborative arrangements between participants for each period presented.

<i>(dollars in millions)</i>	2020	2019	2018
Collaborator share of sales:			
Cost of products sold	\$ 1,183	\$ 2,097	\$ 1,688
Cost of services sold	1,374	1,674	1,765
Collaborator share of program costs (reimbursement of expenses incurred):			
Cost of products sold	(147)	(190)	(209)
Research and development	(177)	(219)	(225)
Selling, general and administrative	(99)	(101)	(87)

In our Collins Aerospace and Pratt & Whitney businesses, we may offer customers incentives to purchase our products, which may result in payments made to those customers, which are treated as a reduction in sales.

Remaining Performance Obligations (RPO). RPO represents the aggregate amount of total contract transaction price that is unsatisfied or partially unsatisfied. Total RPO was \$150.1 billion as of December 31, 2020. Of the total RPO as of December 31, 2020, we expect approximately 30% will be recognized as sales over the next 12 months. This percentage of RPO to be recognized as sales over the next 12 months depends on our current estimates of future developments, which are highly uncertain, and cannot be predicted, including new information which may emerge concerning the scope, severity and duration of the COVID-19 pandemic, actions to contain its spread or treat its impact, and governmental, business and individuals' actions taken in response to the pandemic, which may result in customer delays or order cancellations.

Research and Development. Company-sponsored research and development costs, including those costs related to the Company's portion in connection with cost-sharing arrangements, are charged to expense as incurred and recovery on these cost-sharing arrangements is recorded as a reduction to research and development expense as earned. Customer-sponsored research and development projects performed under contracts with customers are accounted for as contract costs and reported as cost of sales on the related revenue generating contracts.

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

Derivatives and Hedging Activity. We use derivative instruments, including swaps, forward contracts and options, to help manage certain foreign currency, and from time to time to help manage interest rate and commodity price exposures. Derivative instruments are viewed as risk management tools by us and are not used for trading or speculative purposes. By their nature, all financial instruments involve market and credit risks. We enter into derivative and other financial instruments with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. We limit counterparty exposure and concentration of risk by diversifying counterparties. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties. We enter into transactions that are subject to enforceable master netting arrangements or similar agreements with various counterparties. However, we have not elected to offset multiple contracts with a single counterparty and, as a result, the fair value of the derivative instruments in a loss position is not offset against the fair value of derivative instruments in a gain position.

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

To the extent the hedge accounting criteria are not met, the foreign currency forward contracts are utilized as economic hedges and changes in the fair value of these contracts are recorded currently in earnings in the period in which they occur. Cash receipts or payments related to the settlement of derivatives not designated as hedging instruments are recorded as investing cash flows within the Consolidated Statement of Cash Flows. Additional information pertaining to foreign currency forward contracts and net investment hedging is included in "Note 15: Financial Instruments."

Environmental. Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, we consider our likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Liabilities with fixed or reliably determinable future cash payments are discounted. A portion of these costs is eligible for future recovery through the pricing of our products and services to the U.S. government. We regularly assess the probability of recovery of these costs, which requires us to make assumptions about the extent of cost recovery under our contracts and the amount of future contract activity with the U.S. government. We consider such recovery probable based on government contracting regulations and our history of receiving reimbursement for such costs, and accordingly have recorded the future recovery of these costs from the U.S. government within Other assets in the Consolidated Balance Sheet. Accrued environmental liabilities are not reduced by potential insurance reimbursements or potential recoveries from pursuing other parties. See "Note 19: Commitments and Contingencies" for additional details on the environmental remediation activities.

Pension and Postretirement Obligations. U.S. GAAP requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit (PRB) plans. Funded status is measured at least annually in the fourth quarter and represents the difference between the plans' projected benefit obligation (PBO) and the fair market value of the plans' assets.

Changes to our pension and PRB plans' funded status can result from company actions, such as contributions or changes in plan provisions, or by gains and losses. Gains and losses are primarily a result of changes in assumptions and actual experience that differs from these assumptions. Major assumptions include the discount rate and expected return on plan assets (EROA). These gains or losses are recorded in other comprehensive income, net of tax effects, until they are amortized as a component of net periodic benefit (income) expense.

A calculated "market-related value" of our plan assets is used to develop the amount of deferred asset gains or losses to be amortized. The market-related value of assets is equal to the fair value of assets adjusted to reflect the recognition, and subsequent amortization, of the difference between actual and expected asset returns over a five-year period. The market-related value of assets is used to calculate the expected return on assets included in the net periodic benefit (income) expense.

The Company has elected to use the "corridor" approach in the amortization of gains and losses, which limits the expense recognition to the net outstanding gains and losses in excess of the greater of 10% of the PBO or 10% of the market-related value of assets. Gains and losses exceeding the corridor are amortized in net periodic benefit (income) expense over either the projected average remaining employee service period or the projected average remaining lifetime of inactive participants depending on the plan.

Net periodic benefit (income) expense is split between operating profit and non-operating income, whereby only the service cost component is included in operating profit and the remaining components are included in Non-service pension (income) expense.

Product Performance Obligations. We extend performance and operating cost guarantees beyond our normal service and warranty policies for extended periods on some of our products, particularly commercial aircraft engines. Liability under such guarantees is based upon future product performance and durability. We accrue for such costs that are probable and can be reasonably estimated. In addition, we incur discretionary costs to service our products in connection with product performance issues. The costs associated with these product performance and operating cost guarantees require estimates over the full terms of the agreements, and require management to consider factors such as the extent of future maintenance requirements, interval between flight and repair time and the future cost of material and labor to perform the services. These cost estimates are largely based upon historical experience. See "Note 18: Guarantees" for further discussion.

Accounting Pronouncements. In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU and its related amendments (collectively, the Credit Loss Standard) modifies the impairment model to utilize an expected loss methodology in place of the incurred loss methodology for financial instruments, including trade receivables, contract assets and off-balance sheet credit exposures. The Credit Loss Standard requires consideration of a broader range of information to estimate expected credit losses, including historical information, current economic conditions and a reasonable forecast period. This ASU requires that the statement of operations reflect estimates of expected credit losses for newly recognized financial assets as well as changes in the estimate of expected credit losses that have taken place during the period, which may result in earlier recognition of certain losses.

We adopted this standard effective January 1, 2020 utilizing a modified retrospective approach. A cumulative-effect non-cash adjustment to retained earnings as of January 1, 2020 was recorded in the amount of \$59 million. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

We are exposed to credit losses primarily through our sales of products and services to commercial customers which are recorded as trade receivables, contract assets, long-term receivables, and notes and lease receivables on the Consolidated Balance Sheet. We do not have any significant exposure for credit losses related to sales of products and services to our government customers. Our method for developing our allowance for credit losses involves making informed judgments regarding whether an adjustment is necessary to our historical loss experiences to reflect our expectations around current economic conditions and reasonable and supportable forecast periods, where applicable. We utilize current economic market data as well as other internal and external information available to us to inform our decision making. In certain circumstances we may be able to develop reasonable and supportable forecasts over the contractual term of the financial asset or off-balance sheet exposure. For periods beyond which we are able to make or obtain reasonable and supportable forecasts, we revert to historical loss experience and information.

We determine credit ratings for each customer in our portfolio based upon public information and information obtained directly from our customers. We conduct a review of customer credit ratings, published historical credit default rates for different rating categories, and multiple third-party aircraft value publications as a basis to validate the reasonableness of the allowance for credit losses on these balances quarterly or when events and circumstances warrant. In addition to credit quality indicators, factors considered in our evaluation of assessing collectability and risk include: underlying value of any collateral or security interests, significant past due balances, historical losses, and existing economic conditions, including geographic and political risk. A credit limit is established for each customer based on the outcome of this review. Customer credit ratings range from

customers with an extremely strong capacity to meet financial obligations, to customers whose uncollateralized receivable is in default. We may require collateral or prepayment to mitigate credit risk.

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

We can also be exposed to credit losses from off-balance sheet exposures, such as certain financial guarantees and financing commitments. We have assessed these potential exposures and concluded that there are no material associated credit losses as of December 31, 2020.

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

Other new pronouncements issued but not effective until after December 31, 2020 did not and are not expected to have a material impact on our financial position, results of operations or liquidity.

NOTE 2: BUSINESS ACQUISITIONS, DISPOSITIONS, GOODWILL AND INTANGIBLE ASSETS

Business Acquisitions. Our investments in businesses net of cash acquired in 2020, 2019 and 2018 totaled \$35,077 million (including debt assumed of \$4,700 million and stock issued of \$33,166 million), \$9 million, and \$30,783 million (including debt assumed of \$7,784 million and stock issued of \$7,960 million) respectively. Our investments in businesses in 2020 and 2018 primarily consisted of the acquisition of Raytheon Company and Rockwell Collins, Inc. (Rockwell Collins), respectively.

Raytheon Merger. As noted above, on April 3, 2020, pursuant to the Agreement and Plan of Merger dated June 9, 2019, as amended (the Raytheon Merger Agreement) UTC and Raytheon Company completed their previously announced all-stock merger of equals, following the completion by UTC of the Separation Transactions and Distributions. Raytheon Company (previously New York Stock Exchange (NYSE): RTN) shares ceased trading prior to the market open on April 3, 2020, and each share of Raytheon common stock was converted in the merger into the right to receive 2.3348 shares of UTC common stock previously traded on the NYSE under the ticker symbol "UTX." Upon closing of the Raytheon Merger, UTC's name was changed to "Raytheon Technologies Corporation," and its shares of common stock began trading as of April 3, 2020 on the NYSE under the ticker symbol "RTX."

Total consideration is calculated as follows:

<i>(dollars in millions)</i>	Amount
Fair value of RTC common stock issued for Raytheon Company outstanding common stock and vested equity awards	\$ 33,067
Fair value attributable to pre-merger service for replacement equity awards	99
Total merger consideration	\$ 33,166

The fair value of RTC common stock issued for Raytheon Company outstanding common stock and vested equity awards is calculated as follows:

<i>(dollars and shares in millions, except per share amounts and exchange ratio)</i>	Amount
Number of Raytheon Company common shares outstanding as of April 3, 2020	277.3
Number of Raytheon Company stock awards vested as a result of the Raytheon Merger ⁽¹⁾	0.4
Total outstanding shares of Raytheon Company common stock and equity awards entitled to merger consideration	277.7
Exchange ratio ⁽²⁾	2.3348
Shares of RTC common stock issued for Raytheon Company outstanding common stock and vested equity awards	648.4
Price per share of RTC common stock ⁽³⁾	\$ 51.00
Fair value of RTC common stock issued for Raytheon Company outstanding common stock and vested equity awards	\$ 33,067

(1) Represents Raytheon Company stock awards that vested as a result of the Raytheon Merger, which is considered a “change in control” for purposes of the Raytheon 2010 Stock Plan. Certain Raytheon Company restricted stock awards and Raytheon Company restricted stock unit (RSU) awards, issued under the Raytheon 2010 Stock Plan vested on an accelerated basis as a result of the Raytheon Merger. Such vested awards were converted into the right to receive RTC common stock determined as the product of (1) the number of vested awards, and (2) the exchange ratio.

(2) The exchange ratio is equal to 2.3348 shares of UTC common stock for each share of Raytheon Company common stock in accordance with the Raytheon Merger Agreement.

(3) The price per share of RTC common stock is based on the RTC opening stock price as of April 3, 2020.

Preliminary Allocation of Consideration Transferred to Net Assets Acquired. We are accounting for the Raytheon Merger under the acquisition method and are required to measure identifiable assets acquired and liabilities assumed of the acquiree (Raytheon Company) at the fair values on the closing date. The following amounts represent the preliminary determination of the fair value of identifiable assets acquired and liabilities assumed from the Raytheon Merger. As of December 31, 2020, the majority of the valuation studies necessary to determine the fair market value of the assets acquired and liabilities assumed have been reviewed and finalized; however, our assessment of certain contingencies including environmental liabilities, pension and postretirement benefit obligations and taxes remain open for completion of the related valuation analyses. We expect to finalize the purchase price allocation process in the first quarter of 2021 when we finalize our valuations and reviews.

Any potential adjustments made could be material in relation to the preliminary values presented below.

(dollars in millions)

Cash and cash equivalents	\$	3,208
Accounts receivable		1,997
Inventory		705
Contract assets		6,023
Other assets, current		940
Fixed assets		4,745
Operating lease right-of-use assets		950
Intangible assets:		19,130
Customer relationships		12,900
Tradenames/trademarks		5,430
Developed technology		800
Other assets		1,193
Total identifiable assets acquired		38,891
Accounts payable		1,455
Accrued employee compensation		1,492
Other accrued liabilities		1,797
Contract liabilities		2,991
Long-term debt, including current portion		4,700
Operating lease liabilities, non-current portion		738
Future pension and postretirement benefit obligation		11,621
Other long-term liabilities		2,425
Total liabilities acquired		27,219
Total identifiable net assets		11,672
Goodwill		21,528
Redeemable noncontrolling interest		(34)
Total consideration transferred	\$	33,166

Fair value adjustments to Raytheon Company's identified assets and liabilities included an increase in fixed assets of \$1.1 billion. Fair value adjustments also included a preliminarily estimated increase to future pension and postretirement benefit obligations of \$3.6 billion, primarily related to remeasurement of the liability based on market conditions on the Raytheon Merger closing date, which includes an incremental adjustment of \$980 million in the fourth quarter of 2020, principally due to a refinement of our demographic assumptions. For further information, see "Note 11: Employee Benefit Plans." In determining the fair value of identifiable assets acquired and liabilities assumed, a review was conducted for any significant contingent assets or liabilities existing as of such closing date. The preliminary assessment did not note any significant contingencies related to existing legal or government action.

The fair values of the customer relationship intangible assets were determined by using a discounted cash flow valuation method, which is a form of the income approach. Under this approach, the estimated future cash flows attributable to the asset are adjusted to exclude the future cash flows that can be attributed to supporting assets, such as trade names or fixed assets. Both the amount and the duration of the cash flows are considered from a market participant perspective. Our estimates of market participant future cash flows, which require significant management judgment, included forecasted revenue growth rates, remaining developmental effort, operational performance including company specific synergies, program life cycles, material and labor pricing, and other relevant customer, contractual and market factors. Where appropriate, the net cash flows are probability-adjusted to reflect the uncertainties associated with the underlying assumptions, including cancellation rates related to backlog, government demand for sole-source and re-compete contracts and win rates for re-compete contracts, as well as the risk profile of the net cash flows utilized in the valuation. The probability-adjusted future cash flows are then discounted to present value, using an appropriate discount rate that requires significant judgment by management. The customer relationship intangible assets are being amortized based on the pattern of economic benefits we expect to realize over the estimated economic life of the underlying programs. The fair value of the tradename intangible assets were determined utilizing the relief from royalty method which is a form of the income approach. Under this method, a royalty rate based on observed market royalties is applied to projected revenue supporting the tradename and discounted to present value, using forecasted revenue growth rate projections and a discount rate, respectively, that requires significant judgment by management. The

tradename intangible assets have been determined to have an indefinite life. The developed technology intangible assets are being amortized based on the pattern of economic benefits. The intangible assets included above consist of the following:

<i>(dollars in millions)</i>	Estimated Fair Value	Estimated Life
Acquired customer relationships	\$ 12,900	25 years
Acquired tradenames	5,430	Indefinite
Acquired developed technology	800	5 to 7 years
Total identifiable intangible assets	\$ 19,130	

We also identified customer contractual obligations on loss making programs and recorded liabilities of \$222 million related to these programs based on the difference between the actual expected operating loss and a normalized operating profit. These liabilities will be liquidated based on the expected pattern of expenses incurred on these contracts.

We recorded \$21.5 billion of goodwill as a result of the Raytheon Merger which primarily relates to expected synergies from combining operations and the value of the existing workforce. The goodwill generated as a result of the Raytheon Merger is nondeductible for tax purposes.

Merger-Related Costs. Merger-related costs have been expensed as incurred. In 2020, approximately \$142 million, of transaction and integration costs have been incurred which excludes \$23 million of transaction costs related to the divestitures required for regulatory approval discussed further in Dispositions below. These costs were recorded in Selling, general and administrative expenses within the Consolidated Statement of Operations.

Supplemental Pro-Forma Data. Raytheon Company's results of operations have been included in RTC's financial statements for the period subsequent to the completion of the Raytheon Merger on April 3, 2020. The following unaudited supplemental pro-forma data presents consolidated information as if the Raytheon Merger had been completed on January 1, 2019. The pro-forma results were calculated by combining the results of Raytheon Technologies with the stand-alone results of Raytheon Company for the pre-acquisition periods, which were adjusted to account for certain costs that would have been incurred during this pre-acquisition period. The results below reflect Raytheon Technologies on a continuing operations basis, in order to more accurately represent the structure of Raytheon Technologies after completion of the Separation Transactions and the Raytheon Merger.

<i>(dollars in millions, except per share amounts)</i>	2020	2019
Net sales	\$ 64,087	\$ 74,238
Income (loss) from continuing operations attributable to common shareowners	(2,167)	6,544
Basic earnings (loss) per share of common stock from continuing operations	\$ (1.43)	\$ 4.34
Diluted earnings (loss) per share of common stock from continuing operations	(1.43)	4.31

The unaudited supplemental pro-forma data above includes the following significant adjustments made to account for certain costs which would have been incurred if the acquisition had been completed on January 1, 2019, as adjusted for the applicable tax impact. As the merger was completed on April 3, 2020, the pro-forma adjustments in the table below only include the required adjustments through April 3, 2020.

<i>(dollars in millions)</i>	2020	2019
Amortization of acquired Raytheon Company intangible assets, net ⁽¹⁾	\$ (270)	\$ (1,048)
Amortization of fixed asset fair value adjustment ⁽²⁾	(9)	(38)
Utilization of contractual customer obligation ⁽³⁾	8	57
Deferred revenue fair value adjustment ⁽⁴⁾	(4)	(33)
Adjustment to non-service pension (income) expense ⁽⁵⁾	239	832
RTC/Raytheon fees for advisory, legal, accounting services ⁽⁶⁾	134	(134)
Adjustment to interest expense related to the Raytheon Merger, net ⁽⁷⁾	9	36
Elimination of deferred commission amortization ⁽⁸⁾	5	20
	\$ 112	\$ (308)

(1) Reflects the additional amortization of the acquired Raytheon Company's intangible assets recognized at fair value in purchase accounting and eliminates the historical Raytheon Company intangible asset amortization expense.

(2) Reflects the amortization of the fixed asset fair value adjustment as of the acquisition date.

(3) Reflects the additional amortization of liabilities recognized for certain acquired loss making contracts as of the acquisition date.

(4) Reflects the difference between prepayments related to extended arrangements and the preliminary fair value of the assumed performance obligations as they are satisfied.

- (5) Represents the elimination of unamortized prior service costs and actuarial losses, as a result of fair value purchase accounting.
- (6) Reflects the elimination of transaction-related fees incurred by RTC and Raytheon Company in connection with the Raytheon Merger and assumes all of the fees were incurred during the first quarter of 2019.
- (7) Reflects the amortization of the fair market value adjustment related to Raytheon Company.
- (8) Reflects the elimination of amortization recognized on deferred commissions that are eliminated in purchase accounting.

The unaudited supplemental pro-forma financial information does not reflect the potential realization of cost savings related to the integration of the two companies. Further, the pro-forma data should not be considered indicative of the results that would have occurred if the acquisition had been consummated on January 1, 2019, nor are they indicative of future results.

In December 2020, we completed the acquisition of Blue Canyon Technologies, a leading provider of small satellites and spacecraft systems components, for \$426 million, net of cash received. Blue Canyon Technologies is reported in the Raytheon Intelligence & Space segment. In connection with this acquisition, we preliminarily recorded \$266 million of goodwill, primarily related to expected synergies from combining operations and the value of the existing workforce, which is expected to be deductible for tax purposes, and \$141 million of intangible assets, primarily related to customer relationships. The purchase price allocation process is expected to be complete in 2021 after the conclusion of our final reviews.

Rockwell Collins Acquisition. On November 26, 2018, we completed the acquisition of Rockwell Collins (the Rockwell Acquisition), a leader in aviation and high-integrity solutions for commercial and military customers as well as leading-edge avionics, flight controls, aircraft interior and data connectivity solutions. Under the terms of the Rockwell acquisition agreement, each share of common stock, par value \$0.01 per share, of Rockwell Collins issued and outstanding immediately prior to the effective time of the Rockwell Acquisition (other than shares held by Rockwell Collins, the Company, Riveter Merger Sub Corp or any of their respective wholly owned subsidiaries) was converted into the right to receive (1) \$93.33 in cash, without interest, and (2) 0.37525 shares of Company common stock (together, the Acquisition Consideration), less any applicable withholding taxes, with cash paid in lieu of fractional shares. The total aggregate consideration payable in the Rockwell Acquisition was \$15.5 billion in cash (\$14.9 billion net of cash acquired) and 62.2 million shares of Company common stock. In addition, \$7.8 billion of Rockwell Collins debt was outstanding at the time of the Rockwell Acquisition. This equated to a total enterprise value of \$30.6 billion, including the \$7.8 billion of Rockwell Collins' outstanding debt.

<i>(dollars in millions)</i>	Amount
Cash consideration paid for Rockwell Collins outstanding common stock & equity awards	\$ 15,533
Fair value of UTC common stock issued for Rockwell Collins outstanding common stock & equity awards	7,960
Total consideration transferred	\$ 23,493

The cash consideration utilized for the Rockwell Acquisition was partially financed through the issuance of \$11.0 billion aggregate principal notes on August 16, 2018 for net proceeds of \$10.9 billion. For the remainder of the cash consideration, we utilized repatriated cash and cash equivalents and cash flow generated from operating activities.

Acquisition-Related Costs. Acquisition-related costs have been expensed as incurred. In 2019 and 2018, \$40 million and \$112 million, respectively, of transaction and integration costs have been incurred related to the Rockwell Acquisition. These costs were recorded in Selling, general and administrative expenses within the Consolidated Statement of Operations.

Supplemental Pro-Forma Data. Rockwell Collins' results of operations have been included in RTC's financial statements for the period subsequent to the completion of the acquisition on November 26, 2018. Rockwell Collins contributed sales of approximately \$778 million and operating profit of approximately \$11 million for the year ended December 31, 2018. The following unaudited supplemental pro-forma data presents consolidated information as if the acquisition had been completed on January 1, 2017. The pro-forma results were calculated by combining the results of RTC with the stand-alone results of Rockwell Collins for the pre-acquisition periods, which were adjusted to account for certain costs that would have been incurred during this pre-acquisition period:

<i>(dollars in millions, except per share amounts; shares in millions)</i>	2018
Net sales	\$ 42,336
Net income attributable to common shareowners from continuing operations	2,011
Basic earnings per share of common stock from continuing operations	\$ 2.26
Diluted earnings per share of common stock from continuing operations	2.24

The unaudited supplemental pro-forma data above includes the following significant adjustments made to account for certain costs which would have been incurred if the acquisition had been completed on January 1, 2017, as adjusted for the applicable

tax impact. As our acquisition of Rockwell Collins was completed on November 26, 2018, the pro-forma adjustments in the table below only include the required adjustments through November 26, 2018:

<i>(dollars in millions)</i>	2018
Amortization of inventory and fixed asset fair value adjustment ⁽¹⁾	\$ 58
Amortization of acquired Rockwell Collins intangible assets, net ⁽²⁾	(193)
Utilization of contractual customer obligation ⁽³⁾	16
RTC/Rockwell fees for advisory, legal, accounting services ⁽⁴⁾	212
Interest expense incurred on acquisition financing, net ⁽⁵⁾	(199)
Elimination of capitalized pre-production engineering amortization ⁽⁶⁾	63
Adjustment to net periodic pension cost ⁽⁷⁾	42
Adjustment to reflect the adoption of ASC 606 ⁽⁸⁾	106
Elimination of entities held for sale ⁽⁹⁾	(47)
	\$ 58

- (1) Reflects the elimination of the inventory step-up amortization recorded by RTC in 2018 as this would have been completed within the first two quarters of 2017. Additionally, this adjustment reflects the amortization of the fixed asset fair value adjustment as of the acquisition date.
- (2) Reflects the additional amortization of the acquired Rockwell Collins' intangible assets recognized at fair value in purchase accounting and eliminates the historical Rockwell Collins intangible asset amortization expense.
- (3) Reflects the additional amortization of liabilities recognized for acquired contracts with terms less favorable than could be realized in market transactions as of the acquisition date and eliminates Rockwell Collins historical amortization of these liabilities.
- (4) Reflects the elimination of transaction-related fees incurred by RTC and Rockwell Collins in connection with the acquisition and assumes all of the fees were incurred during the first quarter of 2017.
- (5) Reflects the additional interest expense incurred on debt to finance our acquisition of Rockwell Collins and reduces interest expense for the debt fair value adjustment which would have been amortized.
- (6) Reflects the elimination of Rockwell Collins capitalized pre-production engineering amortization to conform to RTC policy.
- (7) Reflects adjustments for the elimination of amortization of prior service cost and actuarial loss amortization, which was recorded by Rockwell Collins, as a result of fair value purchase accounting, net of the impact of the revised pension and post-retirement benefit (expense) as determined under RTC's plan assumptions.
- (8) Reflects adjustments to Rockwell Collins revenue recognition as if they adopted the New Revenue Standard as of January 1, 2018 and primarily relates to capitalization of contract costs and changes in timing of sales recognition for contracts requiring an over time method of revenue recognition, partially offset by deferral of revenue recognized on OEM product engineering and development.
- (9) Reflects the elimination of entities required to be sold for regulatory approvals.

The unaudited supplemental pro-forma financial information does not reflect the potential realization of cost savings related to the integration of the two companies. Further, the pro-forma data should not be considered indicative of the results that would have occurred if the acquisition and related financing had been consummated on January 1, 2017, nor are they indicative of future results.

Dispositions. In 2020, 2019 and 2018 cash inflows related to dispositions during were \$2,556 million, \$134 million, and \$74 million, respectively.

As discussed further in "Note 3: Discontinued Operations," on April 2, 2020, Carrier and Otis entered into a Separation and Distribution Agreement with UTC (since renamed Raytheon Technologies Corporation), pursuant to which, among other things, UTC agreed to separate into three independent, publicly traded companies – UTC, Carrier and Otis and distribute all of the outstanding common stock of Carrier and Otis to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020. UTC distributed 866,158,910 and 433,079,455 shares of common stock of Carrier and Otis, respectively in the Distributions. As a result of the Distributions, Carrier and Otis are now independent publicly traded companies.

In May 2020, in order to meet the requirements for regulatory approval of the Raytheon Merger, we completed the sale of our airborne tactical radios business for \$231 million in cash, net of transaction-related costs. The business was part of our RIS segment. As the transaction occurred subsequent to the Raytheon Merger, the gain of \$199 million was not recorded in the Consolidated Statement of Operations, but rather was recorded as part of the fair value of net assets acquired in the preliminary allocation of consideration transferred to net assets acquired in the Raytheon Merger, as discussed further above. Income before taxes related to the disposed business for the period from the closing of the Raytheon Merger to disposal date was not material.

In the third quarter of 2020, in accordance with conditions imposed for regulatory approval of the Raytheon Merger, we completed the sale of our Collins Aerospace military Global Positioning System (GPS) and space-based precision optics businesses for \$2.3 billion in cash, resulting in an aggregate pre-tax gain, net of transaction costs, of \$564 million (\$240 million after tax), of which \$595 million was included in Other income, net partially offset by \$23 million of aggregate transaction costs included in Selling, general and administrative costs and an \$8 million expense included in Non-service pension (income)

expense within our Consolidated Statement of Operations. Income before taxes for 2020, through the date of sale, and for full year 2019 for these businesses were \$94 million and \$153 million, respectively.

In October 2020, we entered into a definitive agreement to sell our Forcepoint business, which we completed in January 2021, for \$1.1 billion in cash. At December 31, 2020, the related assets of approximately \$1.9 billion and liabilities of approximately \$855 million have been accounted for as held for sale at fair value less cost to sell; however, Forcepoint does not qualify for presentation as discontinued operations. These held for sale assets and liabilities are presented in Other assets, current and Other accrued liabilities, respectively, on our Consolidated Balance Sheet. Assets held for sale included \$1.4 billion of goodwill and intangible assets. A further breakout of major classes of assets and liabilities has not been provided as the assets and liabilities held for sale are not material. We do not expect to recognize a pre-tax gain or loss within the Consolidated Statement of Operations related to the sale of Forcepoint, as any difference between the fair value, as determined by the purchase price, and the book value of the net assets has been recorded as part of the fair value of the net assets acquired in the preliminary allocation of consideration transferred to net assets acquired in the Raytheon Merger. The results of Forcepoint are included in Eliminations and other in our segment results.

Goodwill. Changes in our goodwill balances for the year ended in 2020 were as follows:

<i>(dollars in millions)</i>	Balance as of January 1, 2020	Acquisitions and Divestitures	Impairment Losses	Foreign currency translation and other	Balance as of December 31, 2020
Collins Aerospace Systems	\$ 35,025	\$ (890)	\$ (3,183)	\$ 619	\$ 31,571
Pratt & Whitney	1,563	—	—	—	1,563
Raytheon Intelligence & Space	—	9,236	—	4	9,240
Raytheon Missiles & Defense	—	11,887	—	3	11,890
Total Segment	36,588	20,233	(3,183)	626	54,264
Eliminations and other	21	—	—	—	21
Total	\$ 36,609	\$ 20,233	\$ (3,183)	\$ 626	\$ 54,285

The Company reviews goodwill for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired.

We considered the deterioration in general economic and market conditions primarily due to the COVID-19 pandemic to be a triggering event in the first and second quarters of 2020, requiring an impairment evaluation of goodwill, intangible assets and other assets in our commercial aerospace businesses, Collins Aerospace and Pratt & Whitney. Beginning in the second quarter of 2020, we observed several airline customer bankruptcies, delays and cancellations of aircraft purchases by airlines, fleet retirements and repositioning of OEM production schedules and we experienced a significant decline in revenues at our Collins Aerospace and Pratt & Whitney businesses due to a decline in flight hours, aircraft fleet utilization, shop visits and commercial OEM deliveries. These factors contributed to a deterioration of our expectations regarding the timing of a return to pre-COVID-19 commercial flight activity, which further reduced our future sales and cash flows expectations.

In the second quarter of 2020, we evaluated the Collins Aerospace and Pratt & Whitney reporting units for goodwill impairment and determined that the carrying values of two of the six Collins Aerospace reporting units exceeded the sum of discounted future cash flows, resulting in goodwill impairments of \$3.2 billion. Collins Aerospace discounted future cash flow estimates were developed for three scenarios: a base case, a downside case, and an upside case. These scenarios included assumptions regarding future airline flight activity, out of warranty hours on original equipment, expected repairs, upgrades and replacements, future OEM manufacturing schedules and related environmental assumptions, including individuals' desire to return to normal travel, business needs to travel, and potential cures or vaccines to prevent or reduce the effects of COVID-19. These estimates require a significant amount of judgment and are subject to change based upon factors outside our control. We weighted the three scenarios as follows: 50% for the base case, 40% for the downside case, and 10% for the upside case, and used these weightings, as we believed they reflected the risks and opportunities relative to our estimates. Goodwill impairment was not indicated for any of the other reporting units evaluated for impairment in any of these scenarios.

We did not identify any further deterioration to our expectations in the third quarter of 2020, and therefore, did not have a triggering event.

On October 1, 2020, we changed our annual goodwill impairment testing date from July 1 to October 1 to better align with the timing of our annual long-term planning process. Accordingly, management determined that the change in accounting principle is preferable under the circumstance. This change has been applied prospectively from October 1, 2020 as retrospective application would not change the Company's accounting for goodwill. This change was not material to our Consolidated Financial Statements as it did not delay, accelerate, or avoid any potential goodwill impairment charges. We completed our annual impairment testing as of October 1, 2020, where we assessed our Pratt & Whitney, RIS, RMD and one of the Collins Aerospace reporting units using qualitative factors to determine whether it was more likely than not that any individual reporting unit's fair value is less than its carrying value (step 0) and determined that no further testing was required based on there being no significant changes at RIS and RMD since the acquisition of Raytheon Company and the substantial cushion of fair value over book value at the other reporting units. For the remainder of our Collins Aerospace reporting units, we compared the fair value of the reporting units to their respective carrying values (step 1), and determined that no additional adjustments to the carrying value of goodwill were necessary.

Based on our annual impairment analysis as of October 1, 2020, the reporting unit that was closest to impairment was a reporting unit at Collins Aerospace with a fair value in excess of book value, including goodwill, of \$1.2 billion or 7%.

Impairment evaluations at Collins Aerospace and Pratt & Whitney resulted in several other non-goodwill related impairment charges as further discussed in "Note 1: Basis of Presentation and Summary of Accounting Principles." These charges were primarily due to declines in expected future commercial air traffic, airline bankruptcies, or other impacts such as accelerated fleet retirements, announced program delays and expected changes to contract terms.

The Company continuously monitors for events and circumstances that could negatively impact the key assumptions in determining the fair value of goodwill, including long-term revenue growth projections, profitability, discount rates, recent market valuations from transactions by comparable companies, volatility in the Company's market capitalization, and general industry, market and macro-economic conditions. It is possible that future changes in such circumstances, including a more prolonged and/or severe COVID-19 pandemic than originally anticipated, or future changes in the variables associated with the judgments, assumptions and estimates used in assessing the fair value of our reporting units, including the expected long term recovery of airline travel to pre-COVID-19 levels, would require the Company to record a non-cash impairment charge.

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

<i>(dollars in millions)</i>	2020		2019	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized:				
Patents and trademarks	\$ 48	\$ (35)	\$ 47	\$ (34)
Collaboration intangible assets	5,021	(1,024)	4,862	(920)
Exclusivity assets	2,541	(295)	2,386	(275)
Developed technology and other	906	(316)	890	(217)
Customer relationships	30,241	(5,262)	17,750	(3,392)
	38,757	(6,932)	25,935	(4,838)
Unamortized:				
Trademarks and other	8,714	—	3,376	—
Total	\$ 47,471	\$ (6,932)	\$ 29,311	\$ (4,838)

Given the deterioration in general economic and market conditions primarily due to the COVID-19 pandemic, we performed an assessment of our unamortized intangible assets and recorded \$57 million in 2020 related to the impairment of an indefinite-lived tradename intangible assets at Collins Aerospace. At December 31, 2020, the intangible asset that was closest to impairment was a tradename at Collins Aerospace with a fair value in excess of book value of approximately \$110 million, or 7%. We also evaluated amortizable intangible assets and identified no impairments. We will continue to evaluate the impact on our customers and our business in future periods which may result in a different conclusion.

Amortization of intangible assets was \$2,125 million, \$1,244 million and \$736 million in 2020, 2019 and 2018, respectively. The following is the expected amortization of total intangible assets for 2021 through 2025, which reflects the pattern of expected economic benefit on certain aerospace intangible assets:

<i>(dollars in millions)</i>	2021	2022	2023	2024	2025
Amortization expense	\$2,409	\$1,924	\$2,040	\$2,106	\$2,020

NOTE 3: DISCONTINUED OPERATIONS

As discussed above, on April 2, 2020, Carrier and Otis entered into a Separation and Distribution Agreement with UTC (since renamed Raytheon Technologies Corporation), pursuant to which, among other things, UTC agreed to separate into three independent, publicly traded companies – UTC, Carrier and Otis and distribute all of the outstanding common stock of Carrier and Otis to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020. The Separation Transactions were completed on April 3, 2020. In 2020, a total of \$1,329 million of costs have been incurred related to the Separation Transactions and recorded in the following financial statement line items: \$974 million in Income from discontinued operations, \$86 million of benefit in Income tax expense from discontinued operations, \$23 million in Income from continuing operations and \$418 million in Income tax expense.

Carrier and Otis are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Income (loss) from discontinued operations is as follows:

<i>(dollars in millions)</i>	Year Ended December 31		
	2020	2019	2018
Otis	\$ 187	\$ 1,033	\$ 1,213
Carrier	196	1,698	2,840
Separation related transactions ⁽¹⁾	(793)	(704)	—
Income (loss) from discontinued operations	\$ (410)	\$ 2,027	\$ 4,053

(1) Reflects debt extinguishment costs in 2020 related to the Company's paydown of debt to not exceed the maximum applicable net indebtedness under the Raytheon Merger Agreement, and unallocable transaction costs incurred by the Company primarily related to professional services costs pertaining to the Separation Transactions and the establishment of Carrier and Otis as stand-alone public companies, facility relocation costs, costs to separate information systems, costs of retention bonuses and tax charges and benefits related to separation activities.

The following summarized financial information related to discontinued operations has been reclassified from Income from continuing operations and included in Income (loss) from discontinued operations:

<i>(dollars in millions)</i>	Year Ended December 31		
	2020	2019	2018
Otis			
Product sales	\$ 1,123	\$ 5,669	\$ 5,636
Service sales	1,843	7,444	7,268
Cost of products sold	913	4,656	4,624
Cost of services sold	1,157	4,635	4,568
Research and development	38	163	185
Selling, general and administrative expense	450	1,906	1,636
Other income (expense), net	(65)	(40)	26
Non-operating (income) expense, net	3	4	(18)
Income from discontinued operations, before income taxes	340	1,709	1,935
Income tax expense	116	525	561
Income from discontinued operations	224	1,184	1,374
Less: Noncontrolling interest in subsidiaries earnings from discontinued operations	37	151	161
Income from discontinued operations attributable to common shareowners	\$ 187	\$ 1,033	\$ 1,213
Carrier			
Product sales	\$ 3,143	\$ 15,337	\$ 15,657
Service sales	741	3,247	3,239
Cost of products sold	2,239	10,878	11,047
Cost of services sold	527	2,298	2,281
Research and development	98	400	399
Selling, general and administrative expense	669	2,888	2,566
Other income (expense), net	(30)	246	1,156
Non-operating (income) expense, net	17	(43)	(82)
Income from discontinued operations, before income taxes	304	2,409	3,841
Income tax expense	102	672	967
Income from discontinued operations	202	1,737	2,874
Less: Noncontrolling interest in subsidiaries earnings from discontinued operations	6	39	34
Income from discontinued operations attributable to common shareowners	\$ 196	\$ 1,698	\$ 2,840
Separation related transactions ⁽¹⁾			
Selling, general and administrative expense	\$ 151	\$ 16	\$ —
Other income (expense), net	(709)	(11)	—
Loss from discontinued operations, before income taxes	(860)	(27)	—
Income tax (benefit) expense	(67)	677	—
Loss from discontinued operations, net of tax	(793)	(704)	—
Total income (loss) from discontinued operations attributable to common shareowners	\$ (410)	\$ 2,027	\$ 4,053

(1) Reflects debt extinguishment costs related to the Company's paydown of debt to not exceed the maximum applicable net indebtedness under the Raytheon Merger Agreement, and unallocable transaction costs incurred by the Company primarily related to professional services costs pertaining to the Separation Transactions and the establishment of Carrier and Otis as stand-alone public companies, facility relocation costs, costs to separate information systems, costs of retention bonuses and tax charges and benefits related to separation activities.

Selected financial information related to cash flows from discontinued operations is as follows:

<i>(dollars in millions)</i>	Year Ended December 31		
	2020	2019	2018
Net cash (used in) provided by operating activities	\$ (728)	\$ 3,062	\$ 3,652
Net cash (used in) provided by investing activities	(241)	(416)	286
Net cash used in financing activities	(1,414)	(2,651)	(4,244)

Net cash provided by operating activities includes the net operating cash flows of Carrier and Otis prior to the Separation Transactions, as well as cash outflows by the Company primarily related to professional services costs in connection with the Separation Transactions and the establishment of Carrier and Otis as stand-alone public companies, facility relocation costs, costs to separate information systems, costs of retention bonuses and tax charges related to separation activities. Net cash used in financing activities primarily consists of net cash transfers from Carrier and Otis to RTC.

The Separation of Carrier was treated as a return on capital and recorded as a reduction to retained earnings, as it was in a net asset position, while the Separation of Otis was treated as a return of capital and recorded as an adjustment to Common stock, as it was in a net liability position. The remaining assets and liabilities related to discontinued operations at December 31, 2020 primarily relate to trailing tax assets and liabilities of the Company related to the Separation Transactions, including indemnification obligations.

The major components of assets and liabilities related to discontinued operations at December 31, 2019 are provided below:

<i>(dollars in millions)</i>	Otis	Carrier	Total
Assets			
Cash and cash equivalents	\$ 1,446	\$ 995	\$ 2,441
Accounts receivable, net	2,899	2,728	5,627
Contract assets, current	530	679	1,209
Inventories and contracts in progress, net	571	1,332	1,903
Other assets, current	213	221	434
Fixed assets, net	747	1,686	2,433
Operating lease right-of-use assets	529	818	1,347
Goodwill	1,647	9,807	11,454
Intangible assets, net	490	1,083	1,573
Other assets	575	2,827	3,402
Total assets related to discontinued operations	\$ 9,647	\$ 22,176	\$ 31,823
Liabilities and Redeemable Noncontrolling Interest			
Short-term borrowings	\$ 33	\$ 38	\$ 71
Accounts payable	1,321	1,682	3,003
Accrued employee compensation	516	506	1,022
Other accrued liabilities	1,135	2,383	3,518
Contract liabilities, current	2,288	611	2,899
Long-term debt, currently due	1	237	238
Long-term debt	5	82	87
Future pension and postretirement benefit obligations	560	455	1,015
Operating lease liabilities	383	668	1,051
Other long-term liabilities ⁽¹⁾	514	1,025	1,539
Total liabilities related to discontinued operations	\$ 6,756	\$ 7,687	\$ 14,443

NOTE 4: EARNINGS PER SHARE

<i>(dollars in millions, except per share amounts; shares in millions)</i>	2020	2019	2018
Net income (loss) attributable to common shareowners:			
Income (loss) from continuing operations	\$ (3,109)	\$ 3,510	\$ 1,216
Income (loss) from discontinued operations	(410)	2,027	4,053
Net income (loss) attributable to common shareowners	\$ (3,519)	\$ 5,537	\$ 5,269
Basic weighted average number of shares outstanding	1,357.8	854.8	800.4
Stock awards and equity units (share equivalent)	—	9.1	9.7
Diluted weighted average number of shares outstanding	1,357.8	863.9	810.1
Earnings (Loss) per share attributable to common shareowners - basic			
Income (loss) from continuing operations	\$ (2.29)	\$ 4.11	\$ 1.52
Income (loss) from discontinued operations	(0.30)	2.37	5.06
Net income (loss) attributable to common shareowners	\$ (2.59)	\$ 6.48	\$ 6.58
Earnings (Loss) per share attributable to common shareowners - diluted			
Income (loss) from continuing operations	\$ (2.29)	\$ 4.06	\$ 1.50
Income (loss) from discontinued operations	(0.30)	2.35	5.00
Net income (loss) attributable to common shareowners	\$ (2.59)	\$ 6.41	\$ 6.50

It may not be possible to recalculate earnings per share (EPS) attributable to common shareowners by adjusting EPS from continuing operations by EPS from discontinued operations as each amount is calculated independently.

The computation of diluted EPS excludes the effect of the potential exercise of stock awards, including stock appreciation rights and stock options, when the average market price of the common stock is lower than the exercise price of the related stock awards during the period because the effect would be anti-dilutive. In addition, the computation of diluted EPS 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. For 2020, 2019 and 2018, there were 32.5 million, 8.3 million and 5.1 million anti-dilutive stock awards excluded from the computation, respectively. All outstanding stock awards are excluded in the computation of diluted EPS in 2020 because their effect was antidilutive due to the loss from continuing operations.

NOTE 5: ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

<i>(dollars in millions)</i>	2020	2019
U.S. government contracts (including foreign military sales)	\$ 1,039	\$ 551
Other customers	8,761	8,446
Allowance for expected credit losses	(546)	(254)
Total accounts receivable, net	\$ 9,254	\$ 8,743

The Company enters into various factoring agreements with third-party financial institutions to sell certain of its receivables. Under these arrangements, the Company factored receivables of \$6.4 billion and \$7.8 billion in 2020 and 2019, respectively. The cash received from these arrangements is reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. In certain of these factoring arrangements, for ease of administration, the Company will collect customer payments related to the factored receivables, which it then remits to the financial institutions. At December 31, 2020 and 2019, the Company had \$10 million and \$7 million, respectively, that was collected on behalf of the financial institutions and recorded as restricted cash and accrued liabilities. The net cash flows relating to these collections are reported as financing activities in the Consolidated Statement of Cash Flows.

The changes in the allowance for expected credit losses related to Accounts receivable were as follows:

<i>(dollars in millions)</i>	2020	
Balance as of December 31, 2019	\$	254
Current period provision for expected credit losses ⁽¹⁾		277
Write-offs charged against the allowance for expected credit losses		(5)
Other, net ⁽²⁾		20
Balance as of December 31, 2020	\$	546

- (1) The current provision for expected credit losses for 2020 includes \$248 million of reserves driven by customer bankruptcies and additional reserves for credit losses primarily due to the current economic environment primarily caused by the COVID-19 pandemic.
- (2) Other includes \$34 million of impact related to the January 1, 2020 adoption of ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

The activity in the allowance for doubtful accounts was not material in 2019 or 2018.

NOTE 6: CONTRACT ASSETS AND LIABILITIES

Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts. Total contract assets and contract liabilities as of December 31, 2020 and 2019 are as follows:

<i>(dollars in millions)</i>	2020		2019	
Contract assets	\$	9,931	\$	4,462
Contract liabilities		(12,889)		(9,014)
Net contract liabilities	\$	(2,958)	\$	(4,552)

Contract assets increased \$5,469 million during the year ended December 31, 2020 primarily due to the Raytheon Merger, which accounted for an increase of \$5.5 billion, net of \$335 million of contract asset write-offs or reclassifications related to certain precision guided munitions contracts with certain Middle Eastern customers as described below. Included in the change in contract assets was a decrease of \$132 million due to the impairments and incremental credit loss reserves related to our commercial aerospace businesses, as discussed below. Contract liabilities increased \$3,875 million during the year ended December 31, 2020 primarily due to the Raytheon Merger, which accounted for an increase of \$3.8 billion.

We have direct commercial sales contracts for precision guided munitions with a certain Middle East customer, for which we have not yet obtained regulatory approval. Due to the result of the U.S. presidential and congressional election, and the resulting uncertainty surrounding U.S. foreign policy on direct commercial sales for precision guided munitions with this customer, we determined that it is no longer probable that we will be able to obtain required regulatory approvals for these contracts; however, this determination could change as the U.S. government's foreign policy views are clarified. Therefore, in the fourth quarter of 2020, we reversed \$119 million of sales for work performed on these specific contracts subsequent to the date of the Raytheon Merger and through the end of the third quarter of 2020, and the related operating profit. In addition, we recognized an unfavorable profit impact of \$516 million, primarily related to inventory reserves, contract asset impairments and recognition of supplier related obligations related to termination liability, which we now do not expect to be utilized or otherwise directed to other customers. In addition, we reversed \$755 million of backlog on these contracts. As of December 31, 2020, our contract liabilities include \$405 million of advance payments received from the customer on these contracts, which may become refundable to the customer if the contracts are ultimately terminated.

Contract assets consisted of the following at December 31:

<i>(dollars in millions)</i>	2020		2019	
Unbilled	\$	20,336	\$	5,211
Progress payments		(10,405)		(749)
Total contract assets	\$	9,931	\$	4,462

The U.S. government has title to the assets related to unbilled amounts on U.S. government contracts that provide progress payments.

Contract assets include retentions arising from contractual provisions. At December 31, 2020, retentions were \$98 million.

Total contract assets include an allowance for credit losses of \$177 million as of December 31, 2020. For additional information

on the adoption of the Credit Loss Standard on January 1, 2020, see “Note 1: Basis of Presentation and Summary of Accounting Principles.” The increase in the allowance for 2020 includes incremental credit loss reserves of \$132 million related to a number of airline customers that have filed for bankruptcy and additional reserves due to the current economic environment primarily caused by the COVID-19 pandemic. In addition, in 2020, we recognized an impairment of \$111 million of contract assets at Collins Aerospace due to the impact of lower estimated future customer activity principally driven by the expected acceleration of fleet retirements of a commercial aircraft, and we recognized an impairment of \$129 million of contract assets as a result of an unfavorable EAC adjustment related to lower estimated revenues due to the restructuring of a customer contract at Pratt & Whitney.

In 2020, 2019 and 2018, we recognized revenue of \$2,763 million, \$2,850 million and \$2,269 million related to our contract liabilities at January 1, 2020, January 1, 2019 and January 1, 2018, respectively.

NOTE 7: INVENTORY, NET

<i>(dollars in millions)</i>	2020	2019
Raw materials	\$ 3,015	\$ 2,984
Work-in-process	2,924	2,586
Finished goods	3,472	3,477
	\$ 9,411	\$ 9,047

Raw materials, work-in-process and finished goods are net of valuation reserves of \$1,788 million and \$1,122 million as of December 31, 2020 and 2019, respectively.

NOTE 8: COMMERCIAL AEROSPACE INDUSTRY ASSETS AND COMMITMENTS

The COVID-19 pandemic’s continued disruption to air travel and commercial activities and the significant restrictions and limitations on businesses within the aerospace and commercial airline industries have negatively impacted global supply, demand and distribution capabilities. In particular, the significant decrease in air travel resulting from the COVID-19 pandemic is adversely affecting our airline and airframer customers, and their demand for the products and services of our Collins Aerospace and Pratt & Whitney businesses. As described in “Note 1: Basis of Presentation and Summary of Accounting Principles,” in 2020, we recorded a goodwill impairment charge of \$3.2 billion at our Collins Aerospace business, as well as write-downs of assets in both our Collins Aerospace and Pratt & Whitney businesses primarily related to increased estimated credit losses, impairments of contract assets due lower estimated future customer activity or revenues on commercial contracts, impairment of commercial aircraft program assets and the impairment of a Collins Aerospace trade name. We continue to monitor the recoverability of our commercial aerospace industry assets and assess potential exposures. The following summarizes certain significant assets and off-balance sheet exposures specifically related to our commercial aerospace customers:

<i>(dollars in millions)</i>	2020	2019
Assets related to commercial aerospace industry customers:		
Accounts receivable, net (Note 5)	\$ 7,239	\$ 7,560
Contract assets (Note 6)	2,559	2,741
Customer financing assets ⁽¹⁾ (Note 1)	3,160	3,476
Contract fulfillment costs (Note 1)	1,773	1,361
Guarantees and Commitments related to commercial aerospace industry customers:		
Commercial aerospace guarantees (net of reserves and collaboration partners’ share) (Note 18)	174	184
Commercial aerospace commitments (net of collaboration partners’ share) (Note 19)	8,515	9,708

(1) Customer financing assets is inclusive of both the current and long term balances.

We also have goodwill and intangible assets, including exclusivity assets and collaboration assets, associated with our commercial aerospace business. Refer to “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets” for further discussion.

NOTE 9: FIXED ASSETS, NET

Fixed assets, net, are stated at cost less accumulated depreciation. Major improvements are capitalized while expenditures for maintenance, repairs and minor improvements are expensed. For sales or asset retirements, the assets and related accumulated

depreciation and amortization are eliminated from the accounts. Gains and losses on sales of our fixed assets, net, are generally recorded in operating income; however, for our RIS and RMD segments, gains and losses that are allocable to our contracts are included in overhead, as we are required to allocate gains or losses and generally can recover these costs through the pricing of products and services to the U.S. government.

<i>(dollars in millions)</i>	Estimated Useful Lives	2020	2019
Land		\$ 773	\$ 292
Buildings and improvements	12-45 years	7,067	4,978
Machinery, tools and equipment	3-20 years	15,994	12,936
Other, including assets under construction		2,512	1,871
		26,346	20,077
Accumulated depreciation		(11,384)	(9,755)
		\$ 14,962	\$ 10,322

Leasehold improvements are amortized over the lesser of the remaining lease term or the estimated useful life of the improvement.

Depreciation expense related to fixed assets, net is recorded predominantly utilizing the straight-line method and was \$1,767 million in 2020, \$1,191 million in 2019 and \$945 million in 2018.

NOTE 10: BORROWINGS AND LINES OF CREDIT

<i>(dollars in millions)</i>	2020	2019
Commercial paper	\$ 160	\$ —
Other borrowings	87	2,293
Total short-term borrowings	\$ 247	\$ 2,293

As of December 31, 2020, our maximum commercial paper borrowing limit was \$5.0 billion as the commercial paper is backed by our \$5.0 billion revolving credit agreement. We use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions, pension contributions, debt refinancing, dividend payments and repurchases of our common stock. The commercial paper notes outstanding have original maturities of not more than 90 days from the date of issuance.

In preparation for and in anticipation of the Separation Transactions, the Distributions and the Raytheon Merger, the Company entered into and terminated a number of credit agreements.

On February 11, 2020 and March 3, 2020, we terminated a \$2.0 billion revolving credit agreement and a \$4.0 billion term loan credit agreement, respectively. Upon termination, we repaid the \$2.1 billion of borrowings outstanding on the \$4.0 billion term loan credit agreement. On April 3, 2020, upon the completion of the Raytheon Merger, we terminated a \$2.20 billion revolving credit agreement and a \$2.15 billion multicurrency revolving credit agreement.

On March 20, 2020 and March 23, 2020, we entered into two \$500 million term loan credit agreements and borrowed \$1.0 billion under these agreements in the first quarter of 2020. We terminated these agreements on May 5, 2020 and April 28, 2020, respectively, upon repayment.

On March 16, 2020, we entered into a revolving credit agreement with various banks permitting aggregate borrowings of up to \$5.0 billion which became available upon completion of the Raytheon Merger on April 3, 2020. This credit agreement matures on April 3, 2025. On May 6, 2020, we entered into a revolving credit agreement with various banks permitting aggregate borrowings of up to \$2.0 billion. This credit agreement matures on May 5, 2021. As of December 31, 2020, we had revolving credit agreements with various banks permitting aggregate borrowings of up to \$7.0 billion, and there were no borrowings outstanding under these agreements.

In preparation for and in anticipation of the Separation Transactions and Distributions, the Company, Carrier and Otis issued and the Company repaid long-term debt during the year ended December 31, 2020, which are shown in the tables below. On February 10, 2020, Otis entered into a term loan credit agreement providing for a \$1.0 billion unsecured, unsubordinated 3-year term loan credit facility. Also on February 10, 2020, Carrier entered into a term loan credit agreement providing for a \$1.75 billion unsecured, unsubordinated 3-year term loan credit facility. On March 27, 2020, Carrier and Otis drew on the full amounts of the term loans and distributed the full proceeds to Raytheon Technologies in connection with the Separation

Transactions. UTC utilized those amounts to extinguish Raytheon Technologies' short-term and long-term debt in order to not exceed the maximum applicable net indebtedness required by the Raytheon Merger Agreement.

At December 31, 2020, approximately \$1 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries. The weighted-average interest expense rates applicable to short-term borrowings and total debt were as follows:

	2020	2019
Average interest expense rate - average outstanding borrowings during the year:		
Short-term borrowings	2.0 %	1.7 %
Total debt	4.0 %	3.6 %
Average interest expense rate - outstanding borrowings as of December 31:		
Short-term borrowings	0.6 %	2.3 %
Total debt	4.2 %	3.6 %

We had the following issuances of long-term debt during 2020, which is inclusive of issuances made by Carrier and Otis which were primarily used by the Company to extinguish certain Raytheon Technologies short-term and long-term debt and, therefore, were treated as a distribution from discontinued operations within financing activities from continuing operation on our Consolidated Statement of Cash Flows:

Issuance Date	Description of Notes	Aggregate Principal Balance (in millions)
May 18, 2020	2.250% notes due 2030	\$ 1,000
	3.125% notes due 2050	1,000
March 27, 2020	Term Loan due 2023 (Otis) ⁽¹⁾	1,000
	Term Loan due 2023 (Carrier) ⁽¹⁾	1,750
February 27, 2020	1.923% notes due 2023 ⁽¹⁾	500
	LIBOR plus 0.450% floating rate notes due 2023 ⁽¹⁾	500
	2.056% notes due 2025 ⁽¹⁾	1,300
	2.242% notes due 2025 ⁽¹⁾	2,000
	2.293% notes due 2027 ⁽¹⁾	500
	2.493% notes due 2027 ⁽¹⁾	1,250
	2.565% notes due 2030 ⁽¹⁾	1,500
	2.722% notes due 2030 ⁽¹⁾	2,000
	3.112% notes due 2040 ⁽¹⁾	750
	3.377% notes due 2040 ⁽¹⁾	1,500
	3.362% notes due 2050 ⁽¹⁾	750
	3.577% notes due 2050 ⁽¹⁾	2,000

(1) The debt issuances and term loan draws reflect debt incurred by Carrier and Otis. The net proceeds of these issuances were primarily utilized to extinguish Raytheon Technologies short-term and long-term debt in order to not exceed the maximum applicable net indebtedness required by the Raytheon Merger Agreement.

We had no issuances of long-term debt during 2019.

We made the following repayments of debt during 2020 and 2019:

Repayment Date	Description of Notes	Aggregate Principal Balance (in millions)
October 15, 2020	3.125% notes due 2020 ⁽¹⁾	\$ 1,000
May 19, 2020	3.650% notes due 2023 ⁽²⁾⁽³⁾	\$ 410
May 15, 2020	EURIBOR plus 0.20% floating rate notes due 2020 (€750 million principal value) ⁽³⁾	\$ 817
March 29, 2020	4.500% notes due 2020 ⁽²⁾⁽³⁾	\$ 1,250
	1.125% notes due 2021 (€950 million principal value) ⁽²⁾⁽³⁾	\$ 1,082
	1.250% notes due 2023 (€750 million principal value) ⁽²⁾⁽³⁾	\$ 836
	1.150% notes due 2024 (€750 million principal value) ⁽²⁾⁽³⁾	\$ 841
	1.875% notes due 2026 (€500 million principal value) ⁽²⁾⁽³⁾	\$ 567
March 3, 2020	1.900% notes due 2020 ⁽²⁾⁽³⁾	\$ 1,000
	3.350% notes due 2021 ⁽²⁾⁽³⁾	\$ 1,000
	LIBOR plus 0.650% floating rate notes due 2021 ⁽²⁾⁽³⁾	\$ 750
	1.950% notes due 2021 ⁽²⁾⁽³⁾	\$ 750
	2.300% notes due 2022 ⁽²⁾⁽³⁾	\$ 500
	3.100% notes due 2022 ⁽²⁾⁽³⁾	\$ 2,300
	2.800% notes due 2024 ⁽²⁾⁽³⁾	\$ 800
March 2, 2020	4.875% notes due 2020 ⁽²⁾⁽³⁾	\$ 171
February 28, 2020	3.650% notes due 2023 ⁽²⁾⁽³⁾	\$ 1,669
	2.650% notes due 2026 ⁽²⁾⁽³⁾	\$ 431
November 15, 2019	8.875% notes due 2019	\$ 271
November 13, 2019	EURIBOR plus 0.15% floating rate notes due 2019	€ 750
November 1, 2019	LIBOR plus 0.350% floating rate notes due 2019	\$ 350
	1.500% notes due 2019	\$ 650
July 15, 2019	1.950% notes due 2019 ⁽⁴⁾	\$ 300
	5.250% notes due 2019 ⁽⁴⁾	\$ 300

(1) These notes were assumed in connection with the Raytheon Merger and subsequently repaid.

(2) In connection with the early repayment of outstanding principal, Raytheon Technologies recorded debt extinguishment costs of \$703 million for the year ended December 31, 2020, which are classified as discontinued operations in our Consolidated Statement of Operations as we would not have had to redeem the debt, except for the Separation Transactions. No proceeds of the notes issued May 18, 2020 were used to fund the May 19, 2020 redemption.

(3) Extinguishment of Raytheon Technologies short-term and long-term debt in order to not exceed the maximum net indebtedness required by the Raytheon Merger Agreement.

(4) These notes were assumed in connection with the Rockwell Collins Acquisition and subsequently repaid.

On June 10, 2020, we completed an exchange offer with eligible holders of the outstanding notes of Goodrich Corporation maturing through 2046, Raytheon Company maturing through 2044 and Rockwell Collins Inc. maturing through 2047 (collectively, the “Subsidiary Notes”). An aggregate principal amount of approximately \$8.2 billion of the Subsidiary Notes was exchanged for approximately \$8.2 billion of Raytheon Technologies notes with identical interest rates, maturity dates, and redemption provisions, if any, as the Subsidiary Notes exchanged. Because the exchange was for substantially identical notes, the change was treated as a debt modification for accounting purposes with no gain or loss recognized.

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

(dollars in millions)	2020	2019
4.875% notes due 2020	\$ —	\$ 171
4.500% notes due 2020	—	1,250
1.900% notes due 2020	—	1,000
EURIBOR plus 0.20% floating rate notes due 2020 (€750 million principal value)	—	831
8.750% notes due 2021	250	250
3.100% notes due 2021	250	250
3.350% notes due 2021	—	1,000

LIBOR plus 0.650% floating rate notes due 2021	—	750
1.950% notes due 2021	—	750
1.125% notes due 2021 (€950 million principal value)	—	1,053
2.300% notes due 2022	—	500
2.800% notes due 2022	1,100	1,100
3.100% notes due 2022	—	2,300
2.500% notes due 2022 ⁽²⁾	1,100	—
1.250% notes due 2023 (€750 million principal value)	—	831
3.650% notes due 2023 ⁽¹⁾	171	2,250
3.700% notes due 2023	400	400
2.800% notes due 2024	—	800
3.200% notes due 2024	950	950
1.150% notes due 2024 (€750 million principal value)	—	831
3.150% notes due 2024 ⁽²⁾	300	—
3.950% notes due 2025 ⁽¹⁾	1,500	1,500
1.875% notes due 2026 (€500 million principal value)	—	554
2.650% notes due 2026 ⁽¹⁾	719	1,150
3.125% notes due 2027 ⁽¹⁾	1,100	1,100
3.500% notes due 2027	1,300	1,300
7.200% notes due 2027 ⁽²⁾	382	—
7.100% notes due 2027	141	141
6.700% notes due 2028	400	400
7.000% notes due 2028 ⁽²⁾	185	—
4.125% notes due 2028 ⁽¹⁾	3,000	3,000
7.500% notes due 2029 ⁽¹⁾	550	550
2.150% notes due 2030 (€500 million principal value) ⁽¹⁾	612	554
2.250% notes due 2030 ⁽¹⁾	1,000	—
5.400% notes due 2035 ⁽¹⁾	600	600
6.050% notes due 2036 ⁽¹⁾	600	600
6.800% notes due 2036 ⁽¹⁾	134	134
7.000% notes due 2038	159	159
6.125% notes due 2038 ⁽¹⁾	1,000	1,000
4.450% notes due 2038 ⁽¹⁾	750	750
5.700% notes due 2040 ⁽¹⁾	1,000	1,000
4.875% notes due 2040 ⁽²⁾	600	—
4.700% notes due 2041 ⁽²⁾	425	—
4.500% notes due 2042 ⁽¹⁾	3,500	3,500
4.800% notes due 2043	400	400
4.200% notes due 2044 ⁽²⁾	300	—
4.150% notes due 2045 ⁽¹⁾	850	850
3.750% notes due 2046 ⁽¹⁾	1,100	1,100
4.050% notes due 2047 ⁽¹⁾	600	600
4.350% notes due 2047	1,000	1,000
4.625% notes due 2048 ⁽¹⁾	1,750	1,750
3.125% notes due 2050 ⁽¹⁾	1,000	—
Other (including finance leases)	292	315
Total principal long-term debt	31,470	41,274
Other (fair market value adjustments, (discounts)/premiums and debt issuance costs)	106	(315)

Total long-term debt	31,576	40,959
Less: current portion	550	3,258
Long-term debt, net of current portion	\$ 31,026	\$ 37,701

(1) We may redeem these notes at our option pursuant to their terms.

(2) Debt assumed in the Raytheon Merger.

The percentage of total short-term borrowings and long-term debt at variable interest rates was approximately 1% and 9% at December 31, 2020 and 2019, respectively. Interest rates on our commercial paper borrowings are considered variable due to their short-term duration and high-frequency of turnover.

The average maturity of our long-term debt at December 31, 2020 is approximately 14 years. The schedule of principal payments required on long-term debt for the next five years and thereafter is:

<i>(in millions)</i>		
2021	\$	550
2022		2,224
2023		581
2024		1,262
2025		1,582
Thereafter		25,271
Total	\$	31,470

NOTE 11: EMPLOYEE BENEFIT PLANS

We sponsor various domestic and foreign employee benefit plans, which are discussed below.

Employee Savings Plans. We sponsor various employee savings plans. Our contributions to employer sponsored defined contribution plans were \$875 million, \$485 million and \$332 million for 2020, 2019 and 2018, respectively.

Our non-union domestic employee savings plan for legacy UTC employees uses an Employee Stock Ownership Plan (ESOP) for employer matching contributions. External borrowings were used by the ESOP to fund a portion of its purchase of ESOP stock from us. The external borrowings have been extinguished and only re-amortized loans remain between RTC and the ESOP Trust. As ESOP debt service payments are made, common stock is released from an unreleased shares account. ESOP debt may be prepaid or re-amortized to either increase or decrease the number of shares released so that the value of released shares equals the value of plan benefit. We may also, at our option, contribute additional common stock or cash to the ESOP.

Shares of common stock are allocated to employees' ESOP accounts at fair value on the date earned. Cash dividends on common stock held by the ESOP are used for debt service payments. Participants may choose to have their ESOP dividends reinvested or distributed in cash. Common stock allocated to ESOP participants is included in the average number of common shares outstanding for both basic and diluted EPS. At December 31, 2020, 23.4 million common shares had been allocated to employees, leaving 9.4 million unallocated common shares in the ESOP Trust, with a fair value of \$672 million.

Pension and Postretirement Plans. We sponsor both funded and unfunded domestic and foreign defined benefit pension plans that cover a large number of our employees. Our largest plans are generally closed to new participants. We also sponsor both funded and unfunded PRB plans that provide health care and life insurance benefits to eligible retirees. Our plans use a December 31 measurement date consistent with our fiscal year.

The Separation Transactions included the transfer of certain defined benefit plans from UTC to Carrier and Otis. The plans transferred were primarily international plans with the majority of the UTC defined benefit liability remaining with Raytheon Technologies. Upon separation, the employees within Carrier and Otis were effectively terminated from Raytheon Technologies. The terminations of approximately 3,400 domestic pension plan participants triggered a mid-year remeasurement of the UTC domestic plans. The remeasurement, which was calculated using discount rates and asset values as of April 3, 2020 (using March 31, 2020 as a practical expedient), resulted in a \$2.4 billion increase to our pension liability, primarily due to a decrease in the fair market value of the plans' assets since December 31, 2019. All service cost previously associated with Carrier and Otis is included in discontinued operations. For non-service pension (income) expense and the pension liability, generally only the portion related to the defined benefit plans transferred to Carrier and Otis as part of the Separation Transactions has been reclassified to discontinued operations.

Raytheon Company has both funded and unfunded domestic and foreign defined benefit pension and PRB plans. As of the merger date, the Raytheon Company plans were remeasured at fair value using accounting policies consistent with the UTC plans. Refer to “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets” for additional information. The deferred pension and PRB plan losses included in Raytheon Company’s accumulated other comprehensive income (loss) as of the merger date were eliminated and are no longer subject to amortization in net periodic benefit (income) expense. Amounts prior to the merger date of April 3, 2020, do not include the Raytheon Company pension plan results.

In September 2019, we amended the UTC domestic defined benefit pension plans to cease accrual of additional benefits for future service and compensation for non-union participants effective December 31, 2019. Beginning January 1, 2020, these participants began receiving additional contributions under the UTC domestic defined contribution plan. The plan change did not impact participants’ historical benefit accruals. We utilized the practical expedient and remeasured plan assets and pension benefit obligations for the affected pension plans as of the nearest month-end, August 31, 2019, resulting in a net actuarial loss of \$425 million. This reflects remeasurement losses of \$605 million, partially offset by a benefit obligation gain of \$180 million resulting from the benefit plan change. The remeasurement losses are driven by a reduction of 124 basis points in the PBO discount rate as of the remeasurement date compared to December 31, 2018, partially offset by actual asset returns of approximately 17% as of the remeasurement date. We recorded a curtailment gain of \$98 million in the Consolidated Statement of Operations, due to the recognition of previously unrecognized prior service credits for the affected pension plans.

For non-union employees in the UTC domestic pension plans, benefits for service up to December 31, 2014 are generally based on the employee’s years of service and compensation. Benefits for service after December 31, 2014 and through December 31, 2019 are based on the existing cash balance formula that was adopted in 2003 for newly hired non-union employees and for non-union employees who made a one-time voluntary election to have future benefit accruals determined under this formula. Benefits for union employees in the UTC domestic pension plans are generally based on a stated amount for each year of service.

In December 2020, we approved a change to the Raytheon domestic benefit pension plans for non-union participants to cease future benefit accruals based on an employee’s years of service and compensation effective December 31, 2022. The plan change does not impact participants’ historical benefit accruals. Benefits for service after December 31, 2022 will be based on a cash balance formula. We utilized a practical expedient and measured the plan assets and pension benefit obligations for the effected pension plans as of the nearest month end, December 31, 2020, resulting in a current year prior service credit of \$2.1 billion.

We made the following contributions to our pension and PRB plans’ trusts during the years ended December 31:

<i>(dollars in millions)</i>	2020	2019	2018
U.S. qualified defined benefit plans	\$ 885	\$ 25	\$ —
International defined benefit plans	125	30	79
PRB plans	15	—	—

The contributions to our U.S. qualified defined benefit plans for the year ended December 31, 2020 include a \$750 million discretionary contribution to the Raytheon Company U.S. qualified pension plans’ trust. As a result of this discretionary contribution, we do not expect to make any required contributions to our U.S. qualified plans’ trust until 2022.

The contributions to our International defined benefit plans for the year ended December 31, 2020 include a \$51 million discretionary contribution. We expect to make total contributions of approximately \$50 million to our international defined benefit plans’ trusts in 2021, which are expected to meet or exceed the current funding requirements.

<i>(dollars in millions)</i>	Pension		PRB	
	2020	2019	2020	2019
Change in Benefit Obligation:				
Beginning balance	\$ 38,027	\$ 34,344	\$ 765	\$ 810
Service cost attributable to continuing operations	483	261	6	2
Service cost attributable to discontinued operations	1	34	—	—
Interest cost	1,650	1,245	37	31
Actuarial loss (gain)	7,029	4,247	114	(11)
Total benefits paid ⁽¹⁾	(3,623)	(2,016)	(144)	(69)
Net settlement, curtailment and special termination benefits	(4)	(206)	(8)	—
Plan amendments	(2,088)	—	(7)	—
Business combinations and divestitures ⁽²⁾	29,385	(6)	724	—
Other ⁽³⁾	397	124	48	2
Ending balance	\$ 71,257	\$ 38,027	\$ 1,535	\$ 765
Change in Plan Assets:				
Beginning balance	\$ 36,225	\$ 32,150	\$ 20	\$ 20
Actual return on plan assets	9,885	5,873	80	—
Employer contributions ⁽¹⁾	1,201	137	102	69
Total benefits paid ⁽¹⁾	(3,623)	(2,016)	(144)	(69)
Settlements	(32)	(17)	(8)	—
Business combinations and divestitures ⁽²⁾	18,310	(10)	286	—
Other ⁽³⁾	352	108	45	—
Ending balance	\$ 62,318	\$ 36,225	\$ 381	\$ 20
Funded Status:				
Fair value of plan assets	\$ 62,318	\$ 36,225	\$ 381	\$ 20
Benefit obligations	(71,257)	(38,027)	(1,535)	(765)
Funded status of plan	\$ (8,939)	\$ (1,802)	\$ (1,154)	\$ (745)
Amounts Recognized in the Consolidated Balance Sheet Consist of:				
Noncurrent assets	\$ 424	\$ 19	\$ —	\$ —
Current liability	(232)	(51)	(82)	(47)
Noncurrent liability	(9,131)	(1,770)	(1,072)	(698)
Net amount recognized	\$ (8,939)	\$ (1,802)	\$ (1,154)	\$ (745)
Amounts Recognized in Accumulated Other Comprehensive Loss Consist of:				
Net actuarial (gain) loss	\$ 8,023	\$ 8,160	\$ (117)	\$ (181)
Prior service (credit) cost	(1,947)	190	(9)	(4)
Net actuarial loss and prior service cost related to discontinued operations	—	763	—	—
Net amount recognized	\$ 6,076	\$ 9,113	\$ (126)	\$ (185)

(1) Includes benefit payments paid directly by the company.

(2) Consists primarily of liabilities and assets acquired as a part of the Raytheon Merger.

(3) The amount included in Other primarily reflects the impact of foreign exchange translation, primarily for plans in the U.K. and Canada, and participant contributions.

The majority of our pension obligations relate to our U.S. Internal Revenue Service (IRS) qualified pension plans, which comprise 85% and 82% of our pension PBO as of December 31, 2020 and 2019, respectively. 3% and 1% of our pension PBO as of December 31, 2020 and 2019, respectively, is attributable to our nonqualified domestic pension plans, which provide supplementary retirement benefits to certain employees in excess of the IRS qualified plan limits. International plans comprise 12% and 17% of the pension PBO as of December 31, 2020 and 2019, respectively, and are considered defined benefit pension plans for accounting purposes.

In addition to the pension and PRB noncurrent liabilities shown above, Future pension and postretirement benefit obligations on the Consolidated Balance Sheet includes \$139 million and \$21 million of other pension and PRB related liabilities as of December 31, 2020 and 2019, respectively.

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

<i>(dollars in millions)</i>	2020	2019
Projected benefit obligation	\$ 37,215	\$ 37,941
Accumulated benefit obligation	36,150	37,559
Fair value of plan assets	27,854	36,120

The accumulated benefit obligation for all defined benefit pension plans was \$70.2 billion and \$37.7 billion at December 31, 2020 and 2019, respectively.

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

<i>(dollars in millions)</i>	2020	2019
Projected benefit obligation	\$ 37,217	\$ 37,943
Accumulated benefit obligation	36,151	37,600
Fair value of plan assets	27,855	36,122

The components of the net periodic pension (income) expense are as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Operating expense			
Service cost	\$ 483	\$ 261	\$ 265
Non-operating expense			
Interest cost	1,650	1,245	1,058
Expected return on plan assets	(2,995)	(2,252)	(2,061)
Amortization of prior service cost (credit)	51	16	(42)
Recognized actuarial net loss	337	245	373
Net settlement, curtailment and special termination benefits (gain) loss	45	(59)	3
Non-service pension income	(912)	(805)	(669)
Net periodic pension income	\$ (429)	\$ (544)	\$ (404)

The components of the net periodic PRB (income) expense are as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Operating expense			
Service cost	\$ 6	\$ 2	\$ 2
Non-operating expense			
Interest cost	37	31	26
Expected return on plan assets	(13)	(1)	—
Amortization of prior service credit	(3)	(42)	(6)
Recognized actuarial net gain	(12)	(12)	(10)
Net settlement, curtailment and special termination benefits loss	1	—	—
Non-service pension (income) expense	10	(24)	10
Net periodic PRB (income) expense	\$ 16	\$ (22)	\$ 12

Other changes in pension plan assets and benefit obligations recognized in other comprehensive loss in 2020 and 2019 are as follows:

<i>(dollars in millions)</i>	2020		2019		Total
	Total	Continuing Operations	Discontinued Operations	Total	
Actuarial loss arising during the period	\$ 155	\$ 434	\$ 119	\$ 553	
Amortization of actuarial loss	(337)	(245)	(20)	(265)	
Current year prior service cost (credit)	(2,088)	—	6	6	
Amortization of prior service cost	(51)	(16)	(1)	(17)	
Net settlement and curtailment	(34)	62	(5)	57	
Separation of Carrier and Otis	(763)	—	—	—	
Other ⁽¹⁾	81	36	(2)	34	
Total recognized in other comprehensive (income) loss	(3,037)	271	97	368	
Net recognized in net periodic benefit (income) cost and other comprehensive (income) loss	\$ (3,466)	\$ (232)	\$ 97	\$ (135)	

(1) The amount included in Other primarily reflects the impact of foreign exchange translation, primarily for plans in the U.K. and Canada.

The Actuarial loss arising during the period in 2020 is primarily due to a decrease in discount rates during 2020, partially offset by asset returns exceeding our expected return on assets. Current year prior service credit in 2020 was primarily due to the RTC plan change for non-union participants as discussed above.

The Actuarial loss arising during the period in 2019 was primarily due to a decrease in discount rates during 2019, partially offset by our asset returns exceeding our expected return on assets.

Other changes in PRB assets and benefit obligations recognized in other comprehensive loss in 2020 and 2019 are as follows:

<i>(dollars in millions)</i>	2020	2019
Actuarial (gain) loss arising during the period	\$ 47	\$ (10)
Amortization of actuarial gain	12	12
Current year prior service cost (credit)	(7)	—
Amortization of prior service credit	3	42
Net settlement and curtailment	(1)	—
Other	5	2
Total recognized in other comprehensive loss	59	46
Net recognized in net periodic benefit (income) cost and other comprehensive loss	\$ 75	\$ 24

The Actuarial loss arising during the period in 2020 is primarily due to a decrease in discount rates during 2020, partially offset by asset returns exceeding our expected return on assets on our funded plans.

The Actuarial gain arising during the period in 2019 was primarily due to demographic gains, partially offset by a decrease in discount rates in 2019.

The table below reflects the total benefit payments expected to be paid from the plans or from corporate assets.

<i>(dollars in millions)</i>	Pension	PRB
2021	\$ 4,374	\$ 128
2022	4,197	120
2023	3,831	112
2024	3,795	106
2025	3,785	100
2026-2030	18,311	419

Major assumptions used in determining the pension benefit obligation and net periodic pension benefit (income) expense are presented in the following table as weighted-averages:

	Benefit Obligation		Net Periodic Benefit (Income) Expense		
	2020	2019	2020	2019	2018
Discount rate					
PBO	2.5 %	3.1 %	3.2 %	4.0 %	3.5 %
Interest cost ⁽¹⁾	N/A	N/A	2.8 %	3.7 %	3.1 %
Service cost ⁽¹⁾	N/A	N/A	3.5 %	3.7 %	3.4 %
Salary scale	4.3 %	4.3 %	4.3 %	4.3 %	4.3 %
Expected return on plan assets	N/A	N/A	6.5 %	6.8 %	6.9 %
Interest crediting rate	3.8 %	3.8 %	3.8 %	3.8 %	3.8 %

(1) The discount rates used to measure the service cost and interest cost applies to our significant plans. The PBO discount rate is used for the service cost and interest cost measurements for non-significant plans.

Major assumptions used in determining the PRB benefit obligation and net periodic PRB (income) expense are presented in the following table as weighted-averages:

	Benefit Obligation		Net Periodic Benefit (Income) Expense		
	2020	2019	2020	2019	2018
Discount rate	2.4 %	3.0 %	3.1 %	4.0 %	3.4 %
Expected return on assets	N/A	N/A	5.7 %	7.0 %	7.0 %

Assumed health care cost trend rates used in determining the PRB benefit obligation and net periodic PRB (income) expense are as follows:

	2020	2019
Health care cost trend rate assumed for next year	5.0 %	6.5 %
Rate that the cost trend rate gradually declines to	4.3 %	5.0 %
Year that the rate reaches the rate it is assumed to remain at	2026	2026

The weighted-average discount rates used to measure pension and PRB liabilities are based on yield curves developed using high-quality corporate bonds as well as plan specific cash flows. For our significant plans, we utilize a full yield curve approach in the estimation of the service cost and interest cost components of net periodic benefit costs by applying the specific spot rates along the yield curve used in determination of the benefit obligation to the relevant discounted projected cash flows.

In determining the EROA assumption, we consider the target asset allocation of plan assets, as well as economic and other indicators of future performance. We may consult with and consider the opinions of financial and other professionals in determining the appropriate capital market assumptions. Return projections are validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns. As a result of this analysis at year end 2020, our weighted average pension EROA assumption for 2021 is 6.5%.

Plan Assets. The plans' investment management objectives include providing the liquidity and asset levels needed to meet current and future benefit payments, while maintaining a prudent degree of portfolio diversification considering interest rate risk and market volatility. Globally, investment strategies generally target a mix of 50% to 55% of growth seeking assets and 45% to 50% of income generating and hedging assets using a wide set of diversified asset types, fund strategies and investment managers. The growth seeking allocation consists of global public equities in developed and emerging countries, private equity, real estate and multi-asset class strategies. Growth assets include an enhanced alpha strategy that invests in publicly traded equity and fixed income securities, derivatives and foreign currency. Investments in private equity are primarily via limited partnership interests in buy-out strategies with smaller allocations to distressed debt funds. The real estate strategy is principally concentrated in directly held U.S. core investments with some smaller investments in international, value-added and opportunistic strategies. Within the income generating assets, the fixed income portfolio consists of mainly government and broadly diversified high quality corporate bonds.

The plans have continued their pension risk management techniques designed to reduce their interest rate risk. Specifically, the plans have incorporated liability hedging programs that include the adoption of a risk reduction objective as part of the long-term investment strategy. Under this objective the interest rate hedge is intended to increase as funded status improves. The hedging programs incorporate a range of assets and investment tools, each with varying interest rate sensitivities. The

investment portfolios are currently hedging approximately 30% to 70% of the interest rate sensitivity of the pension plan liabilities, depending on the funded status of the plan.

The fair values of pension plan assets at December 31, 2020 and 2019 by asset category are as follows:

<i>(dollars in millions)</i>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling ⁽⁸⁾	Total
Asset Category:					
Public Equities					
Global Equities	\$ 8,437	\$ 5	\$ —	\$ —	\$ 8,442
Global Equity Commingled Funds ⁽¹⁾	1	2,686	—	—	2,687
Enhanced Global Equities ⁽²⁾	56	185	—	—	241
Other Public Equities	—	—	—	9,008	9,008
Private Equities ⁽³⁾	—	—	—	3,646	3,646
Fixed Income Securities					
Governments	1,740	1,480	—	—	3,220
Corporate Bonds	3	18,489	2	305	18,799
Structured Products	—	24	—	—	24
Other Fixed Income	—	—	—	6,631	6,631
Real Estate ⁽⁴⁾	—	—	1,647	1,737	3,384
Other ⁽⁵⁾	—	99	—	5,088	5,187
Cash & Cash Equivalents ⁽⁶⁾	9	97	—	154	260
Subtotal	\$ 10,246	\$ 23,065	\$ 1,649	\$ 26,569	61,529
Other Assets & Liabilities ⁽⁷⁾					789
Total at December 31, 2020				\$	62,318
Public Equities					
Global Equities	\$ 3,588	\$ 5	\$ —	\$ —	\$ 3,593
Global Equity Commingled Funds ⁽¹⁾	—	1,496	—	—	1,496
Enhanced Global Equities ⁽²⁾	322	393	—	—	715
Other Public Equities	—	—	—	5,332	5,332
Private Equities ⁽³⁾	—	—	202	1,230	1,432
Fixed Income Securities					
Governments	969	116	—	—	1,085
Corporate Bonds	1	13,059	5	—	13,065
Structured Products	—	17	—	—	17
Other Fixed Income	—	—	—	4,755	4,755
Real Estate ⁽⁴⁾	—	13	1,464	366	1,843
Other ⁽⁵⁾	—	343	—	2,834	3,177
Cash & Cash Equivalents ⁽⁶⁾	—	47	—	36	83
Subtotal	\$ 4,880	\$ 15,489	\$ 1,671	\$ 14,553	\$ 36,593
Other Assets & Liabilities ⁽⁷⁾					(368)
Total at December 31, 2019				\$	36,225

(1) Represents commingled funds that invest primarily in common stocks.

(2) Represents enhanced equity separate account and commingled fund portfolios. A portion of the portfolio may include long-short market neutral and relative value strategies that invest in publicly traded, equity and fixed income securities, as well as derivatives of equity and fixed income securities and foreign currency.

- (3) Represents limited partnership investments with general partners that primarily invest in equity and debt.
(4) Represents investments in real estate including commingled funds and directly held properties.
(5) Represents global balanced risk commingled funds that invest in multiple asset classes including equity, fixed income and some commodities. "Other" also includes insurance contracts.
(6) Represents short-term commercial paper, bonds and other cash or cash-like instruments.
(7) Represents receivables, payables and certain individually immaterial international plan assets that are not leveled.
(8) In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension benefits plan assets.

Derivatives in the plan are primarily used to manage risk and gain asset class exposure while still maintaining liquidity. Derivative instruments mainly consist of equity futures, interest rate futures, interest rate swaps and currency forward contracts. The fair market value of the plans' derivatives through direct or separate account investments was approximately \$176 million and \$75 million as of December 31, 2020 and 2019, respectively.

We review our assets at least quarterly to ensure we are within the targeted asset allocation ranges and, if necessary, asset balances are adjusted back within target allocations. We employ a broadly diversified investment manager structure that includes diversification by active and passive management, style, capitalization, country, sector, industry and number of investment managers. No individual investment represented more than 5% of the plan assets as of December 31, 2020.

The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed due to the following:

<i>(dollars in millions)</i>	Private Equities		Corporate Bonds		Real Estate		Total
Balance, December 31, 2018	\$	133	\$	18	\$	1,387	\$ 1,538
Realized losses		—		—		(2)	(2)
Unrealized gains relating to instruments still held in the reporting period		32		—		27	59
Purchases, sales, and settlements, net		37		(13)		52	76
Balance, December 31, 2019		202		5		1,464	1,671
Realized gains		—		—		7	7
Unrealized gains relating to instruments still held in the reporting period		16		—		(129)	(113)
Purchases, sales, and settlements, net		10		(3)		77	84
Transfers in/out, net		(228)		—		228	—
Balance, December 31, 2020	\$	—	\$	2	\$	1,647	\$ 1,649

Quoted market prices are used to value investments when available. Investments in securities traded on exchanges, including listed futures and options, are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Fixed income securities are primarily measured using a market approach pricing methodology, where observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments. Investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations. Real estate investments are valued on a quarterly basis using discounted cash flow models which consider long-term lease estimates, future rental receipts and estimated residual values. Valuation estimates are supplemented by third-party appraisals on an annual basis.

Private equity limited partnerships are valued quarterly using discounted cash flows, earnings multiples and market multiples. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, generally broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

The fair market value of assets related to our PRB benefits was \$381 million and \$20 million as of December 31, 2020 and 2019. These assets include \$149 million of which are invested in our domestic qualified pension plan trust at December 31, 2020. There were no PRB assets invested in our domestic qualified pension plan trust at December 31, 2019. The remaining PRB investments are held within Voluntary Employees' Beneficiary Association (VEBA) trusts. The VEBA assets are generally invested in mutual funds and are valued primarily using quoted prices in active markets (Level 1). There were no Level 3 investments in the VEBA trusts as of December 31, 2020 or 2019.

We have set aside assets in separate trusts, which we expect to be used to pay for certain nonqualified defined benefit and defined contribution plan obligations in excess of qualified plan limits. These assets are included in Other assets, current in our Consolidated Balance Sheet. The fair value of marketable securities held in trusts consisted of the following:

<i>(dollars in millions)</i>	2020	2019
Marketable securities held in trusts	\$ 881	\$ —

NOTE 12: LEASES

Operating lease expense was \$497 million and \$323 million for 2020 and 2019, respectively. Finance leases and lessor leases are not considered significant to our Consolidated Balance Sheet or Consolidated Statement of Operations.

Variable least cost and sublease income were immaterial in 2020 and 2019.

In 2020, we entered into a sale and leaseback transaction for the sale of equipment and related maintenance. We subsequently leased back the equipment sold for a limited timeframe, which is accounted for as an operating lease. The proceeds received as a result of the equipment sales have been classified in decrease in Customer Financing Assets within the Investing Activities in our Consolidated statement of cash flows, and the portion related to future maintenance services has been classified within Operating Activities. The net gain as a result of this transaction was not material. Gains and losses on sale and leaseback transactions were immaterial in 2019.

Supplemental cash flow information related to operating leases were as follows:

<i>(dollars in millions)</i>	2020	2019
Operating cash flows used in the measurement of operating lease liabilities	\$ 420	\$ 411
Operating lease right-of-use assets obtained in exchange for operating lease obligations	299	123

Future lease payments related to our operating lease liabilities as of December 31, 2020 are as follows:

<i>(dollars in millions)</i>	2020	2019
2021		\$ 632
2022		468
2023		335
2024		231
2025		158
Thereafter		646
Total undiscounted lease payments ⁽¹⁾		2,470
Less imputed interest		(472)
Total discounted lease payments		\$ 1,998

(1) Total future lease payments excluded approximately \$58 million of future lease payments related to leases that were signed but had not yet commenced as of December 31, 2020.

Our lease liabilities recognized in our Consolidated Balance Sheet were as follows as of December 31:

<i>(dollars in millions)</i>	2020	2019
Operating lease liabilities, current (included in Other accrued liabilities)	\$ (482)	\$ (245)
Operating lease liabilities, noncurrent	(1,516)	(1,093)
Total operating lease liabilities	\$ (1,998)	\$ (1,338)

The weighted-average remaining lease term related to our operating leases was 8.0 years and 8.6 years as of December 31, 2020 and December 31, 2019, respectively. The weighted-average discount rate related to our operating leases was 3.1% and 3.5% as of December 31, 2020 and December 31, 2019, respectively.

NOTE 13: INCOME TAXES

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

<i>(dollars in millions)</i>	2020	2019	2018
United States	\$ (2,762)	\$ 1,594	\$ 635
Foreign	409	2,558	1,869
	\$ (2,353)	\$ 4,152	\$ 2,504

The Company no longer intends to reinvest certain undistributed earnings of its international subsidiaries that have been previously taxed in the U.S. As such, we recorded the taxes associated with the future remittance of these earnings. For the remainder of the Company's undistributed international earnings, unless tax effective to repatriate, the Company will continue to permanently reinvest these earnings. As of December 31, 2020, such undistributed earnings were approximately \$12 billion, excluding other comprehensive income amounts. It is not practicable to estimate the amount of tax that might be payable on the remaining amounts.

Provision for Income Taxes. The income tax expense (benefit) for the years ended December 31, 2020, 2019 and 2018 consisted of the following components:

<i>(dollars in millions)</i>	2020	2019	2018
Current:			
United States:			
Federal	\$ 324	\$ (100)	\$ (68)
State	45	(58)	1
Foreign	305	541	402
	674	383	335
Future:			
United States:			
Federal	(264)	121	45
State	258	56	58
Foreign	(93)	(139)	660
	(99)	38	763
Income tax expense	\$ 575	\$ 421	\$ 1,098
Attributable to items credited (charged) to equity	\$ (576)	\$ 40	\$ 501

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

<i>(dollars in millions)</i>	2020		2019		2018	
	Amount	Rate	Amount	Rate	Amount	Rate
Statutory U.S. federal income tax rate	\$ (494)	21.0 %	\$ 872	21.0 %	\$ 526	21.0 %
Tax on international activities	35	(1.5)	32	0.7	(25)	(1.0)
Tax audit settlements	—	—	(290)	(7.0)	—	—
U.S. tax reform	—	—	—	—	744	29.7
Tax charges related to Separation Transactions and Raytheon Merger	416	(17.7)	—	—	—	—
Disposals of businesses	177	(7.5)	—	—	—	—
U.S. research and development credit	(142)	6.1	(101)	(2.4)	(73)	(2.9)
Goodwill impairment	668	(28.4)	—	—	—	—
State income tax, net	(56)	2.4	16	0.4	(6)	(0.2)
Foreign Derived Intangible Income (FDII)	(83)	3.5	(138)	(3.3)	(102)	(4.1)
Other	54	(2.3)	30	0.7	34	1.3
Effective income tax rate	\$ 575	(24.4)%	\$ 421	10.1 %	\$ 1,098	43.8 %

The 2020 negative effective tax rate is a result of having tax expense of \$575 million on a loss from continuing operations before income taxes of \$2,353 million. The loss from continuing operations before income taxes includes the \$3,183 million goodwill impairment as described in “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets,” most of which is non-deductible for tax purposes. Tax expense includes net deferred tax charges of \$367 million resulting from the Separation Transactions and the Raytheon Merger primarily related to the impairment of deferred tax assets, and incremental tax expense of \$177 million related to the disposal of businesses, including the sales of the Collins Aerospace and RIS businesses and the entry into a definitive agreement to sell Forcepoint, as described in “Note 2: Business Acquisitions, Dispositions, Goodwill and Intangible Assets.” As a result of the Separation Transactions and the restructuring charges recognized in 2020, tax expense also includes \$49 million related to revaluation of the tax benefit for certain international tax incentives, as the Company no longer expects to meet the incentive requirements. Also included in the 2020 effective tax rate are tax benefits of \$142 million associated with U.S. research and development credits and \$83 million associated with FDII.

The 2019 effective tax rate includes tax benefits of \$290 million primarily associated with the conclusion of the audit by the Examination Division of the Internal Revenue Service for the Company’s 2014, 2015 and 2016 tax years and the filing by a subsidiary of the Company to participate in an amnesty program offered by the Italian Tax Authority. The 2019 effective tax rate also includes tax benefits of \$138 million associated with FDII and \$101 million related to U.S. research and development credits.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was enacted. The 2018 effective tax rate reflects a net charge of \$744 million for TCJA related adjustments. The amount primarily relates to non-U.S. taxes that will become due when previously reinvested earnings of certain international subsidiaries are remitted. The 2018 effective tax rate also includes tax benefits of \$102 million associated with FDII and \$73 million related to U.S. research & development credits.

Deferred Tax Assets and Liabilities. The tax effects of temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 2020 and 2019 are as follows:

<i>(dollars in millions)</i>	2020	2019
Future income tax benefits:		
Insurance and employee benefits	\$ 3,004	\$ 959
Inventory and contract balances	822	664
Warranty provisions	220	208
Other basis differences	637	614
Tax loss carryforwards	196	348
Tax credit carryforwards	959	930
Valuation allowances	(757)	(432)
	\$ 5,081	\$ 3,291
Future income taxes payable:		
Goodwill and Intangible assets	\$ 7,786	\$ 4,205
Fixed assets	1,637	1,016
Other basis differences	151	638
	\$ 9,574	\$ 5,859

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

Tax Credit and Loss Carryforwards. At December 31, 2020, tax credit carryforwards, principally state and foreign, and tax loss carryforwards, principally state and foreign, were as follows:

<i>(dollars in millions)</i>	Tax Credit Carryforwards	Tax Loss Carryforwards
Expiration period:		
2021-2025	\$ 50	\$ 126
2026-2030	38	58
2031-2040	341	179
Indefinite	530	801
Total	\$ 959	\$ 1,164

Unrecognized Tax Benefits. At December 31, 2020, we had gross tax-effected unrecognized tax benefits of \$1,225 million, of which \$1,216 million, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and interest expense related to unrecognized tax benefits for the years ended December 31, 2020, 2019 and 2018 is as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Balance at January 1	\$ 1,347	\$ 1,619	\$ 1,189
Additions for tax positions related to the current year	125	131	192
Additions for tax positions of prior years	323	73	344
Reductions for tax positions of prior years	(83)	(101)	(91)
Settlements	(48)	(375)	(15)
Separation of Carrier and Otis	(439)		
Balance at December 31	\$ 1,225	\$ 1,347	\$ 1,619
Gross interest expense related to unrecognized tax benefits	\$ 50	\$ 57	\$ 37
Total accrued interest balance at December 31	141	249	255

The unrecognized tax benefit table includes discontinued operations in 2018, 2019 and 2020.

As a result of the Separation Transactions and the Distributions in April 2020, we transferred unrecognized tax benefits to Carrier and Otis of \$439 million and associated interest of approximately \$165 million. Pursuant to the terms of the separation agreements, certain other unrecognized tax benefits retained by the Company will be subject to indemnification. Total unrecognized tax benefits at December 31, 2019 and 2018 include \$437 million and \$551 million of benefits related to discontinued operations, and associated interest of approximately \$155 million in both periods.

In addition, as a result of the Raytheon Merger in April 2020, unrecognized tax benefits increased by \$273 million, and associated interest of approximately \$15 million, due to inclusion of items related to pre-merger Raytheon Company tax periods. The 2018 additions above include amounts related to the Rockwell Acquisition.

Management has determined that the distributions of Carrier and Otis on April 3, 2020, and certain related internal business separation transactions, qualified as tax-free under applicable law. In making these determinations, we applied the tax law in the relevant jurisdictions to our facts and circumstances and obtained tax rulings from the relevant taxing authorities, tax opinions, and/or other external tax advice related to the concluded tax treatment. If the completed distributions of Carrier or Otis, in each case, or certain internal business separation transactions, were to fail to qualify for tax-free treatment, the Company could be subject to significant liabilities, and there could be material adverse impacts on the Company's business, financial condition, results of operations and cash flows in future reporting periods.

We conduct business globally and, as a result, Raytheon Technologies or one or more of our subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Canada, China, France, Germany, India, Philippines, Poland, Singapore, the United Kingdom and the United States. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2012.

During the fourth quarter of 2020, the Company recognized a non-cash gain of approximately \$25 million, primarily tax, as a result of the statute of limitations expiration of the 2016 tax year of a subsidiary acquired as part of the RTC's acquisition of Rockwell Collins.

During 2019, the Company recognized a net gain of approximately \$307 million, including pre-tax interest of approximately \$56 million as a result of the conclusion of the IRS audit of the Company's 2014, 2015 and 2016 tax years as well as an

amnesty filing in Italy made to resolve certain tax litigation. The Company also recognized a non-cash gain of approximately \$40 million, primarily tax, as a result of the closure of an IRS audit of the 2014 tax year of a subsidiary acquired as part of RTC's acquisition of Rockwell Collins. This gain was partially offset by the unfavorable pre-tax impact of a reversal of a related indemnity asset of approximately \$23 million. Finally, the Company recognized net non-cash gains of approximately \$18 million, including pre-tax interest of approximately \$5 million, as a result of various federal, state and non-U.S. statute of limitations expirations and settlements with tax authorities.

The Examination Division of the IRS is currently auditing Raytheon Technologies tax years 2017 and 2018 and pre-merger Raytheon Company tax periods 2017, 2018 and 2019 as well as certain refund claims of Raytheon Company for tax years 2014, 2015 and 2016 filed prior to the Raytheon Merger.

The Examination Division of the IRS is also auditing pre-acquisition Rockwell Collins fiscal tax years 2016 and 2017, which is projected to close within the next six months. As a result of the projected closure of the audit of Rockwell Collins fiscal tax years 2016 and 2017, it is reasonably possible that the Company may recognize non-cash gains in the range of \$50 million to \$100 million, primarily tax, within the next six months.

It is reasonably possible that a net reduction within the range of \$165 million to \$475 million of unrecognized tax benefits may occur over the next 12 months as a result of the revaluation of uncertain tax positions arising from the issuance of legislation, regulatory or other guidance or developments in examinations, in appeals, or in the courts, or the closure of tax statutes.

NOTE 14: RESTRUCTURING COSTS

Restructuring costs are generally expensed as incurred. All U.S. government unallowable restructuring costs related to the Raytheon Merger are recorded within Corporate expenses and other unallocated items, as these costs are not included in management's evaluation of the segments' performance, and as a result, there are no unallowable restructuring costs at the RIS and RMD segments. During 2020, we recorded net pre-tax restructuring costs totaling \$777 million for new and ongoing restructuring actions. We recorded charges in the segments as follows:

(dollars in millions)

Pratt & Whitney	\$	183
Collins Aerospace Systems		360
Corporate expenses and other unallocated items		234
Total	\$	777

Restructuring charges incurred in 2020 primarily relate to actions initiated during 2020 and 2019, and were recorded as follows:

(dollars in millions)

Cost of sales	\$	397
Selling, general & administrative		371
Restructuring costs recorded within operating expenses		768
Non-service pension (benefit)		9
Total	\$	777

2020 Actions. During 2020, we recorded net pre-tax restructuring costs totaling \$770 million for restructuring actions initiated in 2020, consisting of \$401 million in Cost of sales, \$360 million in Selling, general and administrative expenses and \$9 million in Non-service pension expenses. The 2020 actions primarily relate to severance and restructuring actions at Pratt & Whitney and Collins Aerospace in response to the impact on our operating results related to the current economic environment primarily caused by the COVID-19 pandemic, the Raytheon Merger, and ongoing cost reduction efforts, including workforce reductions and consolidation of field operations.

We are targeting to complete in 2021 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2020. No specific plans for significant other actions have been finalized at this time. The following table summarizes the accrual balances and utilization by cost type for the 2020 restructuring actions:

<i>(dollars in millions)</i>	Severance	Facility Exit and Other Costs	Total
Net pre-tax restructuring costs	\$ 744	\$ 26	\$ 770
Utilization, foreign exchange and other costs	(410)	(20)	(430)
Balance at December 31, 2020	\$ 334	\$ 6	\$ 340

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

<i>(dollars in millions)</i>	Expected Costs	Cost Incurred During 2020	Remaining Costs at December 31, 2020
Pratt & Whitney	\$ 205	\$ (205)	\$ —
Collins Aerospace Systems	373	(333)	40
Corporate expenses and other unallocated items	232	(232)	—
Total	\$ 810	\$ (770)	\$ 40

2019 Actions. During 2020, we recorded net pre-tax restructuring costs totaling \$10 million for restructuring actions initiated in 2019, consisting of a reversal of \$2 million in Cost of sales and \$12 million in Selling, general and administrative expenses. The 2019 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of field operations. The following table summarizes the accrual balances and utilization by cost type for the 2019 restructuring actions:

<i>(dollars in millions)</i>	Severance	Facility Exit and Other Costs	Total
Restructuring accruals at January 1, 2020	\$ 47	\$ 11	\$ 58
Net pre-tax restructuring costs	6	4	10
Utilization, foreign exchange and other costs	(41)	(5)	(46)
Balance at December 31, 2020	\$ 12	\$ 10	\$ 22

The following table summarizes expected, incurred and remaining costs for the 2019 programs by segment:

<i>(dollars in millions)</i>	Expected Costs	Costs Incurred During 2019	Costs Incurred During 2020	Remaining Costs at December 31, 2020
Pratt & Whitney	\$ 121	\$ (133)	\$ 12	\$ —
Collins Aerospace Systems	107	(27)	(22)	58
Corporate expenses and other unallocated items	2	(2)	—	—
Total	\$ 230	\$ (162)	\$ (10)	\$ 58

2018 and Prior Actions. During 2020, we reversed net pre-tax restructuring costs totaling \$3 million for restructuring actions initiated in 2018 and prior. As of December 31, 2020, we have \$45 million of accrual balances remaining related to 2018 and prior actions.

NOTE 15: FINANCIAL INSTRUMENTS

We enter into derivative instruments primarily for risk management purposes, including derivatives designated as hedging instruments under the Derivatives and Hedging Topic of the FASB ASC and those utilized as economic hedges. 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 have used derivative instruments, including swaps, forward contracts and options to manage certain foreign currency, interest rate and commodity price exposures.

The aggregate notional amount of our outstanding foreign currency hedges was \$11.6 billion and \$13.0 billion at December 31, 2020 and 2019, respectively. Additional information pertaining to foreign exchange and hedging activities is included in “Note 1: Basis of Presentation and Summary of Accounting Principles.”

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

<i>(dollars in millions)</i>	Balance Sheet Location	2020		2019	
Derivatives designated as hedging instruments:					
Foreign exchange contracts	Other assets, current	\$	197	\$	23
	Other accrued liabilities		66		166
Derivatives not designated as hedging instruments:					
Foreign exchange contracts	Other assets, current		44		23
	Other accrued liabilities		32		116

The effect of cash flow hedging relationships on accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2019 are presented in the table below. The amounts of gain or (loss) are attributable to foreign exchange contract activity and are recorded as a component of Product sales when reclassified from accumulated other comprehensive income (loss).

<i>(dollars in millions)</i>	Year Ended December 31,	
	2020	2019
Gain (loss) recorded in Accumulated other comprehensive loss	\$ 181	\$ (33)
Loss reclassified from Accumulated other comprehensive loss into Product sales	82	51

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

We have approximately €500 million of euro-denominated long-term debt, which qualifies as a net investment hedge against our investments in European businesses. As of December 31, 2020, the net investment hedge is deemed to be effective.

Assuming current market conditions continue, a \$23 million pre-tax gain is expected to be reclassified from Accumulated other comprehensive loss into Product sales to reflect the fixed prices obtained from foreign exchange hedging within the next 12 months. At December 31, 2020, all derivative contracts accounted for as cash flow hedges will mature by January 2028.

The effect of derivatives not designated as hedging instruments within Other income, net, on the Consolidated Statement of Operations was as follows:

<i>(dollars in millions)</i>	Year Ended December 31,	
	2020	2019
Foreign exchange contracts gain (loss)	\$ (76)	\$ 91

NOTE 16: FAIR VALUE MEASUREMENTS

In accordance with the provisions of ASC 820, the following tables provide the valuation hierarchy classification of assets and liabilities that are carried at fair value and measured on a recurring basis in our Consolidated Balance Sheet as of December 31, 2020 and 2019:

<i>(dollars in millions)</i>	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Marketable securities held in trusts	\$ 881	\$ 773	\$ 108	\$ —
Derivative assets	241	—	241	—
Derivative liabilities	(98)	—	(98)	—

<i>(dollars in millions)</i>	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Available-for-sale securities	\$ 53	\$ 53	\$ —	\$ —
Derivative assets	46	—	46	—
Derivative liabilities	(282)	—	(282)	—

Valuation Techniques. Our available-for-sale securities include equity investments that are traded in active markets, either domestically or internationally, and are measured at fair value using closing stock prices from active markets. Our derivative assets and liabilities include foreign exchange contracts that are measured at fair value using internal models based on observable market inputs such as forward rates, interest rates, our own credit risk and our counterparties' credit risks.

As of December 31, 2020, there has not been any significant impact to the fair value of our derivative liabilities due to our own credit risk. Similarly, there has not been any significant adverse impact to our derivative assets based on our evaluation of our counterparties' credit risks.

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

<i>(dollars in millions)</i>	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Customer financing notes receivable	\$ 271	\$ 264	\$ 220	\$ 220
Short-term borrowings	(247)	(247)	(2,293)	(2,293)
Long-term debt (excluding finance leases)	(31,512)	(38,615)	(40,883)	(45,887)
Long-term liabilities	(27)	(25)	(334)	(320)

The following table provides the valuation hierarchy classification of assets and liabilities that are not carried at fair value in our Consolidated Balance Sheet as of December 31, 2020 and 2019:

<i>(dollars in millions)</i>	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Customer financing notes receivable	\$ 264	\$ —	\$ 264	\$ —
Short-term borrowings	(247)	—	(160)	(87)
Long-term debt (excluding finance leases)	(38,615)	—	(38,540)	(75)
Long-term liabilities	(25)	—	(25)	—

<i>(dollars in millions)</i>	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Customer financing notes receivable	\$ 220	\$ —	\$ 220	\$ —
Short-term borrowings	(2,293)	—	—	(2,293)
Long-term debt (excluding finance leases)	(45,887)	—	(45,802)	(85)
Long-term liabilities	(320)	—	(320)	—

NOTE 17: VARIABLE INTEREST ENTITIES

Pratt & Whitney holds a 61% program share interest in the International Aero Engines AG (IAE) collaboration with MTU Aero Engines AG (MTU) and Japanese Aero Engines Corporation (JAEC) and a 49.5% ownership interest in IAE. IAE's business purpose is to coordinate the design, development, manufacturing and product support of the V2500 engine program through involvement with the collaborators. Additionally, Pratt & Whitney, JAEC and MTU are participants in International Aero Engines, LLC (IAE LLC), whose business purpose is to coordinate the design, development, manufacturing and product support for the PW1100G-JM engine for the Airbus A320neo aircraft and the PW1400G-JM engine for the Irkut MC-21 aircraft. Pratt & Whitney holds a 59% program share interest and a 59% ownership interest in IAE LLC. IAE and IAE LLC retain limited equity with the primary economics of the programs passed to the participants. As such, we have determined that IAE and IAE LLC are variable interest entities with Pratt & Whitney the primary beneficiary. IAE and IAE LLC have,

therefore, been consolidated. The carrying amounts and classification of assets and liabilities for variable interest entities in our Consolidated Balance Sheet as of December 31, 2020 and 2019 are as follows:

<i>(dollars in millions)</i>	2020	2019
Current assets	\$ 6,652	\$ 5,448
Noncurrent assets	868	894
Total assets	\$ 7,520	\$ 6,342
Current liabilities	\$ 7,365	\$ 6,971
Noncurrent liabilities	89	94
Total liabilities	\$ 7,454	\$ 7,065

NOTE 18: GUARANTEES

We extend a variety of financial, market value and product performance guarantees to third parties. As of December 31, 2020 and 2019, the following financial guarantees were outstanding:

<i>(dollars in millions)</i>	December 31, 2020		December 31, 2019	
	Maximum Potential Payment	Carrying Amount of Liability	Maximum Potential Payment	Carrying Amount of Liability
Commercial aerospace financing guarantees	\$ 322	\$ 6	\$ 333	\$ 7
Performance guarantees	386	3	48	—

We have made residual value and other guarantees related to various commercial aerospace customer financing arrangements. The estimated fair market values of the guaranteed assets equal or exceed the value of the related guarantees, net of existing reserves. Collaborative partner share of these financing guarantees is \$142 million at December 31, 2020 and 2019.

We also have obligations arising from sales of certain businesses and assets, including those from representations and warranties and related indemnities for environmental, health and safety, tax and employment matters. The maximum potential payment related to these obligations is not a specified amount as a number of the obligations do not contain financial caps. The carrying amount of liabilities related to these obligations was \$120 million and \$166 million at December 31, 2020 and 2019, respectively. For additional information regarding the environmental indemnifications, see “Note 19: Commitments and Contingencies.”

We accrue for 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.

We provide service and warranty policies on our products and extend performance and operating cost guarantees beyond our normal service and warranty policies on some of our products, particularly commercial aircraft engines. In addition, we incur discretionary costs to service our products in connection with specific product performance issues. Liabilities for performance and operating cost guarantees are based upon future product performance and durability, and are largely estimated based upon historical experience. Adjustments are made to accruals as claim data and historical experience warrant. The changes in the carrying amount of service and product warranties and product performance guarantees for the years ended December 31, 2020 and 2019 are as follows:

<i>(dollars in millions)</i>	2020	2019
Balance as of January 1	\$ 1,033	\$ 929
Warranties and performance guarantees issued	311	444
Settlements	(292)	(330)
Other	5	(10)
Balance as of December 31	\$ 1,057	\$ 1,033

NOTE 19: COMMITMENTS AND CONTINGENCIES

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.

Environmental. Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As described in “Note 1: Basis of Presentation and Summary of Accounting Principles,” we have accrued for the costs of environmental remediation activities, including but not limited to investigatory, remediation, operating and maintenance costs and performance guarantees, and periodically reassess these amounts. We believe that the likelihood of incurring losses materially in excess of amounts accrued is remote. As of December 31, 2020 and 2019, we had \$835 million and \$725 million, respectively, reserved for environmental remediation. Additional information pertaining to environmental matters is included in “Note 1: Basis of Presentation and Summary of Accounting Principles.”

Commercial Aerospace Financing and Other Commitments. We had commercial aerospace financing commitments and other contractual commitments of approximately \$13.4 billion and \$15.0 billion as of December 31, 2020 and 2019, respectively, on a gross basis before reduction for our collaboration partners’ share. Aircraft financing commitments, in the form of debt or lease financing, are provided to certain commercial aerospace customers. The extent to which the financing commitments will be utilized is not currently known, since customers may be able to obtain more favorable terms from other financing sources. We may also arrange for third-party investors to assume a portion of these commitments. The majority of financing commitments are collateralized arrangements. We may also lease aircraft and subsequently sublease the aircraft to customers under long-term non-cancelable operating leases. Our financing commitments with customers are contingent upon maintenance of certain levels of financial condition by the customers.

Associated risks on these commitments are mitigated due to the fact that interest rates are variable during the commitment term and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financing commitments is expected to equal the amounts funded.

We also have other contractual commitments, including commitments to make payments to secure certain contractual rights to provide product on new aircraft platforms, which are included in “Other commercial aerospace commitments” in the table below. Payments made on these contractual commitments are included within intangible assets as exclusivity assets and are amortized over the term of underlying economic benefit. We have entered into certain collaboration arrangements, which may include participation by our collaboration partners in these commitments. In addition, in connection with our 2012 agreement to acquire Rolls-Royce’s ownership and collaboration interests in IAE, additional payments are due to Rolls-Royce contingent upon each hour flown through June 2027 by the V2500-powered aircraft in service as of the acquisition date. These flight hour payments, which are also considered in “Other commercial aerospace commitments” below, are being capitalized as collaboration intangible assets.

The following is the expected maturity of commercial aerospace industry commitments as of December 31, 2020:

<i>(dollars in millions)</i>	Committed	2021	2022	2023	2024	2025	Thereafter
Commercial aerospace financing commitments	\$ 3,883	\$ 781	\$ 745	\$ 1,216	\$ 1,024	\$ 82	\$ 35
Other commercial aerospace commitments	9,534	521	533	602	510	410	6,958
Collaboration partners’ share	(4,902)	(415)	(437)	(667)	(587)	(150)	(2,646)
Total commercial aerospace commitments	\$ 8,515	\$ 887	\$ 841	\$ 1,151	\$ 947	\$ 342	\$ 4,347

Other Financing Arrangements. We have entered into standby letters of credit and surety bonds with financial institutions to meet various bid, performance, warranty, retention and advance payment obligations for us or our affiliates. We enter into these agreements to assist certain affiliates in obtaining financing on more favorable terms, making bids on contracts and performing their contractual obligations. The stated values of these letters of credit agreements and surety bonds totaled \$4.5 billion as of December 31, 2020.

Offset Obligations. We have entered into industrial cooperation agreements, sometimes in the form of either offset agreements or ICIP agreements, as a condition to obtaining orders for our products and services from certain customers in foreign countries. At December 31, 2020, the aggregate amount of our offset agreements, both agreed to and anticipated to be agreed to, had an outstanding notional value of approximately \$11.0 billion. These agreements are designed to return economic value to the foreign country by requiring us to engage in activities supporting local defense or commercial industries, promoting a balance of trade, developing in-country technology capabilities or addressing other local development priorities. Offset agreements may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training and other consulting support to in-country projects, and the purchase by third parties (e.g., our vendors) of supplies from in-country vendors. These agreements may also be satisfied through our use of cash for activities such as subcontracting with local partners, purchasing supplies from in-country vendors, providing financial support for in-country

projects and making investments in local ventures. Such activities may also vary by country depending upon requirements as dictated by their governments. We typically do not commit to offset agreements until orders for our products or services are definitive. The amounts ultimately applied against our offset agreements are based on negotiations with the customers and typically require cash outlays that represent only a fraction of the notional value in the offset agreements. Offset programs usually extend over several or more years and may provide for penalties in the event we fail to perform in accordance with offset requirements. Historically, we have not been required to pay any penalties of significance.

Government Oversight. In the ordinary course of business, the Company and its subsidiaries and our properties are subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations and threatened legal actions and proceedings. For example, we are now, and believe that, in light of the current U.S. government contracting environment, we will continue to be the subject of one or more U.S. government investigations. Our contracts with the U.S. government are also subject to audits. Agencies that oversee contract performance include: the Defense Contract Audit Agency (DCAA), the Defense Contract Management Agency (DCMA), the Inspectors General of the U.S. Department of Defense (DoD) and other departments and agencies, the Government Accountability Office (GAO), the Department of Justice (DOJ), and Congressional Committees. Other areas of our business operations may also be subject to audit and investigation by these and other agencies. From time to time, agencies investigate or conduct audits to determine whether our operations are being conducted in accordance with applicable requirements. Such investigations and audits may be initiated due to a number of reasons, including as a result of a whistleblower complaint. Such investigations and audits could result in administrative, civil or criminal liabilities, including repayments, fines, treble or other damages, forfeitures, restitution, or penalties being imposed upon us, the suspension of government export licenses or the suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete. The U.S. government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other seriously improper conduct. The U.S. government could void any contracts found to be tainted by fraud. Like many defense contractors, we have received audit reports recommending the reduction of certain contract prices because, for example, cost or pricing data or cost accounting practices used to price and negotiate those contracts may not have conformed to government regulations. Some of these audit reports recommend that certain payments be repaid, delayed, or withheld, and may involve substantial amounts. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and, in some cases, continue to negotiate and/or litigate. The Company may be, and has been, required to make payments into escrow of disputed liabilities while the related litigation is pending. If the litigation is resolved in the Company's favor, any such payments will be returned to the Company with interest. Our final allowable incurred costs for each year are also subject to audit and have, from time to time, resulted in disputes between us and the U.S. government, with litigation resulting at the Court of Federal Claims (COFC) or the Armed Services Board of Contract Appeals (ASBCA) or their related courts of appeals. In addition, the DOJ has, from time to time, convened grand juries to investigate possible irregularities by us. We also provide products and services to customers outside of the U.S., and those sales are subject to local government laws, regulations and procurement policies and practices. Our compliance with such local government regulations or any applicable U.S. government regulations (e.g., the Foreign Corrupt Practices Act (FCPA) and International Traffic in Arms Regulations (ITAR)) may also be investigated or audited. In addition, we accrue for liabilities associated with those matters that are probable and can be reasonably estimated. The most likely liability amount to be incurred is accrued based upon a range of estimates. Where no amount within a range of estimates is more likely, then we accrue the minimum amount. Other than as specifically disclosed in this Form 10-K, we do not expect these audits, investigations or disputes to have a material effect on our financial position, results of operations or liquidity, either individually or in the aggregate.

Legal Proceedings. The Company and its subsidiaries are subject to various litigation matters across jurisdictions, updates to certain of which are set forth below.

Cost Accounting Standards Claims

As previously disclosed, in April 2019, a Divisional Administrative Contracting Officer (DACO) of the United States DCMA asserted a claim against Pratt & Whitney to recover overpayments of approximately \$1.73 billion plus interest (\$681 million at December 31, 2020). The claim is based on Pratt & Whitney's alleged noncompliance with Cost Accounting Standards (CAS) from January 1, 2007 to March 31, 2019, due to its method of allocating independent research and development costs to government contracts. Pratt & Whitney believes that the claim is without merit and filed an appeal to the ASBCA on June 7, 2019.

As previously disclosed, in December 2013, a DCMA DACO asserted a claim against Pratt & Whitney to recover overpayments of approximately \$177 million plus interest (\$113 million at December 31, 2020). The claim is based on Pratt & Whitney's alleged noncompliance with CAS from January 1, 2005 to December 31, 2012, due to its method of determining the cost of collaborator parts used in the calculation of material overhead costs for government contracts. In 2014, Pratt & Whitney filed an appeal to the ASBCA. An evidentiary hearing was held and completed in June 2019. The parties concluded post-hearing briefing in January 2020, and now await a decision from the ASBCA. We continue to believe that the claim is without

merit. In December 2018, a DCMA DACO issued a second claim against Pratt & Whitney that similarly alleges that its method of determining the cost of collaborator parts does not comply with the CAS for calendar years 2013 through 2017. This second claim demands payment of \$269 million plus interest (\$69 million at December 31, 2020), which we also believe is without merit and which Pratt & Whitney appealed to the ASBCA in January 2019.

Thales-Raytheon Systems Matter

As previously disclosed, in 2019, Raytheon Company received a subpoena from the Securities and Exchange Commission (SEC) seeking information in connection with an investigation into whether there were improper payments made by Thales-Raytheon Systems (TRS) or anyone acting on their behalf in connection with TRS or Raytheon Company contracts in certain Middle East countries since 2014. In the first quarter of 2020, the DOJ advised Raytheon Company it had opened a parallel investigation. In the third quarter of 2020, Raytheon Company received an additional subpoena from the SEC, seeking information and documents as part of its ongoing investigation. Raytheon Company maintains a rigorous anti-corruption compliance program, is cooperating fully with the SEC's inquiry, and is examining whether there has been any conduct that is in violation of Raytheon Company policy. At this time, the Company is unable to predict the outcome of the SEC's or DOJ's inquiry. Based on the information available to date, however, we do not believe the results of this inquiry will have a material adverse effect on our financial condition, results of operations or liquidity.

DOJ Investigation

On October 8, 2020, the Company received a criminal subpoena from the DOJ seeking information and documents in connection with an investigation relating to financial accounting, internal controls over financial reporting, and cost reporting regarding Raytheon Company's Missiles & Defense business since 2009. We are cooperating fully with the DOJ's investigation. At this time, the Company is unable to predict the outcome of the investigation. Based on the information available to date, however, we do not believe the results of this inquiry will have a material adverse effect on our financial condition, results of operations or liquidity. Four lawsuits were filed against the Company after the DOJ investigation was first disclosed. A putative securities class action lawsuit was filed in the United States District Court for the District of Arizona against the Company and certain of its executives alleging that the defendants violated federal securities laws by making material misstatements in regulatory filings regarding internal controls over financial reporting in the Missiles & Defense business. Three shareholder derivative lawsuits were filed in the United States District Court for the District of Delaware against the former Raytheon Company Board of Directors, the Company and certain of its executives, each alleging that defendants violated federal securities laws and breached their fiduciary duties by engaging in improper accounting practices, failing to implement sufficient internal financial and compliance controls, and making a series of false and misleading statements in regulatory filings. We believe that each of these lawsuits lacks merit.

Darnis, et al.

On August 12, 2020, several former employees of UTC or its subsidiaries filed a putative class action complaint in the United States District Court for the District of Connecticut against the Company, Otis, Carrier, the former members of the UTC Board of Directors, and the members of the Carrier and Otis Boards of Directors (Geraud Darnis, et al. v. Raytheon Technologies Corporation, et al.). The complaint challenges the method by which UTC equity awards were converted to Company, Otis, and Carrier equity awards following the separation of UTC into three independent, publicly-traded companies on April 3, 2020. The complaint claims that the defendants are liable for breach of certain equity compensation plans and for breach of fiduciary duty, and also asserts claims under certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA). We believe that the Company has meritorious defenses to these claims. At this time, the Company is unable to predict the outcome, or the possible range of loss, if any, which could result from this action.

Other. As described in "Note 18: Guarantees," we extend performance and operating cost guarantees beyond our normal warranty and service policies for extended periods on some of our products. We have accrued our estimate of the liability that may result under these guarantees and for service costs that are probable and can be reasonably estimated.

We also have other 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 upon a range of possible outcomes. If no amount within this range is a better estimate than any other, then we accrue the minimum amount. Of note, the design, development, production and support of new aerospace technologies is inherently complex and subject to risk. Since the PW1000G Geared TurboFan engine entered into service in 2016, technical issues have been identified and experienced with the engine, which is usual for new engines and new aerospace technologies. Pratt & Whitney has addressed these issues through various improvements and modifications. These issues have resulted in financial impacts, including increased warranty provisions, customer contract settlements, and reductions in contract performance estimates. Additional technical issues, either related to this program or other programs, may also arise in the normal course, which may result in financial impacts that could be material to the Company's financial position, results of operations and cash flows.

In the ordinary course of business, the Company and its subsidiaries are also routinely defendants in, parties 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 instances, claims for substantial monetary damages are asserted against the Company and its subsidiaries and could result in fines, penalties, compensatory or treble damages or non-monetary relief. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

NOTE 20: ACCUMULATED OTHER COMPREHENSIVE INCOME

A summary of the changes in each component of Accumulated other comprehensive (loss) income, net of tax for the years ended December 31, 2020, 2019 and 2018 is provided below:

<i>(dollars in millions)</i>	Foreign Currency Translation	Defined Benefit Pension and Postretirement Plans	Unrealized Gains (Losses) on Available-for- Sale Securities	Unrealized Hedging (Losses) Gains	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2017	\$ (2,950)	\$ (4,652)	\$ 5	\$ 72	\$ (7,525)
Other comprehensive loss before reclassifications, net	(486)	(1,736)	—	(307)	(2,529)
Amounts reclassified, pre-tax	(2)	344	—	(16)	326
Tax benefit (expense)	(4)	326	—	78	400
ASU 2016-01 adoption impact	—	—	(5)	—	(5)
Balance at December 31, 2018	\$ (3,442)	\$ (5,718)	\$ —	\$ (173)	\$ (9,333)
Other comprehensive income (loss) before reclassifications, net	280	(584)	—	(33)	(337)
Amounts reclassified, pre-tax	2	170	—	51	223
Tax benefit (expense)	(43)	97	—	(11)	43
ASU 2018-02 adoption impact	(8)	(737)	—	—	(745)
Balance at December 31, 2019	\$ (3,211)	\$ (6,772)	\$ —	\$ (166)	\$ (10,149)
Other comprehensive income before reclassifications, net	609	1,842	—	181	2,632
Amounts reclassified, pre-tax	—	373	—	82	455
Tax benefit (expense)	25	(510)	—	(62)	(547)
Separation of Carrier and Otis, net of tax	3,287	584	—	4	3,875
Balance at December 31, 2020	\$ 710	\$ (4,483)	\$ —	\$ 39	\$ (3,734)

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220)*. The standard allows companies to reclassify to retained earnings the stranded tax effects in Accumulated other comprehensive income (AOCI) from the TCJA. We elected to reclassify the income tax effects of TCJA from AOCI of \$745 million to retained earnings, effective January 1, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Upon adoption, investments that do not result in consolidation and are not accounted for under the equity method generally must be carried at fair value, with changes in fair value recognized in net income. We had approximately \$5 million of unrealized gains on these securities recorded in Accumulated other comprehensive loss in our Consolidated Balance Sheet as of December 31, 2017. We adopted this standard effective January 1, 2018, with these amounts recorded directly to retained earnings as of that date.

Amounts reclassified that relate to our defined benefit pension and postretirement plans include the 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.

All noncontrolling interests with redemption features, such as put options, that are not solely within our control (redeemable noncontrolling interests) are reported in the mezzanine section of the Consolidated Balance Sheet, between liabilities and equity, at the greater of redemption value or initial carrying value.

NOTE 21: STOCK-BASED COMPENSATION

RTC's long-term incentive plans authorize various types of market and performance based incentive awards that may be granted to officers and employees. The Raytheon Technologies Corporation 2018 Long-Term Incentive Plan (2018 LTIP) was approved by shareowners on April 30, 2018 (formerly the United Technologies Corporation 2018 Long-Term Incentive Plan).

Upon the separation of Carrier and Otis that occurred on April 3, 2020, the shares remaining for future issuance under the 2018 LTIP were adjusted, in accordance with plan rules. With this adjustment, a total of 81.3 million shares have been authorized for issuance pursuant to awards under the 2018 LTIP. As of December 31, 2020, approximately 48 million shares remain available for awards under the 2018 LTIP. The 2018 LTIP does not contain an aggregate annual award limit, however, it sets an annual award limit per participant. Unless shareowners approve a proposal to extend the term of the 2018 LTIP at the Company's Annual Meeting on April 26, 2021, the 2018 LTIP will expire after all authorized shares have been awarded or April 30, 2028, whichever is sooner. If shareowners approve the proposed extension, the 2018 LTIP will expire after all authorized shares have been awarded or April 26, 2031, whichever is sooner.

As a result of the Raytheon Merger, Raytheon Company shares of restricted stock, restricted stock units (RSUs) and performance share units outstanding prior to the merge, which were issued originally under the Raytheon Company 2010 Stock Plan, as amended and restated, and the Raytheon Company 2018 Stock Plan (together "legacy Raytheon Company Plans"), were converted to Raytheon Technologies shares of restricted stock and RSUs, which resulted in 4.5 million new shares of restricted stock and 2.0 million new RSUs. The conversion of the stock awards resulted in de minimis incremental compensation cost. No new equity awards will be issued under the legacy Raytheon Company Plans.

As a result of the Separation Transactions and Distributions, outstanding awards granted to employees under the 2018 LTIP and under its predecessor plan (the amended and restated United Technologies Long-Term Incentive Plan) were converted into Carrier, Otis, and RTC stock-based awards, depending on whether awards were vested or unvested as of April 2, 2020. Vested awards were converted into vested awards of RTX, Carrier and Otis, and unvested awards were generally converted into unvested awards of the employee's post-separation employer. This conversion resulted in an incremental 1.7 million stock options, 47.1 million stock appreciation rights, 2.7 million performance share units and 5.5 million RSUs. The conversion of the awards resulted in de minimis incremental compensation cost.

Additionally, concurrent with the Separation Transactions and Distributions, all performance share units outstanding on April 3, 2020 were converted to RSUs using payout metrics based on a combination of actual performance and the target for the remainder of the performance period. As a result, the performance share units were converted to 4.0 million RSUs, which were then converted into RTC, Carrier or Otis RSUs, as described above.

Of these converted awards, 1.4 million stock options, 47.9 million stock appreciation rights and 7.1 million RSUs were converted into Carrier and Otis awards and became obligations of Carrier and Otis due to the Separation Transactions and Distributions.

Under the 2018 LTIP, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on that date. Generally, stock appreciation rights and stock options have a term of ten years and a three-year vesting period, subject to limited exceptions. In the event of retirement, annual stock appreciation rights, stock options, and RSUs held for more than one year may become vested and exercisable, subject to certain terms and conditions. LTIP awards with performance-based vesting generally have a minimum three-year vesting period and vest based on actual performance against pre-established metrics. In the event of retirement, performance-based awards held for more than one year, remain eligible to vest based on actual performance relative to performance goals. We have historically repurchased shares of our common stock in an amount at least equal to the number of shares issued under our equity compensation arrangements and will continue to evaluate this policy in conjunction with our overall share repurchase program.

We measure the cost of all share-based payments, including stock options and stock appreciation rights, at fair value on the grant date and recognize this cost in the Consolidated Statement of Operations, net of expected forfeitures, as follows:

<i>(dollars in millions)</i>	2020	2019	2018
Total compensation cost recognized	\$ 330	\$ 268	\$ 169

The associated future income tax benefit recognized was \$63 million, \$47 million and \$31 million for the years ended December 31, 2020, 2019 and 2018, respectively.

For the years ended December 31, 2020, 2019 and 2018, the amount of cash received from the exercise of stock options was \$15 million, \$27 million and \$36 million, respectively, with an associated tax benefit realized of \$48 million, \$75 million and \$59 million, respectively. In addition, for the years ended December 31, 2020, 2019 and 2018, the associated tax benefit realized from the vesting of performance share units, restricted stock awards and RSUs was \$58 million, \$36 million and \$13 million, respectively.

At December 31, 2020, there was \$315 million of total unrecognized compensation cost related to non-vested equity awards granted under long-term incentive plans. This cost is expected to be recognized ratably over a weighted-average period of 2.6 years.

A summary of the transactions under our long-term incentive plans for the years ended December 31, 2020 follows. The amounts in the tables and paragraphs below have not been recast for discontinued operations.

<i>(shares and units in thousands)</i>	Stock Options		Stock Appreciation Rights		Performance Share Units		Restricted Stock and RSUs	
	Shares	Average Price ⁽¹⁾	Shares	Average Price ⁽¹⁾	Units	Average Price ⁽¹⁾	Units	Average Price ⁽¹⁾
Outstanding at:								
December 31, 2019	1,568	\$ 106.75	32,713	\$ 108.61	1,919	\$ 120.04	3,319	\$ 119.34
Granted	262	153.00	6,346	152.45	—	—	1,718	119.86
Exercised / earned	(144)	77.02	(3,755)	83.78	(527)	111.17	(2,622)	72.13
Cancelled	(18)	92.36	(991)	95.30	(48)	110.18	(267)	79.66
Conversion impact - Separation and Distribution ⁽²⁾	276	43.71	(763)	38.00	(1,344)	46.58	2,404	42.69
Conversion impact - Raytheon Merger ⁽³⁾	—	—	—	—	—	—	6,482	51.00
December 31, 2020	1,944	\$ 77.88	33,550	\$ 77.93	—	\$ —	11,034	\$ 62.92

(1) Weighted-average grant / exercise price.

(2) Represents UTC awards converted for the Separation and Distribution and conversion of performance share units to RSUs as discussed further above.

(3) Represents Raytheon Company awards converted to RTC restricted stock and RSUs in accordance with the Raytheon Merger.

The weighted-average grant date fair value of stock options and stock appreciation rights granted during 2020, 2019 and 2018 was \$23.37, \$20.81 and \$20.24, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2019 and 2018 was \$117.87 and \$131.55, respectively. The total fair value of awards vested during the years ended December 31, 2020, 2019 and 2018 was \$284 million, \$211 million and \$149 million, respectively. The total intrinsic value (which is the amount by which the stock price exceeded the exercise price on the date of exercise) of stock options and stock appreciation rights exercised during the years ended December 31, 2020, 2019 and 2018 was \$206 million, \$383 million and \$283 million, respectively. The total intrinsic value (which is the stock price at vesting multiplied by the number of underlying shares) of performance share units and other restricted awards vested was \$295 million, \$188 million and \$74 million during the years ended December 31, 2020, 2019 and 2018, respectively.

The following table summarizes information about equity awards outstanding that are vested and expected to vest as well as equity awards outstanding that are exercisable at December 31, 2020:

<i>(shares in thousands; aggregate intrinsic value in millions)</i>	Equity Awards Vested and Expected to Vest				Equity Awards That Are Exercisable			
	Awards	Average Price ⁽¹⁾	Aggregate Intrinsic Value	Remaining Term ⁽²⁾	Awards	Average Price ⁽¹⁾	Aggregate Intrinsic Value	Remaining Term ⁽²⁾
Stock Options	1,923	\$ 77.82	\$ —	6.49	754	\$ 74.28	\$ 2,414	3.86
Stock Appreciation Rights	33,164	77.86	—	6.34	16,766	75.51	42,783	4.45
Restricted Stock and RSUs	10,589	63.07	—	1.63				

(1) Weighted-average exercise price per share.

(2) Weighted-average contractual remaining term in years.

The fair value of each option award is estimated on the date of grant using a binomial lattice model. The following table indicates the assumptions used in estimating fair value for awards granted during 2020, 2019 and 2018. Lattice-based option models incorporate ranges of assumptions for inputs; those ranges are as follows:

	2020	2019	2018
Expected volatility	18.8%	18.8% - 19.7%	17.5% - 21.1%
Weighted-average volatility	19 %	20 %	18 %
Expected term (in years)	6.5	6.5 - 6.6	6.5 - 6.6
Expected dividend yield	1.9 %	2.4 %	2.2 %
Risk-free rate	1.4% - 1.6%	2.3% - 2.7%	1.3% - 2.7%

Expected volatilities are based on the returns of our stock, including implied volatilities from traded options on our stock for the binomial lattice model. We use historical data to estimate equity award exercise and employee termination behavior within the valuation model. The expected term represents an estimate of the period of time equity awards are expected to remain outstanding. The risk-free rate is based on the term structure of interest rates at the time of equity award grant.

NOTE 22: SEGMENT FINANCIAL DATA

Our operations for the periods presented herein are classified into four principal segments: Collins Aerospace, Pratt & Whitney, RIS and RMD. The segments are generally based on the management structure of the businesses and the grouping of similar operating companies, where each management organization has general operating autonomy over diversified products and services. The results of RIS and RMD reflect the period subsequent to the completion of the Raytheon Merger on April 3, 2020.

Collins Aerospace Systems is a leading global provider of technologically advanced aerospace and defense products and aftermarket service solutions for aircraft manufacturers, airlines, and regional, business and general aviation, as well as for defense and commercial space operations. Collins Aerospace's product lines include integrated avionics systems, communications systems, navigation systems, electric power generation, management and distribution systems, environmental control systems, flight control systems, air data and aircraft sensing systems, engine control systems, engine nacelle systems, including thrust reversers and mounting pylons, interior and exterior aircraft lighting, aircraft seating and cargo systems, landing systems, including landing gear, wheels and braking systems, hoists and winches, fire and ice detection and protection systems, actuation systems, engine components, and propeller systems. Collins Aerospace also designs, produces and supports cabin interior, communications and aviation systems, oxygen systems, food and beverage preparation, storage and galley systems, lavatory and wastewater management systems. Collins Aerospace solutions support human space exploration with environmental control and power systems and extravehicular activity suits and support government and defense customer missions by providing airborne intelligence, surveillance and reconnaissance systems, test and training range systems, crew escape systems, and simulation and training solutions. Collins Aerospace also provides information management services through worldwide voice and data communication networks and solutions. Aftermarket services include spare parts, overhaul and repair, engineering and technical support, training and fleet management solutions, and information management services.

Pratt & Whitney is among the world's leading suppliers of aircraft engines for commercial, military, business jet and general aviation customers. Pratt & Whitney's Commercial Engines and Military Engines businesses design, develop, produce and maintain families of large engines for wide- and narrow-body and large regional aircraft for commercial customers and for fighter, bomber, tanker and transport aircraft for military customers. Pratt & Whitney's small engine business, Pratt & Whitney Canada (P&WC), is among the world's leading suppliers of engines powering regional airlines, general and business aviation, as well as helicopters. Pratt & Whitney also produces, sells and services military and commercial auxiliary power units. Pratt & Whitney provides fleet management services and aftermarket maintenance, repair and overhaul services in all of these segments.

Raytheon Intelligence & Space is a global leading developer and provider of integrated sensor and communication systems for advanced missions, advanced training, and cyber and software solutions to intelligence, defense, federal and commercial customers. RIS capabilities include space-based sensors and data processing systems; multi-domain intelligence solutions; electronic warfare solutions, including high-energy laser weapons systems; command and control systems; modernization, training and mission support services; and advanced cyber analytics, systems defense and services.

Raytheon Missiles & Defense is a leading designer, developer, integrator producer and sustainer of integrated air and missile defense systems; defensive and combat solutions; large land- and sea-based radars; command, control, communications and intelligence solutions; and naval and undersea sensor solutions for the U.S. and foreign government customers. RMD's integrated air and missile defense systems include the proven Patriot missile defense system and next-generation radar systems to defeat advanced threats. Its defensive solutions include counter-unmanned aircraft systems and ship defense systems. Its combat solutions include precision munitions, missiles, hypersonics, high power microwave and other weapons. Its command, control, communications and intelligence solutions include integrated, networked, actionable combat solutions for air and land combat commanders. RMD's naval and undersea solutions include combat and ship electronic and sensing systems, as well as undersea sensing and effects solutions. Its sustainment solutions include maintenance, depot support, training and predictive analytics services.

Segment Information. Total sales and operating profit by segment include inter-segment sales which are generally recorded at prices approximating those that the selling entity is able to obtain on external sales for our Collins Aerospace and Pratt & Whitney segments, and at cost-plus a specified fee, which may differ from what the selling entity would be able to obtain on sales to external customers, for our RIS and RMD segments.

In conjunction with the Raytheon Merger, we revised our measurement of segment performance to reflect how management now reviews and evaluates operating performance. Under the new segment performance measurement, certain acquisition

accounting adjustments are now excluded from segments' results in order to better represent the ongoing operational performance of those segments. In addition, the majority of Corporate expenses are now allocated to the segments, excluding certain items that remain at Corporate because they are not included in management's review of the segments' results. Historical results, discussion and presentation of our business segments reflect the impact of these adjustments for all periods presented.

Also as a result of the Raytheon Merger, we now present a FAS/CAS operating adjustment outside of segment results, which represents the difference between the service cost component of our pension and PRB expense under the Financial Accounting Standards (FAS) requirements of U.S. GAAP and our pension and PRB expense under U.S. government Cost Accounting Standards (CAS) primarily related to our RIS and RMD segments. While the ultimate liability for pension and PRB costs under FAS and CAS is similar, the pattern of cost recognition is different. Over time we generally expect to recover the related RIS and RMD pension and PRB liabilities through the pricing of our products and services to the U.S. government. Because the Collins Aerospace and Pratt & Whitney segments generally record pension and PRB expense on a FAS basis, historical results were not impacted by this change in segment reporting.

Segment information for the years ended December 31 is as follows:

<i>(dollars in millions)</i>	Net Sales			Operating Profit (Loss)			Operating Profit (Loss) Margins		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Collins Aerospace Systems	\$ 19,288	\$ 26,028	\$ 16,634	\$ 1,466	\$ 4,508	\$ 2,397	7.6 %	17.3 %	14.4 %
Pratt & Whitney	16,799	20,902	19,402	(564)	1,801	1,402	(3.4)%	8.6 %	7.2 %
Raytheon Intelligence & Space	10,841	—	—	1,014	—	—	9.4 %	— %	— %
Raytheon Missiles & Defense	11,660	—	—	890	—	—	7.6 %	— %	— %
Total segment	58,588	46,930	36,036	2,806	6,309	3,799	4.8 %	13.4 %	10.5 %
Eliminations and other ⁽¹⁾	(2,001)	(1,581)	(1,335)	(111)	(140)	(69)			
Corporate expenses and other unallocated items ⁽²⁾	—	—	—	(590)	(367)	(340)			
FAS/CAS operating adjustment	—	—	—	1,106	—	—			
Acquisition accounting adjustments ⁽³⁾	—	—	—	(5,100)	(888)	(513)			
Consolidated	\$ 56,587	\$ 45,349	\$ 34,701	\$ (1,889)	\$ 4,914	\$ 2,877	(3.3)%	10.8 %	8.3 %

(1) Includes the operating results of certain smaller non-reportable business segments, including Forcepoint, LLC, which was acquired as part of the Raytheon Merger, and subsequently disposed of in January 2021.

(2) The net expenses related to the U.S. Army's Lower Tier Air and Missile Defense Sensor (LTAMDS) project of \$130 million in 2020 are included in Corporate operating profit as they are not included in management's evaluation of business segment results. No amounts were recorded in 2019 or 2018.

(3) Operating profit (loss) in 2020 includes the \$3.2 billion goodwill impairment charge in the second quarter of 2020 related to two Collins Aerospace reporting units. Refer to "Note 2: Acquisitions, Dispositions, Goodwill and Intangible Assets" for additional information.

<i>(dollars in millions)</i>	Total Assets		Capital Expenditures			Depreciation & Amortization		
	2020	2019	2020	2019	2018	2020	2019	2018
Collins Aerospace Systems ⁽¹⁾	\$ 68,701	\$ 74,049	\$ 638	\$ 959	\$ 515	\$ 736	\$ 695	\$ 396
Pratt & Whitney ⁽¹⁾	32,780	31,170	565	822	866	729	614	574
Raytheon Intelligence & Space ⁽¹⁾	20,911	—	214	—	—	152	—	—
Raytheon Missiles & Defense ⁽¹⁾	29,999	—	284	—	—	230	—	—
Total segment	152,391	105,219	1,701	1,781	1,381	1,847	1,309	970
Corporate, eliminations and other	9,698	2,573	94	87	86	155	165	161
Acquisition accounting adjustments						2,154	1,234	765
Assets related to discontinued operations	64	31,823						
Consolidated	\$ 162,153	\$ 139,615	\$ 1,795	\$ 1,868	\$ 1,467	\$ 4,156	\$ 2,708	\$ 1,896

(1) Total assets include acquired intangible assets and property, plant and equipment fair value adjustment. Related amortization expense is included in Acquisition accounting adjustments.

Geographic External Sales by Origin and Long-Lived Assets. Geographic external sales are attributed to the geographic regions based on their location of origin. U.S. external sales include export sales to commercial customers outside the U.S. and sales to the U.S. government, commercial and affiliated customers, which are known to be for resale to customers outside the U.S. Long-lived assets are net fixed assets attributed to the specific geographic regions.

<i>(dollars in millions)</i>	External Net Sales			Long-Lived Assets	
	2020	2019	2018	2020	2019
United States Operations	\$ 48,560	\$ 35,125	\$ 26,646	\$ 11,560	\$ 7,048
International Operations					
Europe	3,696	4,419	3,092	1,371	1,268
Asia Pacific	1,574	1,989	1,645	893	917
Middle East and North Africa	103	203	226	137	132
Other	2,654	3,613	3,092	1,001	957
Consolidated	\$ 56,587	\$ 45,349	\$ 34,701	\$ 14,962	\$ 10,322

Disaggregation of Revenue. We also disaggregate our contracts from customers by geographic location based on customer location, by customer and by sales type. Our geographic location based on customer location uses end user customer location where known or practical to determine, or in instances where the end user customer is not known or not practical to determine, we utilize “ship to” location as the customer location. In addition, for our RIS and RMD segments, we disaggregate our contracts from customers by contract type. We believe these categories best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Historical results have been recast to reflect the presentation of this disaggregation.

Segment sales disaggregated by geographic region for the years ended December 31, 2020, 2019 and 2018 are as follows:

<i>(dollars in millions)</i>	2020					
	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total
United States	\$ 10,132	\$ 8,534	\$ 8,500	\$ 7,110	\$ 284	\$ 34,560
Asia Pacific	1,810	4,024	613	1,156	41	7,644
Middle East and North Africa	421	505	376	2,111	30	3,443
Europe	4,643	2,726	307	1,031	149	8,856
Canada and All Other	904	1,001	83	73	23	2,084
Consolidated net sales	17,910	16,790	9,879	11,481	527	56,587
Inter-segment sales	1,378	9	962	179	(2,528)	—
Business segment sales	\$ 19,288	\$ 16,799	\$ 10,841	\$ 11,660	\$ (2,001)	\$ 56,587

<i>(dollars in millions)</i>	2019					
	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total
United States	\$ 12,762	\$ 8,622	\$ —	\$ —	\$ 13	\$ 21,397
Asia Pacific	2,473	5,462	—	—	—	7,935
Middle East and North Africa	693	837	—	—	—	1,530
Europe	7,051	4,327	—	—	—	11,378
Canada and All Other	1,452	1,657	—	—	—	3,109
Consolidated net sales	24,431	20,905	—	—	13	45,349
Inter-segment sales	1,597	(3)	—	—	(1,594)	—
Business segment sales	\$ 26,028	\$ 20,902	\$ —	\$ —	\$ (1,581)	\$ 45,349

	2018						
<i>(dollars in millions)</i>	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total	
United States	\$ 7,079	\$ 8,575	\$ —	\$ —	\$ 12	\$ 15,666	
Asia Pacific	1,525	5,112	—	—	—	6,637	
Middle East and North Africa	425	457	—	—	—	882	
Europe	5,508	4,023	—	—	—	9,531	
Canada and All Other	748	1,237	—	—	—	1,985	
Consolidated net sales	15,285	19,404	—	—	12	34,701	
Inter-segment sales	1,349	(2)	—	—	(1,347)	—	
Business segment sales	\$ 16,634	\$ 19,402	\$ —	\$ —	\$ (1,335)	\$ 34,701	

Segment sales disaggregated by customer for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020						
<i>(dollars in millions)</i>	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total	
U.S. government ⁽¹⁾	\$ 5,159	\$ 5,193	\$ 8,309	\$ 7,099	\$ 202	\$ 25,962	
Foreign military sales through the U.S. government	218	1,229	593	2,545	—	4,585	
Foreign government direct commercial sales	923	583	729	1,736	3	3,974	
Commercial aerospace and other commercial	11,610	9,785	248	101	322	22,066	
Consolidated net sales	17,910	16,790	9,879	11,481	527	56,587	
Inter-segment sales	1,378	9	962	179	(2,528)	—	
Business segment sales	\$ 19,288	\$ 16,799	\$ 10,841	\$ 11,660	\$ (2,001)	\$ 56,587	

(1) Excludes foreign military sales through the U.S. government.

	2019						
<i>(dollars in millions)</i>	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total	
U.S. government ⁽¹⁾	\$ 4,781	\$ 4,313	\$ —	\$ —	\$ —	\$ 9,094	
Foreign military sales through the U.S. government	255	1,316	—	—	—	1,571	
Foreign government direct commercial sales	937	561	—	—	—	1,498	
Commercial aerospace and other commercial	18,458	14,715	—	—	13	33,186	
Consolidated net sales	24,431	20,905	—	—	13	45,349	
Inter-segment sales	1,597	(3)	—	—	(1,594)	—	
Business segment sales	\$ 26,028	\$ 20,902	\$ —	\$ —	\$ (1,581)	\$ 45,349	

(1) Excludes foreign military sales through the U.S. government.

	2018					
<i>(dollars in millions)</i>	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total
U.S. government ⁽¹⁾	\$ 2,643	\$ 3,917	\$ —	\$ —	\$ —	\$ 6,560
Foreign military sales through the U.S. government	195	707	—	—	—	902
Foreign government direct commercial sales	737	538	—	—	—	1,275
Commercial aerospace and other commercial	11,710	14,242	—	—	12	25,964
Consolidated net sales	15,285	19,404	—	—	12	34,701
Inter-segment sales	1,349	(2)	—	—	(1,347)	—
Business segment sales	\$ 16,634	\$ 19,402	\$ —	\$ —	\$ (1,335)	\$ 34,701

(1) Excludes foreign military sales through the U.S. government.

Sales to Airbus primarily relate to Pratt & Whitney and Collins Aerospace products, and prior to discounts and incentives were approximately \$7,299 million, \$9,879 million and \$10,025 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Segment sales disaggregated by sales type for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020					
<i>(dollars in millions)</i>	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total
Product	\$ 14,664	\$ 10,186	\$ 7,531	\$ 10,476	\$ 462	\$ 43,319
Service	3,246	6,604	2,348	1,005	65	13,268
Consolidated net sales	17,910	16,790	9,879	11,481	527	56,587
Inter-segment sales	1,378	9	962	179	(2,528)	—
Business segment sales	\$ 19,288	\$ 16,799	\$ 10,841	\$ 11,660	\$ (2,001)	\$ 56,587

	2019					
<i>(dollars in millions)</i>	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total
Product	\$ 19,991	\$ 12,994	\$ —	\$ —	\$ 13	\$ 32,998
Service	4,440	7,911	—	—	—	12,351
Consolidated net sales	24,431	20,905	—	—	13	45,349
Inter-segment sales	1,597	(3)	—	—	(1,594)	—
Business segment sales	\$ 26,028	\$ 20,902	\$ —	\$ —	\$ (1,581)	\$ 45,349

	2018					
<i>(dollars in millions)</i>	Collins Aerospace Systems	Pratt & Whitney	Raytheon Intelligence & Space	Raytheon Missiles & Defense	Other	Total
Product	\$ 12,708	\$ 11,421	\$ —	\$ —	\$ 12	\$ 24,141
Service	2,577	7,983	—	—	—	10,560
Consolidated net sales	15,285	19,404	—	—	12	34,701
Inter-segment sales	1,349	(2)	—	—	(1,347)	—
Business segment sales	\$ 16,634	\$ 19,402	\$ —	\$ —	\$ (1,335)	\$ 34,701

RIS and RMD segment sales disaggregated by contract type for the year ended December 31, 2020 are as follows:

<i>(dollars in millions)</i>	2020	
	Raytheon Intelligence & Space	Raytheon Missiles & Defense
Fixed-price	\$ 4,319	\$ 7,287
Cost-type	5,560	4,194
Consolidated net sales	\$ 9,879	\$ 11,481

NOTE 23: QUARTERLY OPERATING RESULTS (UNAUDITED)

<i>(dollars in millions, except per share amounts)</i>	2020 Quarters				2019 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net Sales	\$ 11,360	\$ 14,061	\$ 14,747	\$ 16,419	\$ 10,953	\$ 11,329	\$ 11,373	\$ 11,694
Gross margin	2,788	1,847	1,743	2,153	2,534	2,775	2,864	2,578
Income (loss) from continuing operations attributable to common shareowners	438	(3,844)	151	146	712	1,183	958	657
Income (loss) from discontinued operations attributable to common shareowners	(521)	9	113	(11)	634	717	190	486
Net income (loss) attributable to common shareowners	\$ (83)	\$ (3,835)	\$ 264	\$ 135	\$ 1,346	\$ 1,900	\$ 1,148	\$ 1,143
Earnings per share of Common Stock - Basic:								
Income (loss) from continuing operations attributable to common shareowners	\$ 0.51	\$ (2.56)	\$ 0.10	\$ 0.10	\$ 0.84	\$ 1.38	\$ 1.12	\$ 0.77
Income (loss) from discontinued operations	(0.61)	0.01	0.08	(0.01)	0.74	0.84	0.22	0.56
Net income (loss) attributable to common shareowners	\$ (0.10)	\$ (2.55)	\$ 0.17	\$ 0.09	\$ 1.58	\$ 2.22	\$ 1.34	\$ 1.33
Earnings (loss) per share of Common Stock - Diluted:								
Income (loss) from continuing operations attributable to common shareowners	\$ 0.50	\$ (2.56)	\$ 0.10	\$ 0.10	\$ 0.83	\$ 1.37	\$ 1.11	\$ 0.76
Income (loss) from discontinued operations	(0.60)	0.01	0.08	(0.01)	0.73	0.83	0.22	0.56
Net income (loss) attributable to common shareowners	\$ (0.10)	\$ (2.55)	\$ 0.17	\$ 0.09	\$ 1.56	\$ 2.20	\$ 1.33	\$ 1.32

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, 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 Corporate Vice President and Controller (Controller), of the effectiveness of the design and operation of our disclosure controls and procedures. 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, CFO and Controller concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, 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, CFO and Controller, as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the U.S. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its 2013 Internal Control – Integrated Framework. Our management has concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2020. The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is set forth in Item 8 of this Annual Report on Form 10-K. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Section 13(r)(1)(D) Disclosures

The following activities are disclosed as required by Section 13(r)(1)(D) of the Securities Exchange Act of 1934, as amended (Exchange Act):

In the Company's Form 10-Q report for the quarterly period ended on June 30, 2020, the Company disclosed, under the heading "Other Matters" in the "Business Overview" section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" activities as required by Section 13(r)(1)(D) of the Securities Exchange Act of 1934, as amended (Exchange Act). Such disclosure is incorporated herein by reference.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors, audit committee financial experts, and the procedures by which our shareowners may recommend nominees to our Board of Directors is incorporated herein by reference to the sections of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Election of Directors” (including under the subheadings “Nominees” and “Nominating Process”) and “Corporate Governance” (including under the subheading “Board Committees”).

Information about our Executive Officers

The following persons are executive officers of Raytheon Technologies Corporation:

Name	Title	Other Business Experience Since 1/1/2016	Age as of 2/8/2021
Roy Azevedo	President, Raytheon Intelligence & Space (since April 2020)	Vice President of Raytheon Company and President of its Space and Airborne Systems (SAS) business unit; Vice President and General Manager of the Intelligence, Surveillance and Reconnaissance Systems product line within SAS; Vice President and General Manager of the Secure Sensor Solutions product line within SAS	60
Christopher T. Calio	President, Pratt & Whitney (since January 2020)	President, Commercial Engines, Pratt & Whitney; Executive Assistant to the Chairman & CEO, United Technologies Corporation; Executive Assistant to the President & CEO, United Technologies Corporation	47
Kevin G. DaSilva	Corporate Vice President, Treasurer, Raytheon Technologies Corporation (since April 2020)	Vice President and Treasurer, Raytheon Company	57
Michael R. Dumais	Executive Vice President, Chief Transformation Officer, Raytheon Technologies Corporation (since January 2021)	Executive Vice President, Corporate Strategy & Development, United Technologies Corporation; Executive Vice President, Operations & Strategy, United Technologies Corporation; Senior Vice President, Strategic Planning, United Technologies Corporation	54
Gregory J. Hayes	President, Chief Executive Officer and Director, Raytheon Technologies Corporation (since November 2014)	Chairman, President and Chief Executive Officer, United Technologies Corporation	60
Frank R. Jimenez	Executive Vice President and General Counsel, Raytheon Technologies Corporation (since April 2020)	Vice President, General Counsel and Corporate Secretary, Raytheon Company	56
Thomas A. Kennedy	Executive Chair of the Board of Directors, Raytheon Technologies Corporation (since April 2020)	Chairman and Chief Executive Officer, Raytheon Company	65
Wesley D. Kremer	President, Raytheon Missiles & Defense (since April 2020)	Vice President of Raytheon Company and President of its Missile Systems business unit; President, Integrated Defense Systems, Raytheon Company	56
Anthony F. O’Brien	Executive Vice President and Chief Financial Officer, Raytheon Technologies Corporation (since April 2020)	Vice President and Chief Financial Officer, Raytheon Company	56

Robert K. Ortberg	Director (since April 2020), Special Advisor to the Office of the Chief Executive Officer, Raytheon Technologies Corporation (since February 2020)	Chief Executive Officer, Collins Aerospace Systems; Chairman, President and Chief Executive Officer of Rockwell Collins, Inc.	60
Stephen J. Timm	President, Collins Aerospace Systems (since February 2020)	President, Avionics, Collins Aerospace Systems; Vice President and General Manager, Avionics, Collins Aerospace Systems; Vice President and General Manager, Avionics, Rockwell Collins, Inc.; Vice President & General Manager, Air Transport Systems, Rockwell Collins, Inc.	52
Dantaya M. Williams	Executive Vice President & Chief Human Resources Officer, Raytheon Technologies Corporation (since June 2020)	Vice President, Human Resources, Pratt & Whitney Commercial Engines	46
Michael J. Wood	Corporate Vice President, Controller, Raytheon Technologies Corporation (since April 2020)	Vice President, Controller and Chief Accounting Officer, Raytheon Company	52

All of the officers serve at the pleasure of the Board of Directors of Raytheon Technologies Corporation or the subsidiary designated.

Information concerning Section 16(a) compliance is incorporated herein by reference to the section of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Other Important Information” under the heading “Delinquent Section 16(a) Reports.” We have adopted a code of conduct that applies to all our directors, officers, employees and representatives. Information regarding our Code of Conduct is incorporated herein by reference to the section of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Other Important Information” under the heading “Corporate Governance Information, Code of Conduct and How to Contact the Board.” This code is publicly available on our website at <http://www.rtx.com/Our-Company/ethics-and-compliance>. Amendments to the code of conduct and any grant of a waiver from a provision of the code requiring disclosure under applicable Securities and Exchange Commission (SEC) rules will be disclosed on our website. Our Corporate Governance Guidelines and the charters of our Board of Directors’ Audit Committee, Compensation Committee, Finance Committee, Governance and Public Policy Committee and Special Activities Committee are available on our website at <https://www.rtx.com/Our-Company/corporate-governance>. These materials may also be requested in print free of charge by writing to our Investor Relations Department at Raytheon Technologies Corporation, 870 Winter Street, Investor Relations, Waltham, MA 02451.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Executive Compensation,” “Compensation of Directors” and “Report of the Compensation Committee.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information relating to security ownership of certain beneficial owners and management and the Equity Compensation Plan Information required by Item 12 is incorporated herein by reference to the sections of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Share Ownership,” “Executive Compensation” and “Approve Amendment to the Raytheon Technologies Corporation 2018 Long-Term Incentive Plan.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference to the sections of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Corporate Governance” (under the subheading “Director Independence”) and “Other Important Information” (under the subheading “Transactions with Related Persons”).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the section of our Proxy Statement for the 2021 Annual Meeting of Shareowners titled “Appoint an Independent Auditor for 2021,” including the information provided in that section with regard to “Audit Fees,” “Audit-Related Fees,” “Tax Fees” and “All Other Fees.”

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules

- (1) The following financial statements of Raytheon Technologies Corporation, supplemental information and report of independent registered public accounting firm are included in this Form 10-K:

Consolidated Statement of Operations for the Years Ended December 31, 2020, 2019 and 2018

Consolidated Statement of Comprehensive Income for the Years Ended December 31, 2020, 2019 and 2018

Consolidated Balance Sheet at December 31, 2020 and 2019

Consolidated Statement of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018

Consolidated Statement of Changes in Equity for the Years Ended December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

Report of PricewaterhouseCoopers LLP dated February 8, 2021 on the Company's financial statements filed as a part hereof for the fiscal years ended December 31, 2020, 2019 and 2018 and on the Company's internal control over financial reporting as of December 31, 2020 is included in Part II, Item 8 of this Annual Report on Form 10-K. The independent registered public accounting firm's consent with respect to this report appears in Exhibit 23 of this Annual Report on Form 10-K.

- (2) List of financial statement schedules:

	<u>Page Number in Form 10-K</u>
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	<u>I</u>
SCHEDULE II—Valuation and Qualifying Accounts for the three years ended December 31, 2020	<u>II</u>

All schedules have been omitted because they are not required, not applicable or the information is otherwise included.

(b) Exhibits:

The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the Securities and Exchange Commission (SEC) and those incorporated by reference to other filings.

- 2.1 [Separation and Distribution Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on April 8, 2020\).](#)
- 3(i) [Restated Certificate of Incorporation, restated as of April 3, 2020, incorporated by reference to Exhibit 3.1\(b\) to the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on April 8, 2020.](#)
- 3(ii) [Bylaws as amended and restated effective April 3, 2020, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on April 8, 2020.](#)
- 4.1 [Amended and Restated Indenture, dated as of May 1, 2001, between UTC and The Bank of New York, as trustee, incorporated by reference to Exhibit 4\(a\) to the Company's Registration Statement on Form S-3 \(Commission file number 333-60276\) filed with the SEC on May 4, 2001. The Company hereby agrees to furnish to the Commission upon request a copy of each other instrument defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries and any unconsolidated subsidiaries.](#)
- 4.2 [Description of Securities.*](#)

- 10.1 [United Technologies Corporation Annual Executive Incentive Compensation Plan](#), incorporated by reference to Exhibit A to the Company's Proxy Statement for the 1975 Annual Meeting of Shareowners, [Amendment No. 1](#) thereto, effective January 1, 1995, incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1995, and [Amendment No. 2](#) thereto, effective January 1, 2009, incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
- 10.2 [United Technologies Corporation Pension Preservation Plan, as amended and restated, effective January 1, 2020*](#)
- 10.3 United Technologies Corporation Senior Executive Severance Plan, incorporated by reference to Exhibit 10(vi) to the Company's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1992, as amended by [Amendment thereto, effective December 10, 2003](#), incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2003, and [Amendment thereto, effective June 11, 2008](#), incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended June 30, 2008, and [Amendment thereto, effective February 10, 2011](#), incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2010.
- 10.4 [United Technologies Corporation Deferred Compensation Plan, as amended and restated, effective January 1, 2011, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended June 30, 2018.](#)
- 10.5 [United Technologies Corporation Executive Leadership Group Program, as amended and restated, effective October 15, 2013, incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended September 30, 2013; United Technologies Executive Leadership Group Program, effective April 1, 2019; and Raytheon Technologies Corporation Executive Leadership Group Program, effective April 3, 2020.*](#)
- 10.6 [Schedule of Terms for Restricted Share Unit Retention Awards relating to the United Technologies Corporation Executive Leadership Group Program \(referred to above in Exhibit 10.6\), incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended September 30, 2013; and Schedule of Terms of Restricted Share Unit Retention Awards relating to the United Technologies Leadership Group Program, effective April 1, 2019 \(referred to above in Exhibit 10.5\).](#)
- 10.7 [Form of Award Agreement for Restricted Share Unit Retention Awards relating to the United Technologies Corporation Executive Leadership Group Program \(referred to above in Exhibit 10.6\), incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended September 30, 2013; and Form of Award Agreement for Restricted Share Unit Retention Awards relating to the United Technologies Leadership Group Program, effective April 1, 2019 \(referred to above in Exhibit 10.5\).](#)
- 10.8 [United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as Amended and Restated, effective as of April 29, 2019, incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2018.](#)
- 10.9 [Retainer Payment Election Form for United Technologies Corporation Board of Directors Deferred Stock Unit Plan \(referred to above in Exhibit 10.8\), incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2018.](#)
- 10.10 [Form of Deferred Restricted Stock Unit Award relating to the United Technologies Corporation Board of Directors Deferred Stock Unit Plan \(referred to above in Exhibit 10.8\), incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2018.](#)
- 10.11 [United Technologies Corporation Long-Term Incentive Plan, as amended and restated effective April 28, 2014](#), incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on May 2, 2014, as further amended by [Amendment No. 1, effective as of February 5, 2016](#), incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2015.
- 10.12 [Schedule of Terms for restricted stock awards relating to the United Technologies Corporation Long-Term Incentive Plan \(referred to above in Exhibit 10.11\) \(Rev. January 2016\), incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2015.](#)

- 10.13 [Schedule of Terms for non-qualified stock option awards relating to the United Technologies Corporation Long-Term Incentive Plan \(referred to above in Exhibit 10.11\), \(Rev. January 2016\), incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2015.](#)
- 10.14 [Form of Award Agreement for non-qualified stock option awards relating to the United Technologies Corporation Long-Term Incentive Plan \(referred to above in Exhibit 10.11\), incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2016.](#)
- 10.15 [Schedule of Terms for performance share unit awards relating to the United Technologies Corporation Long-Term Incentive Plan \(referred to above in Exhibit 10.11\), \(Rev. January 2016\), incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2015.](#)
- 10.16 [Schedule of Terms for stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan \(referred to above in Exhibit 10.11\), \(Rev. January 2016\), incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2015.](#)
- 10.17 [Form of Award Agreement for restricted stock unit, performance share unit and stock appreciation rights awards relating to the United Technologies Corporation Long-Term Incentive Plan \(referred to above in Exhibit 10.11\), incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2016.](#)
- 10.18 [United Technologies Corporation LTIP Performance Share Unit Deferral Plan, relating to the Long-Term Incentive Plan \(referred to above in Exhibit 10.11\) as amended and restated, effective January 1, 2020.*](#)
- 10.19 [United Technologies Corporation International Deferred Compensation Replacement Plan, effective January 1, 2005, incorporated by reference to Exhibit 10.35 of the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2008.](#)
- 10.20 [United Technologies Corporation Company Automatic Contribution Excess Plan, as amended and restated, effective January 1, 2020.*](#)
- 10.21 [United Technologies Corporation Savings Restoration Plan executed July 16, 2018 \(amended and restated as of January 1, 2011\), incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended June 30, 2018.](#)
- 10.22 [Amendment No. 1, effective as of December 6, 2020, to the UTC 2018 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on May 3, 2018.*](#)
- 10.23 [Schedule of Terms for restricted stock unit award relating to the United Technologies Corporation 2018 Long-Term Incentive Plan \(referred to above in Exhibit 10.22\), incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended June 30, 2020.](#)
- 10.24 [Schedule of Terms for stock appreciation rights award relating to the United Technologies Corporation 2018 Long-Term Incentive Plan \(referred to above in Exhibit 10.22\), incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended June 30, 2020.](#)
- 10.25 [Schedule of Terms for performance share unit award relating to the United Technologies Corporation 2018 Long-Term Incentive Plan \(referred to above in Exhibit 10.22\), incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2018.](#)
- 10.26 [Rockwell Collins' 2015 Long-Term Incentives Plan, incorporated by reference to Appendix B to Rockwell Collins' Notice and Proxy Statement \(Commission file number 0001-16445\) dated December 17, 2014.](#)

- 10.27 [Form of Performance Share Agreement under Rockwell Collins' 2015 Long-Term Incentives Plan \(referred to above in Exhibit 10.26\), incorporated by reference to Exhibit 10-a-1 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended December 31, 2017.](#)
- 10.28 [Form of Restricted Stock Unit Agreement under Rockwell Collins' 2015 Long-Term Incentives Plan \(referred to above in Exhibit 10.26\), incorporated by reference to Exhibit 10-a-2 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended December 31, 2017.](#)
- 10.29 [Compensation Recovery Policy acknowledgment and agreement, incorporated by reference to Exhibit 10-c-1 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended December 31, 2012.](#)
- 10.30 [Rockwell Collins' Deferred Compensation Plan, as amended, incorporated by referenced to Exhibit 10-f-2 to Rockwell Collins' Annual Report on Form 10-K \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2007; Amendment No. 1 to Rockwell Collins' Deferred Compensation Plan, as amended, incorporated by reference to Exhibit 10-f-2 to Rockwell Collins' Annual Report on Form 10-K/A \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2018.](#)
- 10.31 [Rockwell Collins' 2005 Deferred Compensation Plan, as amended and restated as of June 27, 2017, incorporated by reference to Exhibit 10-f-1 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended June 30, 2017; Amendment No. 1 to Rockwell Collins' 2005 Deferred Compensation Plan, incorporated by reference to Exhibit 10-f-1 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended December 31, 2017; Amendment No. 2 to Rockwell Collins' 2005 Deferred Compensation Plan, as amended, incorporated by reference to Exhibit 10-f-6 to Rockwell Collins' Annual Report on Form 10-K/A \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2018.](#)
- 10.32 [Rockwell Collins' Non-Qualified Savings Plan, as amended, incorporated by referenced to Exhibit 10-g-2 to Rockwell Collins' Annual Report on Form 10-K \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2007; Amendment No. 1 to Rockwell Collins' Non-Qualified Savings Plan, incorporated by reference to Exhibit 10-g-2 Rockwell Collins' Annual Report on Form 10-K/A \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2018.](#)
- 10.33 [Rockwell Collins' 2005 Non-Qualified Retirement Savings Plan, as amended and restated as of July 17, 2018, incorporated by referenced to Exhibit 10-g-6 to Rockwell Collins' Annual Report on Form 10-K/A \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2018.](#)
- 10.34 [Rockwell Collins' 2005 Non-Qualified Pension Plan, as amended, incorporated by reference to Exhibit 10-h-1 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended June 30, 2012; Amendment No. 1 to Rockwell Collins' Non-Qualified Pension Plan, as amended, incorporated by reference to Exhibit 10-h-1 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended December 31, 2015; Amendment No. 2 to Rockwell Collins' 2005 Non-Qualified Pension Plan, as amended, incorporated by reference to Exhibit 10-h-3 to Rockwell Collins' Annual Report on Form 10-K/A \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2018.](#)
- 10.35 [Rockwell Collins' Master Trust, as amended, incorporated by reference to Exhibit 10-i-2 to Rockwell Collins' Annual Report on Form 10-K \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2007; Amendment No. 1 to Rockwell Collins' Master Trust, as amended, incorporated by reference to Exhibit 10-i-2 to Rockwell Collins' Annual Report on Form 10-K/A \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2018; Amendment No. 2 to Rockwell Collins' Master Trust, as amended; and Amendment No.3 to Rockwell Collins' Master Trust, as amended, incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2018.](#)
- 10.36 [Rockwell Collins' Short-term Relocation Benefit to Rockwell Collin's CEO, CFO and two other executive officers, incorporated by reference to Exhibit 10-e-1 to Rockwell Collins' Quarterly Report on Form 10-Q \(Commission file number 0001-16445\) for the quarterly period ended March 31, 2018; Description of the Extension to the Short-Term Relocation Benefit for the Company's CEO, CFO and two other executive officers, incorporated by referenced to Exhibit 10-j-2 to Rockwell Collins' Annual Report on Form 10-K/A \(Commission file number 0001-16445\) for the fiscal year ended September 30, 2018.](#)
- 10.37 [Compensation & Covenants Agreement between United Technologies Corporation and Robert K. Ortberg, effective as of November 26, 2018, incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2018.](#)

- 10.38 [Employment Agreement, dated as of June 9, 2019, by and between United Technologies Corporation and Gregory J. Hayes, incorporated by reference to Exhibit 10.1 the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on June 10, 2019.](#)
- 10.39 [United Technologies Corporation Merger Severance Plan for Corporate Office Executives and Other Key Employees, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q \(Commission file number 1-812\) for the quarterly period ended June 30, 2019.](#)
- 10.40 [Amendment dated February 3, 2020, to the terms of certain awards granted under the Company's Long Term Incentive Plans referred to above in Exhibit 10.11 and 10.22, by and between, United Technologies Corporation and Judy Marks incorporated by reference to Exhibit 10.40 of the Company's Annual Report on Form 10-K \(Commission file number 1-812\) for the fiscal year ended December 31, 2019.](#)
- 10.41 [Transition Services Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on April 8, 2020\).](#)
- 10.42 [Tax Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on April 8, 2020\).](#)
- 10.43 [Employee Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on April 8, 2020\).](#)
- 10.44 [First Amendment to Employee Matters Agreement, dated as of May 22, 2020, \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on May 29, 2020\).](#)
- 10.45 [Intellectual Property Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K \(Commission file number 1-812\) filed with the SEC on April 8, 2020\).](#)
- 10.46 [Employment Agreement, dated as of June 9, 2019, by and between United Technologies Corporation and Thomas A. Kennedy.*](#)
- 10.47 [Raytheon Company 2010 Stock Plan, as amended as of May 24, 2017, incorporated by reference to Exhibit 10.2 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended July 2, 2017.](#)
- 10.48 [Raytheon Company Excess Savings Plan, as amended and restated effective as of January 1, 2009, as further amended effective January 1, 2010 and November 1, 2013, incorporated by reference to Exhibit 10.9 to Raytheon Company's Annual Report on Form 10-K for the year ended December 31, 2013.](#)
- 10.49 [Raytheon Company Excess Pension Plan, as amended and restated effective as of January 1, 2009, as further amended effective January 1, 2009, incorporated by reference to Exhibit 10.10 to Raytheon Company's Annual Report on Form 10-K for the year ended December 31, 2013.](#)
- 10.50 [Raytheon Company Supplemental Executive Retirement Plan, as amended and restated effective as of January 1, 2009, as further amended effective January 1, 2011, incorporated by reference to Exhibit 10.11 to Raytheon Company's Annual Report on Form 10-K for the year ended December 31, 2013.](#)
- 10.51 [Raytheon Company Deferred Compensation Plan, as amended and restated effective as of January 1, 2009, as further amended effective January 1, 2009, January 1, 2010, May 6, 2010 and November 1, 2013, incorporated by reference to Exhibit 10.12 to Raytheon Company's Annual Report on Form 10-K for the year ended December 31, 2013.](#)
- 10.52 [Raytheon 2019 Stock Plan, incorporated by reference to Appendix A to Raytheon Company's definitive proxy statement, filed on April 16, 2019.](#)
- 10.53 [Form of Change in Control Severance Agreement between Raytheon Company and certain executive officers \(providing for benefits in the event of a qualified termination upon a change in control of two times base salary and bonus\), incorporated by reference to Exhibit 10.22 to Raytheon Company's Annual Report on Form 10-K for the year ended December 31, 2009.](#)
- 10.54 [Form of Amendment to Change in Control Severance Agreement between Raytheon Company and its executive officers, incorporated by reference to Exhibit 10.60 to Raytheon Company's Annual Report on Form 10-K for the year ended December 31, 2009.](#)

- 10.55 [Form of Change in Control Severance Agreement between Raytheon Company and certain executive officers \(providing for benefits in the event of a qualified termination upon a change in control of one times base salary and bonus\), incorporated by reference to Exhibit 10.4 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2016.](#)
- 10.56 [Letter Agreement dated January 21, 2015 by and between Raytheon Company and Anthony F. O'Brien, incorporated by reference to Exhibit 10.1 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2016.](#)
- 10.57 [Letter Agreement dated December 16, 2014 by and between Raytheon Company and Frank R. Jimenez, incorporated by reference to Exhibit 10.2 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2016.](#)
- 10.58 [Amendment to Letter Agreement dated January 23, 2015 by and between Raytheon Company and Frank R. Jimenez, incorporated by reference to Exhibit 10.3 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2016.](#)
- 10.59 [Enhanced Severance Plan for Senior Leadership Team Members, incorporated by reference to Exhibit 10.1 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019.](#)
- 10.60 [Letter Agreement, dated July 23, 2015, by Raytheon Company and Wesley D. Kremer, incorporated by reference to Exhibit 10.1 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.](#)
- 10.61 [Amendment to Letter Agreement, dated March 21, 2019, by Raytheon Company and Wesley D. Kremer, incorporated by reference to Exhibit 10.2 to Raytheon Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.](#)

14 Code of Conduct. The RTC Code of Conduct may be accessed via RTC's website at <https://www.rtx.com/our-company/ethics-and-compliance>.

18 [Preferability Letter from PricewaterhouseCoopers LLP.*](#)

21 [Subsidiaries of Raytheon Technologies Corporation.*](#)

23 [Consent of PricewaterhouseCoopers LLP.*](#)

24 [Powers of Attorney of Thomas A. Kennedy, Tracy A. Atkinson, Marshall O. Larsen, George R. Oliver, Robert K. Ortberg, Margaret L. O'Sullivan, Dinesh C. Paliwal, Ellen M. Pawlikowski, Denise L. Ramos, Fredric G. Reynolds, Brian C. Rogers, James A. Winnefeld, Jr. and Robert O. Work.*](#)

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 eXtensible Business Reporting Language (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 Inline XBRL Taxonomy Extension Schema Document.*

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.*

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.*

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.*

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.*

104 The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL and contained in Exhibit 101.

(Exhibits marked with an asterisk (*) are filed electronically herewith.)

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ GREGORY J. HAYES</u> (Gregory J. Hayes)	Director, President and Chief Executive Officer (Principal Executive Officer)	February 8, 2021
<u>/s/ ANTHONY F. O'BRIEN</u> (Anthony F. O'Brien)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 8, 2021
<u>/s/ MICHAEL J. WOOD</u> (Michael J. Wood)	Corporate Vice President and Controller (Principal Accounting Officer)	February 8, 2021
<u>/s/ THOMAS A. KENNEDY *</u> (Thomas A. Kennedy)	Executive Chair of the Board of Directors	February 8, 2021
<u>/s/ TRACY A. ATKINSON *</u> (Tracy A. Atkinson)	Director	February 8, 2021
<u>/s/ MARSHALL O. LARSEN *</u> (Marshall O. Larsen)	Director	February 8, 2021
<u>/s/ GEORGE R. OLIVER *</u> (George R. Oliver)	Director	February 8, 2021
<u>/s/ ROBERT K. ORTBERG *</u> (Robert K. Ortberg)	Director	February 8, 2021
<u>/s/ MARGARET L. O'SULLIVAN *</u> (Margaret L. O'Sullivan)	Director	February 8, 2021
<u>/s/ DINESH C. PALIWAL *</u> (Dinesh C. Paliwal)	Director	February 8, 2021
<u>/s/ ELLEN M. PAWLIKOWSKI *</u> (Ellen M. Pawlikowski)	Director	February 8, 2021
<u>/s/ DENISE L. RAMOS *</u> (Denise L. Ramos)	Director	February 8, 2021
<u>/s/ FREDRIC G. REYNOLDS *</u> (Fredric G. Reynolds)	Director	February 8, 2021
<u>/s/ BRIAN C. ROGERS *</u> (Brian C. Rogers)	Director	February 8, 2021
<u>/s/ JAMES A. WINNEFELD, JR. *</u> (James A. Winnefeld, Jr.)	Director	February 8, 2021
<u>/s/ ROBERT O. WORK *</u> (Robert O. Work)	Director	February 8, 2021

*By: /s/ FRANK R. JIMENEZ
Frank R. Jimenez
Executive Vice President and General Counsel

Date: February 8, 2021

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Shareowners and Board of Directors of Raytheon Technologies Corporation

Our audits of the consolidated financial statements referred to in our report dated February 8, 2021 appearing in the 2020 Annual Report to Shareowners of Raytheon Technologies Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 8, 2021

RAYTHEON TECHNOLOGIES CORPORATION AND SUBSIDIARIES
SCHEDULE II - Valuation and Qualifying Accounts
Three years ended December 31, 2020
(Millions of Dollars)

Future Income Tax Benefits—Valuation allowance:	
Balance, December 31, 2017 ⁽¹⁾	\$ 582
Additions charged to income tax expense	61
Additions charged to goodwill, due to acquisitions	25
Reductions credited to income tax expense	(25)
Other adjustments	(38)
Balance, December 31, 2018 ⁽¹⁾	605
Additions charged to income tax expense	117
Additions charged to goodwill, due to acquisitions	2
Reductions credited to income tax expense	(15)
Other adjustments	(93)
Balance, December 31, 2019 ⁽¹⁾	616
Additions charged to income tax expense	581
Additions charged to goodwill, due to acquisitions	29
Reductions credited to income tax expense	(36)
Other adjustments, including the Separation of Carrier and Otis	(433)
Balance, December 31, 2020	\$ 757

(1) Amounts prior to 2020 within this schedule include valuation allowances related to discontinued operations.

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

As of the date of the Annual Report on Form 10-K of which this exhibit is a part, Raytheon Technologies Corporation (the "Company," "RTC," "we," "us," and "our") has 2 classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our common stock, \$1.00 par value per share and (2) our 2.150% Notes due 2030 (the "notes due 2030").

Common Stock

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

RTC's common stock is listed on the New York Stock Exchange under the symbol "RTX."

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. For the purpose of electing directors, holders of common stock do not have cumulative voting rights. At each annual meeting of stockholders, the entire board of directors is elected for a term of one year.

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

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

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

Delaware law and our amended and restated bylaws permit us to issue uncertificated shares of common stock. However, holders of uncertificated shares of our common stock may request certificates representing their ownership of common stock.

At each annual meeting of stockholders, the entire board of directors is elected for a term of one year. RTC's amended and restated bylaws provide that the number of directors must not be less than 10 nor more than 19; although the number of directors may be increased to the extent

necessary to comply with certain other provisions of the amended and restated bylaws. The exact number, within those limits, is determined from time to time by the board of directors.

The board of directors as of the completion of the merger (the “Merger”) of United Technologies Corporation (“UTC”) and Raytheon Company (“RTN”) as provided in the Agreement and Plan of Merger among UTC, Light Merger Sub Corp. and RTN, dated June 9, 2019 (the “Merger Agreement”) was comprised of 15 members, consisting of: eight UTC continuing directors (including the Chairman and Chief Executive Officer of UTC as of immediately prior to April 3, 2020, who became President, Chief Executive Officer and director of RTC) and seven Raytheon continuing directors (including the Chairman and Chief Executive Officer of RTN as of immediately prior to April 3, 2020, who became executive Chairman of the RTC board of directors). Following the completion of the Merger and until April 3, 2022 (the “Specified Date”), unless at least 75% of the then-serving directors of RTC adopt a resolution to the contrary, replacements for vacancies on the board of directors among the non-CEO UTC continuing directors (when such vacancies are created by the cessation of service or an increase in the whole of the board of directors pursuant to Section 2.18(F) of the amended and restated bylaws) shall be proposed by a majority of the remaining UTC continuing directors and replacements for any vacancies on the board of directors among the non-executive Chairman RTN continuing directors (when such vacancies are created by the cessation of service or an increase in the whole of the board of directors pursuant to Section 2.18(F) of the amended and restated bylaws) shall be proposed by a majority of the remaining RTN continuing directors.

In accordance with Section 2.16 of the amended and restated bylaws, vacancies on the board may be filled by a majority of RTC’s directors or by the sole remaining director, but any vacancy as a result of removal is to be filled by shareowners at the meeting that led to the removal or any subsequent meeting; provided, that no director elected by a class vote of less than all the outstanding shares of RTC may, so long as the right to such a class vote continues in effect, be removed, except for cause and by the affirmative vote of the holders of record of a majority of the outstanding shares of such class at a meeting called for the purpose, and the vacancy in RTC’s board of directors caused by the removal of any such director may, so long as the right to such class vote continues in effect, be filled by the holders of the outstanding shares of such class at such meeting or at any subsequent meeting.

The board of directors designates a Lead Independent Director. Following the completion of the Merger of UTC and RTN and until the Specified Date, unless at least 75% of the then-serving directors of RTC adopt a resolution to the contrary, the Lead Independent Director will be designated from among the independent RTN continuing directors. Until the Specified Date, each committee of the board of directors shall be composed of an equal number of appropriately qualified RTN continuing directors and UTC continuing directors.

RTC’s restated certificate of incorporation includes provisions eliminating the personal liability of our directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by Delaware law. The amended and restated bylaws include provisions indemnifying our directors and officers to the fullest extent permitted by Delaware law, including under circumstances in which indemnification is otherwise discretionary. The amended

and restated bylaws additionally include provisions permitting RTC, subject to the approval of the Chief Executive Officer or the General Counsel and the Chief Financial Officer acting together, to reimburse the expenses of our current and former employees, agents and fiduciaries in advance of the final disposition of any such proceeding.

RTC's amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election of directors, other than nominations made by or at the direction of RTC's board of directors. Eligible stockholders may include their own director nominees in RTC's proxy materials under the circumstances set forth in the amended and restated bylaws. Generally, a stockholder or a group of up to 20 stockholders, who has maintained continuous qualifying ownership of at least 3% of RTC's outstanding common stock for at least three years, may include director nominees constituting up to 20% of the board of directors in the proxy materials for an annual meeting of stockholders if such stockholder or group of stockholders complies with the other requirements set forth in the proxy access provision of the amended and restated bylaws. In addition, special meetings of stockholders may be called by the board of directors, the chairman of the board of directors, the Chief Executive Officer or by the Secretary at the valid written request of shareholders of record who own, or are acting on behalf of one or more beneficial owners, who own at least 15% of RTC's outstanding common stock and in accordance with the other specific requirements in the special meeting provisions of the bylaws.

RTC's amended and restated bylaws include an exclusive forum provision. This provision provides that, unless RTC consents in writing to the selection of an alternative forum, the sole and exclusive forum for various types of suits will be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware). Such suits include (1) any derivative action or proceeding brought on behalf of RTC, (2) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of RTC to the company or to RTC's stockholders, (3) any action asserting a claim against RTC or any director or officer or other employee of RTC arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL") or RTC's certificate of incorporation or bylaws (as either may be amended from time to time) or (4) any action asserting a claim against RTC or any director or officer or other employee of RTC governed by the internal affairs doctrine. Under RTC's amended and restated bylaws, to the fullest extent permitted by law, this exclusive forum provision applies to state and federal law claims, including claims under the federal securities laws, including the Securities Act and the Exchange Act, although stockholders will not be deemed to have waived RTC's compliance with the federal securities laws and the rules and regulations thereunder. The enforceability of similar choice of forum provisions in other companies' bylaws has been challenged in legal proceedings, and it is possible that, in connection with claims arising under federal securities laws or otherwise, a court could find the exclusive forum provision contained in RTC's amended and restated bylaws to be inapplicable or unenforceable.

The restated certificate of incorporation contains a "fair price" provision, providing that certain business combinations with any interested stockholder or affiliate of an interested stockholder may not be consummated without the affirmative vote of at least 80% of the votes entitled to be

cast by the holders of the then-outstanding shares of capital stock of RTC entitled to vote generally in the election of directors, voting as a single class. The term “interested stockholder,” as defined in the restated certificate of incorporation, generally means a person who owns at least 10% of the voting power of RTC’s voting stock.

The business combinations to which the fair price provision applies include:

- a merger or consolidation with an interested stockholder;
- the sale or other disposition of assets having a fair market value of \$25,000,000 or more to an interested stockholder;
- the issuance or transfer of securities having an aggregate fair market value of \$25,000,000 or more by RTC or any subsidiary of RTC to an interested stockholder;
- the adoption of a plan of liquidation or dissolution proposed by or on behalf of an interested stockholder; and
- any reclassification of securities, recapitalization or other transaction which increases, directly or indirectly, the proportionate share holdings of an interested stockholder.

The affirmative vote of the holders of at least 80% of the voting power of voting stock of RTC is required to amend or repeal the fair price provision or adopt any provision inconsistent with it.

Under Delaware law, the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation’s certificate of incorporation or bylaws, unless a corporation’s certificate of incorporation or bylaws, as the case may be, requires a greater percentage.

Certain of the provisions of RTC’s restated certificate of incorporation and amended and restated bylaws discussed above could discourage the acquisition of control of a substantial block of our stock or a proxy contest. These provisions could also have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of RTC, even though an attempt to obtain control of RTC might be beneficial to RTC and its stockholders.

Section 203 of the DGCL, under certain circumstances, may make it more difficult for a person who is an “Interested Stockholder,” as defined in Section 203, to effect various business combinations with a corporation for a three-year period. Under Delaware law, a corporation’s certificate of incorporation or bylaws may exclude a corporation from the restrictions imposed by Section 203. However, RTC’s restated certificate of incorporation and amended and restated bylaws do not exclude us from these restrictions, and these restrictions apply to us.

Description of Debt Securities

The following briefly summarizes certain general terms and provisions of the notes due 2030, which are governed by the indenture, dated as of May 1, 2001, as amended and restated, between RTC and The Bank of New York Mellon Trust Company, N.A., successor to The Bank of New

York, which acts as trustee, as it may be supplemented by an officers' certificate issued pursuant thereto or a supplemental indenture entered into by RTC and the trustee pursuant thereto from time to time. This summary does not describe every aspect of our notes due 2030 and is subject, and is qualified in its entirety by reference, to the indenture as supplemented.

General

The notes due 2030 are debt securities. Each series of debt securities will constitute direct unsecured obligations of RTC. The debt securities are indebtedness of RTC.

Indenture Provisions Relating to the Possible Issuance of One or More Series of Debt Securities

The debt securities are our direct unsecured general obligations. The indenture allows us to issue either unsubordinated or junior subordinated debt securities from time to time under the indenture or an indenture governing junior subordinated debt securities, as applicable, without limitation as to amount. We may issue debt securities in one or more series with the same or different terms (Section 301). There may be more than one trustee under the indenture, each with respect to one or more different series of debt securities. If there is more than one trustee under the indenture, the powers and trust obligations of each trustee will extend only to the one or more series of debt securities for which it is trustee. The effect of the provisions contemplating that at a particular time there might be more than one trustee acting is that, in that event, those debt securities (whether of one or more than one series) for which each trustee is acting would be treated as if issued under a separate indenture.

The Indenture Does Not Limit RTC's Indebtedness, Prevent Dividends or

Generally Prevent Highly Leveraged Transactions

The indenture does not

- limit the amount of unsecured indebtedness which RTC or any subsidiary may incur; or
- limit the payment of dividends by RTC or its acquisition of any of its equity securities.

When we say "subsidiary," we mean any corporation of which at the time of determination RTC, directly and/or indirectly through one or more subsidiaries, owns more than 50% of the shares of voting stock (Section 101).

Except as may be included in a supplemental indenture to the indenture covering a specific series of offered debt securities and described in the applicable prospectus supplement and except for the covenants described below under "—Liens," "—Sales and Leasebacks" and "—Restriction on Merger and Sales of Assets," there are no covenants or any other provisions which may afford holders of debt securities protection in the event of a highly leveraged transaction which may or may not result in a change of control of RTC.

Restriction on Merger and Sales of Assets

Under the indenture, RTC may not consolidate with or merge into any other corporation, or convey, lease or transfer its properties and assets substantially as an entirety to any person, unless, if RTC is not the surviving corporation, all three of the following conditions are satisfied:

- immediately after the transaction, no event of default (or event which with notice or lapse of time, or both, would be an event of default) with respect to the debt securities will have happened and be continuing;
- the corporation formed by the consolidation or into which RTC is merged or the person which will have received the transfer or lease of RTC's properties and assets will assume RTC's obligation for the due and punctual payment of the principal, premium, if any, and interest (including all additional amounts, if any, payable as contemplated by Section 1010 of the indenture) on the debt securities and the performance and observance of every covenant to be performed by RTC under the indenture, and will be organized under the laws of the United States of America, one of the States thereof or the District of Columbia; and
- RTC has delivered to the trustee an officer's certificate and opinion of counsel, each stating that the transaction complies with these conditions (Section 801).

In the event of any conveyance or transfer, except in the case of a lease, described in and complying with the three conditions listed in the immediately preceding paragraph, RTC would be discharged from all obligations and covenants under the indenture and the debt securities, and could be dissolved and liquidated (Section 802).

In addition, with respect to the debt securities, if any principal property of RTC or of any wholly-owned domestic manufacturing subsidiary, or any shares of stock or debt of any wholly-owned domestic manufacturing subsidiary, would become subject to any lien, the debt securities outstanding will be secured, as to that principal property, equally and ratably with or prior to, the debt which upon the transaction would become secured by the lien unless RTC or the wholly-owned domestic manufacturing subsidiary could create the lien under the indenture without equally and ratably securing the unsubordinated debt securities. For the purpose of providing the equal and ratable security referred to in the preceding sentence, the outstanding principal amount of original issue discount securities and indexed securities will mean that amount which would at the time of providing the security be due and payable pursuant to Section 502 of the indenture and the terms of the original issue discount securities and indexed securities upon their acceleration, and the extent of the equal and ratable security will be adjusted, to the extent permitted by law, as and when this amount changes over time pursuant to the terms of such original issue discount securities and indexed securities (Sections 502 and 803). See "-Events of Default" below for further information about acceleration of original issue discount securities and indexed securities.

Defeasance and Covenant Defeasance

The indenture provides that, if the provisions of Article Fourteen are made applicable without modification to the debt securities of or within any series and any related coupons pursuant to Section 301 of the indenture, RTC may elect either “defeasance” or “covenant defeasance” as described below:

- “defeasance” means that RTC may elect to defease and be discharged from any and all obligations with respect to the debt securities and any related coupons, except for the obligation to pay additional amounts, if any, upon the occurrence of specified events of tax, assessment or governmental charge with respect to payments on the debt securities and the obligations to register the transfer or exchange of the debt securities and any related coupons, to replace temporary or mutilated, destroyed, lost or stolen debt securities and any related coupons, to maintain an office or agency in respect of the debt securities and any related coupons and to hold moneys for payment in trust;
- “covenant defeasance” means that RTC may elect to be released from its obligations with respect to the debt securities and any related coupons that are described under “-Liens” and “-Sales and Leasebacks,” or, if provided pursuant to Section 301 of the indenture, its obligations with respect to any other covenant, and any omission to comply with these obligations will not constitute a default or an event of default with respect to the debt securities and any related coupons.

To elect either defeasance or covenant defeasance under either indenture, RTC must irrevocably deposit with the trustee or another qualifying trustee, in trust, an amount in such currency, currencies or currency units in which the applicable debt securities are payable, or government obligations (as defined below), which through the payment of principal and interest in accordance with the terms of the government obligations will provide money in an amount sufficient to pay the principal, premium, if any, and interest on the outstanding debt securities and any related coupons, and any mandatory sinking fund or analogous payments on them, on the scheduled due dates for them.

This amount must be deposited in the currency, currencies or currency unit in which the debt securities and any related coupons are then specified as payable at stated maturity, and/or government obligations applicable to the debt securities and any related coupons. This applicability will be determined on the basis of the currency or currency unit in which the debt securities are then specified as payable at stated maturity. If so specified in any applicable prospectus supplement, a trust of this kind may only be established if, among other things, RTC has delivered to the applicable trustee an opinion of counsel (as specified in the indenture) to the effect that the holders of the debt securities and any related coupons will not recognize income, gain or loss for United States federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred. In the case of defeasance, the opinion of counsel must refer to and be based upon a ruling of the Internal Revenue Service or a change in

applicable United States federal income tax law occurring after April 1, 1990 pursuant to the indenture.

Unless otherwise specified in any applicable prospectus supplement, “government obligations” means securities which are:

- direct obligations of the government which issued the currency in which the debt securities are payable; or
- obligations of a person controlled or supervised by and acting as an agency or instrumentality of the government which issued the currency in which the debt securities of the applicable series are payable, the payment of which is unconditionally guaranteed by that government, which, in either case, are full faith and credit obligations of that government payable in that currency and are not callable or redeemable at the option of the issuer of the obligations and will also include specified depository receipts issued by a bank or trust company as custodian with respect to any government obligation of this kind (Section 101 and Article Fourteen).

Unless otherwise provided in any applicable prospectus supplement, if, after RTC has deposited funds and/or government obligations to effect defeasance with respect to any debt securities:

- the holder of a debt security is entitled to, and does, elect pursuant to the terms of the debt security to receive payment in a currency or currency unit other than that in which the deposit has been made in respect of the debt security; or
- the currency or currency unit in which the deposit has been made in respect of the debt security ceases to be used by its government of issuance;

then the indebtedness represented by the debt security and any related coupons will be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal, premium, if any, and interest, if any, on the debt security as they become due out of the proceeds yielded by converting the amount so deposited in respect of the debt security into the currency or currency unit in which the debt security becomes payable as a result of the holder’s election or the government’s cessation of usage based on the applicable market exchange rate (as defined in the prospectus supplement relating to the debt security) for that currency or currency unit in effect on the second business day prior to each payment date, except that with respect to a cessation of usage of the currency or currency unit by its government of issuance which results in current exchange rates no longer being available, the conversion will be based on the applicable market exchange rate for the currency or currency unit (as nearly as possible) in effect at the time of cessation (Section 1405). Unless otherwise provided in any applicable prospectus supplement, all payments of principal, premium, if any, and interest, if any, on any debt security that is payable in a foreign currency or currency unit that ceases to be used by its government of issuance will be made in U.S. dollars (Section 312).

If RTC effects covenant defeasance with respect to any debt securities and any related coupons and the debt securities and any related coupons are declared due and payable because of the

occurrence of any event of default other than the event of default described in the third bullet point under “-Events of Default” with respect to Sections 1008 and 1009 of the indenture (which sections would no longer be applicable to the debt securities or any related coupons) or described in the third or fifth bullet point under “-Events of Default” with respect to any other covenant with respect to which there has been defeasance, the amount of cash and the amounts of principal and interest payable on the government obligations on deposit with the trustee will be sufficient to pay amounts due on the debt securities and any related coupons at the time of their stated maturity but may not be sufficient to pay amounts due on the debt securities and any related coupons at the time of the acceleration resulting from the event of default. However, RTC would remain liable to make payment of the amounts due at the time of acceleration.

The applicable prospectus supplement may further describe the provisions, if any, permitting defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the debt securities of or within a particular series and any related coupons.

Modification and Waiver

Under the indenture, modifications and amendments may be made by RTC and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of outstanding debt securities which are affected by the modification or amendment. However, the consent of the holder of each debt security affected by the modification or amendment is required for any modification or amendment that would, among other things:

- change the stated maturity of principal of, or any installment of interest or premium, if any, on, or change the obligation of RTC to pay any additional amounts as contemplated by Section 1010 of the indenture on, any security;
- reduce the principal amount of, or the rate of interest on, or any premium payable on redemption of, any security, or reduce the amount of principal of an original issue discount security that would be due and payable upon declaration of acceleration of the maturity of the original issue discount security or would be provable in bankruptcy;
- change the place of payment where, or the coin, currency, currencies, currency unit or composite currency in which payment of principal, premium, if any, or interest on any security is payable;
- impair the right to institute suit for the enforcement of any payment on or with respect to any security;
- reduce the above stated percentage of holders of debt securities necessary to modify or amend the indenture or to consent to any waiver under the indenture; or
- modify the foregoing requirements or the provisions of the indenture related to waiver of certain covenants or waiver of past defaults (Section 902).

The indenture permits the holders of at least a majority in aggregate principal amount of outstanding debt securities to waive compliance by RTC with some of the restrictions described under “-Restriction on Merger and Sales of Assets” and compliance with specified other covenants of RTC contained in the indenture (Section 1011), including, in the case of the indenture, the restrictions described under “-Liens” and “-Sales and Leasebacks.”

The indenture contains provisions for convening meetings of the holders of debt securities of a series if debt securities of that series are issuable as bearer securities (Section 1501). A meeting may be called at any time by the trustee, and also, upon request, by RTC or the holders of at least 10% in principal amount of the debt securities of that series outstanding. If a meeting is called, notice must be given as provided in the applicable indenture (Section 1502). Except for any consent which must be given by the holder of each debt security affected by a modification or amendment of the indenture, as described above, any resolution presented at a meeting or adjourned meeting at which a quorum is present may be adopted by the affirmative vote of the holders of a majority in principal amount of the debt securities of that series; provided, however, that any resolution with respect to any consent or waiver which may be given by the holders of not less than a specified percentage in principal amount of the debt securities of a series may be adopted at a meeting or adjourned meeting at which a quorum is present only by the affirmative vote of that specified percentage in principal amount of the debt securities of that series; and provided, further, that any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which may be made, given or taken by the holders of a specified percentage, which is less than a majority in principal amount of debt securities of a series may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the holders of that specified percentage in principal amount of the debt securities of that series. Any resolution passed or decision taken at any meeting of holders of debt securities of any series duly held in accordance with the indenture will be binding on all holders of debt securities of that series and the related coupons. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be persons holding or representing a majority in principal amount of the debt securities of a series. However, if any action is to be taken at the meeting with respect to a consent or waiver which may be given by the holders of not less than a specified percentage in principal amount of the debt securities of a series, the persons holding or representing that specified percentage in principal amount of the debt securities of the series will constitute a quorum (Section 1504).

Events of Default

The indenture defines an “event of default” with respect to any series of debt securities as being any one of the following events:

- default in the payment of any interest upon any debt security of the series and any related coupon when due, continued for 30 days;
- default in the payment of the principal of, or premium, if any, on a debt security of the series at its maturity;

- default in the performance of any other covenant of RTC in the indenture, continued for 60 days after written notice as provided in the indenture, other than a covenant included in the indenture solely for the benefit of series of debt securities other than the series in question or a covenant default the performance of which would be covered by the fifth bullet point below;
- certain specified events in bankruptcy, insolvency or reorganization; and
- any other event of default provided with respect to debt securities of the series.

No event of default provided with respect to a particular series of debt securities, except as to events described in the third and fourth bullet points above, necessarily constitutes an event of default with respect to any other series of debt securities (Section 501).

If an event of default described in the first, second or fifth bullet point above with respect to debt securities of any series at the time outstanding occurs and is continuing, then the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of that series may declare the principal amount of all of the debt securities of that series to be due and payable immediately, or, if the debt securities of that series are original issue discount securities or indexed securities, the trustee or the same minimum number of holders may declare the portion of the principal amount that is specified in the terms of that series to be due and payable immediately. If an event of default described in the third or fourth bullet point above occurs and is continuing, then the trustee or the holders of not less than 25% in principal amount of all the debt securities then outstanding may declare the principal amount of all of the outstanding debt securities to be due and payable immediately, or, if any indenture securities are original issue discount securities or indexed securities, the trustee or the same minimum number of holders may declare the portion of the principal amount that is specified in the terms of that series to be due and payable immediately. However, at any time after a declaration of acceleration with respect to outstanding debt securities of a series (or of all outstanding debt securities, as the case may be) has been made, but before a judgment or decree for payment of the money has been obtained by the trustee as provided in the indenture, the holders of a majority in principal amount of outstanding debt securities of that series or of all outstanding debt securities, as the case may be, may, subject to specified conditions, rescind and annul the acceleration if all events of default, other than the nonpayment of accelerated principal or specified portion of accelerated principal, with respect to outstanding debt securities of the series or of all outstanding debt securities, as the case may be, have been cured or waived as provided in the indenture (Section 502). The indenture also provides that the holders of not less than a majority in principal amount of the outstanding debt securities of a series or of all outstanding debt securities, as the case may be, may, subject to specified limitations, waive any past default and its consequences (Section 513). The prospectus supplement relating to any series of debt securities which are original issue discount securities or indexed securities will describe the particular provisions relating to acceleration of a portion of the principal amount of the original issue discount securities or indexed securities upon the occurrence and continuation of an event of default.

In case an event of default with respect to the debt securities of a series has occurred and is continuing, the trustee will be obligated to exercise those rights and powers vested in it by the

indenture with respect to the series that a prudent person would exercise and to use the same degree of care and skill in their exercise as a prudent person would use under the circumstances in the conduct of his or her own affairs (Section 601).

Subject to the provisions of the indenture relating to the duties of the trustee in case an event of default occurs and is continuing, the trustee is under no obligation to exercise any of the rights or powers under the indenture at the request, order or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity (Section 603). Subject to these provisions for the indemnification of the trustee and specified limitations contained in the indenture, the holders of a majority in principal amount of the outstanding debt securities of a series or of all outstanding debt securities, as the case may be, will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee (Section 512).

RTC will be required to furnish to the applicable trustee annually a statement as to the fulfillment by RTC of all of its obligations under the indenture (Section 1004).

Governing Law

The indenture and the debt securities will be governed and construed in accordance with the law of the State of New York.

Trustee

Under the indenture, the trustee may resign or be removed with respect to one or more series of debt securities and a successor trustee may be appointed to act with respect to the series (Section 610). If two or more persons are acting as trustee with respect to different series of debt securities, each trustee will be a trustee of a trust under the indenture separate and apart from the trust administered by any other trustee (Section 611), and any action described herein to be taken by the “trustee” may then be taken by each trustee with respect to, and only with respect to, the one or more series of debt securities for which it is trustee.

Liens

Under the indenture, so long as any debt securities are outstanding:

- RTC will not itself, and will not permit any wholly-owned domestic manufacturing subsidiary to, create, incur, issue or assume any debt secured by any lien on any principal property owned by RTC or any wholly-owned domestic manufacturing subsidiary; and
- RTC will not itself, and will not permit any subsidiary to, create, incur, issue or assume any debt secured by any lien on any shares of stock or debt of any wholly-owned domestic manufacturing subsidiary.

When we say “wholly-owned domestic manufacturing subsidiary” we mean any subsidiary of which, at the time of determination, RTC directly and/or indirectly owns all of the outstanding

capital stock (other than directors' qualifying shares) and which, at the time of determination, is primarily engaged in manufacturing, except a subsidiary:

- which neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its fixed assets within the United States; or
- which is engaged primarily in the finance business including, without limitation, financing the operations of, or the purchase of products which are products of or incorporate products of, RTC and/or its subsidiaries; or
- which is primarily engaged in ownership and development of real estate, construction of buildings, or related activities, or a combination of the foregoing (Section 101).

When we say "debt," we mean notes, bonds, debentures or other similar evidence of indebtedness for money borrowed (Section 1008).

When we say "liens," we mean pledges, mortgages, liens, encumbrances and other security interests (Section 1008).

When we say "principal property," we mean any manufacturing plant or warehouse, together with the land upon which it is erected and fixtures constituting a part of the manufacturing plant or warehouse, owned by RTC or any wholly-owned domestic manufacturing subsidiary and located in the United States, the gross book value (without deduction of any reserve for depreciation) of which on the date as of which the determination is being made is an amount which exceeds 1% of consolidated net tangible assets, other than any manufacturing plant or warehouse or any portion of the manufacturing plant or warehouse or any fixture:

- which is financed by industrial development bonds; or
- which, in the opinion of the board of directors of RTC, is not of material importance to the total business conducted by RTC and its subsidiaries, taken as a whole (Section 101).

However, any of the actions described in the first two bullet points under "-Liens" above may be taken if

- the debt securities are equally and ratably secured; or
- the aggregate principal amount of the secured debt then outstanding plus the attributable debt of RTC and its wholly-owned domestic manufacturing subsidiaries in respect of sale and leaseback transactions described below involving principal properties entered into after the date when RTC first issues securities pursuant to the indenture, other than transactions that are permitted as described in the second bullet point under "-Sales and Leasebacks," would not exceed 10% of consolidated net tangible assets.

When we say "attributable debt," we mean, as to any particular lease under which any person is at the time liable for a term of more than 12 months, at any date as of which the amount of attributable debt is to be determined, the total net amount of rent required to be paid by the

person under the lease during the remaining term of the lease (excluding any subsequent renewal or other extension options held by the lessee and excluding amounts on account of maintenance and repairs, services, taxes and similar charges, and contingent rents), discounted from the respective due dates of the payments under the lease to the date of determination at the rate of 15% per annum, compounded monthly (Section 101).

When we say “consolidated net tangible assets,” we mean the total amount of assets (less applicable reserves and other properly deductible items) after deducting:

- all current liabilities, excluding any current liabilities which are by their terms extendible or renewable at the option of the obligor on the liabilities to a time more than 12 months after the time as of which the amount of current liabilities is being computed; and
- all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent balance sheet of RTC and its subsidiaries and computed in accordance with accounting principles generally accepted in the United States of America (Section 101).

This restriction on liens will not apply to debt secured by permitted liens. Therefore, for purposes of this restriction, debt secured by permitted liens will be excluded in computing secured debt. Permitted liens include:

- liens existing as of the date when RTC first issued securities pursuant to the indenture;
- liens existing on any property of or shares of stock or debt of any corporation at the time it became or becomes a wholly-owned domestic manufacturing subsidiary, or arising after that time (a) otherwise than in connection with the borrowing of money arranged after the corporation became a wholly-owned domestic manufacturing subsidiary and (b) pursuant to contractual commitments entered into before the corporation became a wholly-owned domestic manufacturing subsidiary;
- liens on property (including shares of stock or debt of a wholly-owned domestic manufacturing subsidiary) existing at the time of acquisition and certain purchase money or similar liens;
- liens to secure specified exploration, drilling, development, operation, construction, alteration, repair or improvement costs;
- liens securing debt owing by a subsidiary to RTC or to a wholly-owned domestic manufacturing subsidiary;
- liens in connection with government contracts, including the assignment of moneys due or to become due on government contracts;
- materialmen’s, carriers’, mechanics’, workmen’s, repairmen’s or other like liens arising in the ordinary course of business and which are not overdue or which are being contested in good faith in appropriate proceedings;

- liens arising from any judgment, decree or order of any court or in connection with legal proceedings or actions at law or in equity; and
- certain extensions, substitutions, replacements or renewals of the foregoing.

In addition, production payments and other financial arrangements with regard to oil, gas and mineral properties are not deemed to involve liens securing debt (Section 1008).

Sales and Leasebacks

So long as any debt securities are outstanding under the indenture, RTC will not, and will not permit any wholly-owned domestic manufacturing subsidiary to, enter into any sale and leaseback transaction after the date when RTC first issued securities pursuant to the indenture, covering any principal property, which was or is owned or leased by RTC or a wholly-owned domestic manufacturing subsidiary and which has been or is to be sold or transferred more than 120 days after the completion of construction and commencement of full operation of that principal property.

However, a sale and leaseback transaction of this kind will not be prohibited if:

- attributable debt of RTC and its wholly-owned domestic manufacturing subsidiaries in respect of the sale and leaseback transaction and all other sale and leaseback transactions entered into after the date when RTC first issued securities pursuant to the indenture (other than sale and leaseback transactions that are permitted as described in the next bullet point), plus the aggregate principal amount of debt secured by liens on principal properties then outstanding (not otherwise permitted or excepted) without equally and ratably securing the debt securities, would not exceed 10% of the consolidated net tangible assets;
- an amount equal to the greater of the net proceeds of the sale or transfer or the fair market value of the principal property sold or transferred (as determined by RTC) is applied within 120 days to the voluntary retirement of the debt securities or other indebtedness of RTC (other than indebtedness subordinated to the debt securities) or indebtedness of a wholly-owned domestic manufacturing subsidiary, for money borrowed, maturing more than 12 months after the voluntary retirement;
- the lease is for a temporary period not exceeding three years; or
- the lease is with RTC or another wholly-owned domestic manufacturing subsidiary (Section 1009).

Notes due 2030

The following briefly summarizes certain terms of the notes due 2030. This summary does not describe every aspect of the notes due 2030 and is subject, and is qualified in its entirety by reference, to the prospectus supplement of RTC, dated as of May 18, 2018 and the definitive documents related to such notes.

General

We have issued the notes due 2030 in an initial aggregate principal amount of €500,000,000. The notes due 2030 will mature on May 18, 2030.

The notes due 2030 have been issued in book-entry form. See “Book-Entry, Delivery and Form.” We issued the notes due 2030 only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

The notes due 2030 are listed on the New York Stock Exchange under the symbol “RTX 30.” We have no obligation to maintain such listing, and we may delist the notes due 2030 at any time.

We may, without the consent of the holders of the notes due 2030, issue additional notes due 2030 under the indenture having the same ranking and the same interest rate, maturity and other terms as the notes due 2030; *provided* that any such additional notes due 2030 that are not fungible with the notes due 2030 offered under the prospectus supplement dated as of May 18, 2018 for U.S. federal income tax purposes will have a separate CUSIP, ISIN and other identifying number than the notes due 2030 offered thereunder. Any such additional notes due 2030 will, together with the notes due 2030 offered by the same prospectus supplement, constitute a single series of notes under the indenture.

Interest

The notes due 2030 will bear interest at the annual rate of 2.150% and will accrue interest from the most recent date to which interest has been paid or duly provided for.

Interest will be payable on the notes due 2030 annually in arrears on May 18 of each year, and on the relevant maturity date, beginning on May 18, 2019 (each, a “fixed rate interest payment date”), to the persons in whose names the notes due 2030 are registered on the record date; provided, however, that interest payable on the relevant maturity date or any relevant redemption date will be payable to the persons to whom the principal of the notes due 2030 is payable. Interest on the notes due 2030 will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes due 2030 (or May 18, 2018 if no interest has been paid on the notes due 2030), to, but excluding, the next fixed rate interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association. If the date on which a payment of interest or principal on the notes due 2030 is scheduled to be paid is not a business day, then that interest or principal will be paid on the next succeeding business day, and no further interest will accrue as a result of such delay.

A “business day” is each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions are authorized or obligated by law or executive order to be closed in New York City or London and which is a day on which the Trans-European Automated Real-

time Gross Settlement Express Transfer system (the “TARGET2 system”), or any successor thereto, operates.

A “record date” is the close of business on the date that is fifteen calendar days prior to the date on which interest is scheduled to be paid, regardless of whether such date is a business day; provided that if any of the notes due 2030 are held by a securities depository in book-entry form, the record date for such notes will be the close of business on the business day (for this purpose a day on which Clearstream and Euroclear are open for business) immediately preceding the date on which interest is scheduled to be paid.

Issuance in Euro

Payments of principal, interest and Additional Amounts, if any, in respect of the notes due 2030 will be payable in euro. If the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control (including the dissolution of the euro) or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the applicable notes will be made in U.S. dollars until the euro is again available to us or so used. The amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the then most recent U.S. dollar/euro exchange rate available on or prior to the second business day prior to the relevant payment date as determined by us in our sole discretion. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture governing the notes. Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

Investors will be subject to foreign exchange risks as to payments of principal, interest and Additional Amounts, if any, that may have important economic and tax consequences to them.

Optional Redemption

The notes due 2030 will be redeemable, in whole or in part, at our option at any time. The Company may redeem the notes due 2030 on any date prior to February 18, 2030 at a redemption price in euro equal to the greater of:

- (a) 100% of the principal amount of the notes due 2030 to be redeemed; or
- (b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes due 2030 to be redeemed as described below, discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate (as defined below), plus 25 basis points.

In every such case, the redemption price will also include interest accrued to, but excluding, the date of redemption on the principal balance of the notes due 2030 being redeemed.

In addition, at any time on or after February 18, 2030, the Company may redeem some or all of the notes due 2030, in each case, at its option at a redemption price equal to 100% of the principal amount of the notes due 2030 to be redeemed, plus, in every such case, interest accrued to, but excluding, the date of redemption on the principal balance of the notes due 2030 being redeemed.

In any case, the principal amount of a note remaining outstanding after a redemption in part shall be €100,000 or an integral multiple of €1,000 in excess thereof.

For purposes of the optional redemption provisions of the notes due 2030, the following terms will be applicable:

“Comparable Government Bond” means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German federal government bond whose maturity is closest to the maturity of the notes due 2030 to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German federal government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German federal government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond Rate” means, with respect to any redemption date, the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes due 2030 to be redeemed, if they were to be purchased at such price on the third business day prior to the redemption date, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined above) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

General Information Regarding Optional Redemption

We will mail or electronically deliver, according to the procedures of the applicable depository, notice (with a copy to the trustee and the paying agent) of any optional redemption to the registered holder of the notes due 2030 being redeemed not less than 15 days and not more than 60 days before the redemption date. The notice of redemption will identify, among other things, the redemption date, the redemption price (or if not then ascertainable, the manner of calculation thereof) and that on the redemption date, the redemption price will become due and payable and that the notes called for redemption will cease to accrue interest on and after the redemption date (unless there is a default on payment of the redemption price). Prior to any redemption date, we will deposit with the paying agent or the trustee money sufficient to pay the redemption price of the notes to be redeemed on that date. If we redeem less than all of any series of fixed rate notes, the trustee will choose the notes due 2030 to be redeemed by any method that it deems fair and

appropriate; provided that if the notes due 2030 are represented by one or more global notes, beneficial interests in the notes due 2030 will be selected for redemption by Euroclear and Clearstream in accordance with their respective standard procedures therefor.

The notes due 2030 are also subject to redemption if certain events occur involving United States taxation. See “—Redemption for Tax Reasons.”

Additional Amounts

All payments of principal and interest in respect of the notes due 2030 by us or a paying agent on our behalf will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other similar governmental charges imposed or levied by the United States or any political subdivision or taxing authority of or in the United States (collectively, “Taxes”), unless such withholding or deduction is required by law.

In the event such withholding or deduction for Taxes is required by law, subject to the limitations described below, we will pay to any non-U.S. holder or any foreign partnership such additional amounts (“Additional Amounts”) as may be necessary to ensure that the net amount received by such person, after withholding or deduction for such Taxes, will be equal to the amount such person would have received in the absence of such withholding or deduction.

However, no Additional Amounts shall be payable with respect to any Taxes if such Taxes are imposed, withheld, deducted or levied for reasons unrelated to the holder’s or beneficial owner’s ownership or disposition of notes, nor shall Additional Amounts be payable for or on account of:

(a) any Taxes which would not have been so imposed, withheld, deducted or levied but for:

(1) the existence of any present or former connection between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity) and the United States, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or other equity owner or person having such a power) being or having been a citizen or resident or treated as a resident of the United States, being or having been engaged in a trade or business in the United States, being or having been present in the United States, or having or having had a permanent establishment in the United States;

(2) the failure of the holder or beneficial owner to comply with any applicable certification, information, documentation or other reporting requirement, if compliance is required under the tax laws and regulations of the United States or any political subdivision or taxing authority of or in the United States to establish entitlement to a partial or complete exemption from such Taxes (including, but not limited to, the requirement to provide Internal Revenue Service Form W-8BEN, Form W-8BEN-E, Form W-8ECI, Form W-8IMY (and related documentation) or any subsequent versions thereof or successor thereto); or

- (3) the holder's or beneficial owner's present or former status as a personal holding company or a foreign personal holding company with respect to the United States, as a controlled foreign corporation with respect to the United States, as a passive foreign investment company with respect to the United States, as a foreign tax-exempt organization with respect to the United States or as a corporation that accumulates earnings to avoid United States federal income tax;
- (b) any Taxes which would not have been imposed, withheld, deducted or levied but for the failure of the holder or beneficial owner to meet the requirements (including the certification requirements) of Section 871(h) or Section 881(c) of the Internal Revenue Code of 1986, as amended (the "Code");
- (c) any Taxes which would not have been imposed, withheld, deducted or levied but for the presentation by the holder or beneficial owner of such note for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment of the note due 2030 is duly provided for and notice is given to holders, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such Additional Amounts on presenting such note on any date during such 30-day period;
- (d) any estate, inheritance, gift, sales, excise, transfer, personal property, wealth or similar Taxes;
- (e) any Taxes which are payable other than by withholding or deduction from a payment on such note;
- (f) any Taxes which are imposed, withheld, deducted or levied with respect to, or payable by, a holder that is not the beneficial owner of the note, or a portion of the note, or that is a fiduciary, partnership, limited liability company or other similar entity, but only to the extent that a beneficial owner, a beneficiary or settlor with respect to such fiduciary or member of such partnership, limited liability company or similar entity would not have been entitled to the payment of an Additional Amount had such beneficial owner, settlor, beneficiary or member received directly its beneficial or distributive share of the payment;
- (g) any Taxes required to be withheld or deducted by any paying agent from any payment on any note, if such payment can be made without such withholding or deduction by at least one other paying agent;
- (h) any Taxes imposed, withheld, deducted or levied under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code;
- (i) any Taxes that would not have been imposed, withheld, deducted or levied but for a change in any law, treaty, regulation, or administrative or judicial interpretation that becomes effective after the applicable payment becomes due or is duly provided for, whichever occurs later; or

(j) any combination of items (a), (b), (c), (d), (e), (f), (g), (h) and (i).

Any Additional Amounts paid on the notes due 2030 will be paid in euro.

For purposes of this section, the acquisition, ownership, enforcement, or holding of or the receipt of any payment with respect to a note alone will not constitute a connection (1) between the holder or beneficial owner and the United States or (2) between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity and the United States.

Except as specifically provided under this section “Additional Amounts,” we will not be required to make any payment with respect to any tax, duty, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority.

If we are required to pay Additional Amounts with respect to the notes due 2030, we will notify the trustee and paying agent pursuant to an officers’ certificate that specifies the Additional Amounts payable and when the Additional Amounts are payable. If the trustee and the paying agent do not receive such an officers’ certificate from us, the trustee and paying agent may rely on the absence of such an officers’ certificate in assuming that no such Additional Amounts are payable.

Redemption for Tax Reasons

We may redeem the notes due 2030 at our option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes due 2030 to be redeemed, together with any accrued and unpaid interest on the notes to be redeemed to, but excluding, the redemption date, at any time, if:

(i) we have or will become obliged to pay Additional Amounts with respect to such series of the notes as a result of any change in, or amendment to, the laws, regulations, treaties, or rulings of the United States or any political subdivision of or in the United States or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, the application, official interpretation, administration or enforcement of such laws, regulations, treaties or rulings (including a holding by a court of competent jurisdiction in the United States), which change or amendment is enacted, adopted, announced or becomes effective on or after the date of the applicable prospectus supplement; or

(ii) on or after the date of the applicable prospectus supplement, any action is taken by a taxing authority of, or any action has been brought in a court of competent jurisdiction in, the United States or any political subdivision of or in the United States or any taxing authority thereof or therein, including any of those actions specified in clause (i) above, whether or not such action was taken or brought with respect to us, or there is any change, amendment, clarification, application or interpretation of such laws, regulations, treaties or rulings, which in any such case, will result in a material probability that we will be required to pay Additional Amounts with respect to the notes due 2030 (it being understood that such material probability will be deemed

to result if the written opinion of independent tax counsel described in clause (b) below to such effect is delivered to the trustee and the paying agent).

Notice of any such redemption will be mailed, or delivered electronically if held by any depository in accordance with such depository's customary procedures, at least 15 days but not more than 60 days before the redemption date to each registered holder of the notes due 2030 to be redeemed; *provided, however*, that the notice of redemption shall not be given earlier than 90 days before the earliest date on which we would be obligated to pay such Additional Amounts if a payment in respect of the notes to be redeemed was then due.

Prior to the mailing or delivery of any notice of redemption pursuant to this section "Redemption for Tax Reasons," we will deliver to the trustee and the paying agent:

(a) a certificate signed by one of our officers stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to our right to so redeem have occurred, and

(b) a written opinion of independent tax counsel of nationally recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of a change or amendment described in clause (i) above or that there is a material probability that we will be required to pay Additional Amounts as a result of an action, change, amendment, clarification, application or interpretation described in clause (ii) above, as the case may be.

Such notice, once delivered by us will be irrevocable.

Resignation and Removal of the Trustee

The trustee may resign at any time by giving written notice to us.

The trustee may also be removed with respect to the notes due 2030 by an act of the holders of a majority in principal amount of the then outstanding the notes due 2030.

No resignation or removal of the trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the indenture.

Under certain circumstances, we may appoint a successor trustee.

We will provide you with notice of any resignation, removal or appointment of the trustee.

Notices

Notices to holders of the notes due 2030 are to be given by mail to the addresses of the holders as they may appear in the security register. If it is impractical to mail notice of any event to holders when such notice is required to be given pursuant to the indenture, then any manner of giving such notice as shall be satisfactory to the trustee shall be deemed to be sufficient giving of such notice.

Title

RTC, the trustee, and any agent of either, may treat the person or entity in whose name the notes due 2030 are registered as the owner of those notes for the purpose of receiving payments on such notes (subject to the provisions of the indenture) and for all other purposes whatsoever, whether or not such notes may be overdue, and irrespective of notice to the contrary.

Governing Law

The notes due 2030 are governed by and construed in accordance with the laws of the State of New York.

The Trustee, Securities Registrar, Paying Agent and Calculation Agent

The trustee and securities registrar under the indenture is The Bank of New York Mellon Trust Company, N.A. The Bank of New York Mellon, London Branch has been appointed by the Company to act as paying agent. The trustee maintains various banking and trust relationships with us and some of our affiliates. We may vary or terminate the appointment of any paying agent, securities registrar or calculation agent, or appoint additional or other such agents or approve any change in the office through which any such agent acts.

The trustee is under no obligation to exercise any of the rights or powers vested in it by the indenture at the request or direction of any of the holders of the notes due 2030 pursuant to the indenture, unless such holders shall have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Book-Entry, Delivery and Form

We issued the notes due 2030 in the form of global notes (the “global notes”) in definitive, fully registered, book-entry form without coupons. The global notes will be deposited with a common depository (and registered in the name of its nominee) for, and in respect of interests held through, Clearstream Banking S.A., which we refer to as “Clearstream,” or Euroclear Bank SA/NV, which we refer to as “Euroclear.” Except as described herein, definitive notes in registered form will not be issued in exchange for beneficial interests in the global notes.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to a common depository for Clearstream and Euroclear or its nominee. No link is expected to be established among The Depository Trust Company and Clearstream or Euroclear in connection with the issuance of the notes.

Beneficial interests in the global notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Clearstream or Euroclear. Those beneficial interests will be in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Should definitive notes in registered form be issued to individual holders of the notes due 2030, a holder of notes due 2030 who, as a

result of trading or otherwise, holds a principal amount of the notes due 2030 that is less than the minimum denomination would be required to purchase an additional principal amount of the notes due 2030 such that its holding of the notes due 2030 amounts to the minimum specified denomination. Investors may hold interests in the global notes through Clearstream or Euroclear either directly if they are participants in such systems or indirectly through organizations that are participants in such systems.

Except as set forth in the indenture or related officers' certificate, owners of beneficial interests in the global notes will not be entitled to have notes registered in their names, and will not receive or be entitled to receive physical delivery of notes in definitive form. Except as provided below, beneficial owners will not be considered the owners or holders of the notes under the indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture. Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action which a holder is entitled to give or take under the indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Persons who are not Euroclear or Clearstream participants may beneficially own notes held by the common depository for Euroclear and Clearstream only through direct or indirect participants in Euroclear and Clearstream.

We understand that Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

We understand that Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical

movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank SA/NV, which we refer to as the “Euroclear Operator,” under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation, which we refer to as the “Cooperative.” All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers, and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

We understand that the Euroclear Operator is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian bank, it is regulated and examined by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

We have provided the descriptions of the operations and procedures of Clearstream and Euroclear in this prospectus supplement solely as a matter of convenience, and we make no representation or warranty of any kind with respect to these operations and procedures. These operations and procedures are solely within the control of those organizations and are subject to change by them from time to time. None of us, the underwriters, the trustee or the paying agent takes any responsibility for these operations or procedures, and you are urged to contact Clearstream and Euroclear or their participants directly to discuss these matters.

We, the trustee, the paying agent and the registrar will not have any responsibility or liability for any aspect of the records relating to or payments made on account of notes by Clearstream or Euroclear, or for maintaining, supervising or reviewing any records of those organizations relating to the notes.

So long as Euroclear or Clearstream or their nominee or their common depository is the registered holder of the global notes, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global notes for all purposes under the indenture and the notes. Payments of principal, interest and Additional Amounts, if any, in respect of the global notes will be made to Euroclear, Clearstream or such nominee, as the case may be, as registered holder thereof.

Distributions of principal, interest and Additional Amounts, if any, with respect to the global notes will be credited in euro to the extent received by Euroclear or Clearstream to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the global notes to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Initial settlement for the notes will be made in immediately available funds. Secondary market trading between Clearstream and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear, as applicable, and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the notes through the Clearstream and Euroclear systems on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving the Clearstream and Euroclear systems on the same business day as in the United States. U.S. investors who wish to transfer their interests in the notes, or to make or receive a payment or delivery of the notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether the Clearstream or Euroclear system is used.

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired date.

Secondary market sales of book-entry interests in the notes held through Clearstream or Euroclear to purchasers of book-entry interests in a global note through Clearstream or Euroclear will be conducted in accordance with the normal rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in same-day funds.

We have obtained the information in this section concerning Clearstream and Euroclear and the book-entry system and procedures from sources that we believe to be reliable, but neither we nor the underwriters take any responsibility for the accuracy of this information.

In a few special situations described below, the book-entry system for the notes will terminate and interests in the global notes will be exchanged for definitive notes in registered form. You

must consult your bank, broker or other financial institution to find out how to have your interests in the notes transferred to your name, so that you will be a direct holder.

The special situations for termination of the book-entry system for the notes due 2030 are:

- the depositary for any of the notes represented by a registered global note (a) notifies us that it is unwilling or unable to continue as depositary or clearing system for the global notes or (b) ceases to be a “clearing agency” registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in either event we are unable to find a qualified replacement for such depositary within 90 days;
- we in our sole discretion determine to allow global notes to be exchangeable for definitive notes in registered form; or
- there has occurred and is continuing an event of default with respect to the notes and the depositary notifies the trustee of its decision to exchange the global notes for definitive notes in registered form.

UNITED TECHNOLOGIES CORPORATION
PENSION PRESERVATION PLAN
(As Amended and Restated Effective as of January 1, 2020)

1. PURPOSE AND EFFECTIVE DATE OF PLAN AND AMENDMENTS

(a) *Purpose and Effective Date.* United Technologies Corporation (the "Corporation" or "UTC") established the United Technologies Corporation Pension Preservation Plan (the "Preservation Plan") effective January 1, 1978 for the benefit of certain employees as an unfunded plan solely for the purpose of providing retirement benefits in excess of the retirement and survivor benefits that may be paid from tax-qualified retirement plans due to (i) benefit limitations imposed by Section 415 of the Code and (ii) the limitation imposed by Section 401(a)(17) of the Code on compensation that may be taken into account in computing retirement benefits under tax-qualified retirement plans (referred to collectively as the "Limits").

The Preservation Plan restores the amount of the retirement benefit or survivor benefit that may not be paid from the United Technologies Corporation Employee Retirement Plan (the "Qualified Retirement Plan") as a result of the Limits so that the total actuarial present value of the Qualified Retirement Plan and Pension Preservation Plan benefits equals the actuarial present value of the retirement benefit or survivor benefit that would be paid from the Qualified Retirement Plan if such Plan were administered without regard to the Limits. Effective with the merger of the Replacement Plan into this Plan in 2006, the amount of any reduction of Qualified Plan Retirement benefits resulting from the deferral of compensation that would otherwise be recognized under the Qualified Retirement Plans shall be provided under this Plan. The Preservation Plan shall be administered and construed to effectuate the foregoing intent.

(b) *Plan Amendments.*

(i) The Preservation Plan was amended and restated on December 31, 2006, when the United Technologies Corporation Pension Replacement Plan (the "Replacement Plan") was merged into the Preservation Plan.

(ii) The Preservation Plan was amended on December 3, 2009 to conform the terms of the Plan to the changes to the UTC Employee Retirement Plan.

(iii) The Preservation Plan was amended and restated effective as of December 31, 2009 to comply with the requirements of IRC Section 409A.

(iv) The Preservation Plan is hereby further amended and restated effective as of January 1, 2020 to conform the terms of the Plan to the changes to the UTC Employee Retirement Plan and freeze future benefit accruals under the Plan effective as of December 31, 2019; and to change pertinent references from "United Technologies Corporation" or "UTC" to "Raytheon Technologies Corporation" or "RTX" effective as of April 3, 2020.

2. PLAN OPERATION

(a) The Preservation Plan applies to amounts that were earned or vested after December 31, 2004 under the Preservation and Replacement Plans. Amounts that were earned and vested (within the meaning of Section 409A) under either the Preservation Plan or the Replacement Plan before January 1, 2005, and any subsequent increases in these amounts that are treated as grandfathered benefits under Section 409A, are subject to and shall continue to be governed by the terms of the Prior Plans as set forth in Appendix A and Appendix B as applicable. From January 1, 2005 to the present, the Preservation Plan has been operated in good faith compliance with Section 409A in accordance with guidance provided by the Internal Revenue Service.

(b) Effective as of December 31, 2014, the Final Average Earnings Formula under the Preservation Plan was frozen, in line with the freeze of the Final Average Earnings Formula under the Qualified Retirement Plan for periods of service after December 31, 2014.

(c) Effective as of December 31, 2019, the Cash Balance formula under the Preservation Plan is hereby frozen, in line with the freeze of the Cash Balance formula under the Qualified Retirement Plan for periods of service after December 31, 2019.

3. DEFINITIONS

Any capitalized terms used herein that are not defined in this Section 3 shall have the meanings given to them by the Qualified Retirement Plan unless the context clearly indicates otherwise.

Beneficiary means the person, persons or entity designated in writing by a Participant to receive the value of his or her Current Plan Benefit in the event of the Participant's death, in accordance with the terms of this Plan. If a Participant fails to designate a Beneficiary under this Plan, or if the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Benefit will be payable to the Participant's estate.

Cash Balance Benefit means the portion of the Current Plan benefit calculated under the Cash Balance Formula.

Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. Reference to any section of the Internal Revenue Code shall include any final regulations or other applicable guidance. References to "Section 409A" shall include any final regulations or other applicable guidance issued thereunder by the Internal Revenue Service from time to time in effect.

Committee means the Pension Administration and Investment Committee.

Compensation Reduction means a reduction in compensation otherwise recognized under the Qualified Retirement Plan (without regard to the Limits) by reason of a Participant's participation in the United Technologies Corporation Deferred Compensation Plan.

Corporation means Raytheon Technologies Corporation, or any successor thereto.

Current Plan Benefit means amounts credited on or after January 1, 2005 under either the Preservation or Replacement Plans, as a Final Average Earnings Benefit and/or a Cash Balance Benefit payable under the Plan.

Disability means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C) of the Code.

Election Form means the form provided to Participants electronically or in paper form for the purpose of electing the form of payment for a Current Plan Benefit.

Final Average Earnings Benefit means the portion of the Plan benefit calculated under the Final Average Earnings Formula.

Prior Plans means the United Technologies Corporation Pension Preservation Plan, as in effect on December 31, 2004, as set forth in Appendix A and the United Technologies Corporation Pension Replacement Plan, as in effect on December 31, 2004, as set forth in Appendix B.

Prior Preservation Plan means the United Technologies Corporation Pension Preservation Plan, as in effect on December 31, 2004, as set forth in Appendix A. All amounts earned and vested under the Prior Preservation Plan as of December 31, 2004, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, shall continue to be subject to the terms and conditions of the Prior Preservation Plan and shall not be affected by this amendment and restatement.

Prior Replacement Plan means the United Technologies Corporation Pension Replacement Plan, as in effect on December 31, 2004, as set forth in Appendix B. All amounts earned and vested under the Prior Replacement Plan as of December 31, 2004, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, shall continue to be subject to the terms and conditions of the Prior Replacement Plan and shall not be affected by this amendment and restatement.

Prior Plan Benefit means the aggregate value of the Prior Preservation Plan Benefit and Prior Replacement Plan Benefit as identified in Section 6, which are valued and administered separately in accordance with the terms and procedures in effect under the Prior Plans.

Qualified Retirement Plan means the United Technologies Corporation Pension Plan.

Replacement Plan means the United Technologies Corporation Pension Replacement Plan.

Separation from Service means a Participant's termination of employment with all RTX Companies, other than by reason of death. A Separation from Service will be deemed to occur where the Participant and the RTX Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed

during the immediately preceding 36 months (or the entire period the Participant has provided services if the Participant has been providing services to the RTX Companies for less than 36 months.) A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one RTX Company to another RTX Company.

Specified Employee means:

(i) prior to April 1, 2020, each of the fifty (50) highest-paid officers and other executives of the Corporation and its Subsidiaries, effective annually as of April 1st, based on wages subject to federal income tax withholding, and amounts that are excluded from taxable income by the employee's election to make pre-tax contributions under a cafeteria plan, section 401(k) plan, or similar plan, determined for the preceding calendar year as provided in Treas. Reg. § 1.415(c)-2(d)(3). The term includes both U.S. and non-U.S. employees, and the compensation used to determine whether an employee is among the fifty (50) highest-paid officers and other executives shall be determined by treating non-U.S. compensation as if it had been earned in the U.S. by a U.S. citizen; and

(ii) on or after April 1, 2020, each of the fifty (50) highest-paid officers and other executives of the Corporation and its affiliates (determined for this purpose under Treas. Reg. § 1.409A-1(g)), effective annually as of April 1st, based on compensation reported in Box 1 of Form W-2, but including amounts that are excluded from taxable income as a result of elective deferrals to qualified plans and pre-tax contributions. Compensation will not include foreign compensation earned by a nonresident alien that is not effectively connected with the conduct of a trade or business in the United States.

RTX Company means the Corporation or any entity controlled by or under common control with the Corporation within the meaning of Section 414(b) or (c) of the Code (but substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

4. ELIGIBILITY

Each employee of an RTX Company who is a Participant in the Qualified Retirement Plan shall be eligible to participate in the Preservation Plan if and to the extent such employee's compensation increases such that the Participant's Accrued Benefit under the Qualified Retirement Plan is limited by (i) provisions of the Qualified Retirement Plan that are designed solely to comply with the Limits; or (ii) such employee experiences a Compensation Reduction. In no event shall any person who is not entitled to benefits under the Qualified Retirement Plan be eligible for retirement benefits or survivor benefits under this Preservation Plan. An employee of the UTC Companies who is eligible for retirement benefits under the Preservation Plan and has completed three years of "Continuous Service" (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008) shall be referred to herein as a "Participant."

5. DETERMINATION OF PRESERVATION PLAN BENEFIT

The amount of the retirement benefit or survivor benefit payable from the Preservation Plan to or in respect of a Participant shall equal the excess, if any, of (a) over (b), and for purposes of this calculation, it shall be assumed that Qualified Retirement Plan Benefit and Preservation Plan Benefit commence at the same time, where

(a) equals the retirement benefit or survivor benefit that would be paid to such Participant (or on his or her behalf to his Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan if the provisions of the Qualified Retirement Plan were administered without regard to the Limits and Compensation Reduction; and

(b) equals the retirement benefit or survivor benefit payable to such Participant (or on his or her behalf to his or her Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan.

6. PLAN BENEFITS

(a) *Prior Plan Benefit.* Benefits accrued under the Prior Plan are not intended to be subject to Section 409A of the Code. No amendment to Appendix A or Appendix B that would constitute a “material modification” for purposes of Section 409A shall be effective unless the amending instrument states that it is intended to materially modify Appendix A and/or Appendix B and to cause the Prior Plan(s) to become subject to Section 409A. Although the Prior Plan Benefit is not intended to be subject to Section 409A, neither the UTC Companies nor any director, officer, or other representative of an RTX Company shall be liable for any adverse tax consequence suffered by a Participant or Beneficiary if a Prior Plan Benefit becomes subject to Section 409A.

(i) Prior Preservation Plan Benefit. Amounts that were credited before January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A of the Code, shall be maintained and accounted for separately and shall remain subject to the terms and conditions of the Prior Plan, as set forth in Appendix A.

(ii) Prior Replacement Plan Benefit. Amounts that were credited before January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A of the Code, shall be maintained and accounted for separately and shall remain subject to the terms and conditions of the Prior Plan, as set forth in Appendix B.

(b) *Current Plan Benefit.* Current Plan Benefit shall include amounts credited to Participants under either the Preservation or Replacement Plans on or after January 1, 2005.

(c) *Sunset of Final Average Earnings Formula Plan Benefit.* The determination of benefits payable under Section 5 of this Plan (“Determination of Preservation Plan Benefit”) shall be done in accordance with the applicable terms and provisions of the Qualified Retirement Plan, including the amendment to such Plan that provides for the elimination of the Final Average Earnings Formula and related credited service and compensation determination provisions, effective December 31, 2014.

(d) *Plan Frozen to New Benefit Credits.* Effective as of December 31, 2019, the Cash Balance formula under the Preservation Plan is hereby frozen, in line with the freeze of the Cash Balance formula under the Qualified Retirement Plan for periods of service after December 31, 2019. Thereafter, a Participant’s Cash Balance Benefit under the Plan shall be the Participant’s Cash Balance Benefit accrued as of December 31, 2019, together with interest, with no additional benefit accruals under the Plan. A Cash Balance benefit will continue to be eligible

for monthly interest credits until its full distribution, in accordance with the terms of the Plan. The interest crediting rate is set annually, based on the 30-year U.S. Treasury bond yield.

7. FORM OF PRESERVATION PLAN BENEFIT

(a) The Committee shall determine, as of the earlier of the Participant's Separation from Service or the Participant's date of death, that portion of the Participant's total retirement benefit or survivor benefit that is to be paid under the Preservation Plan, using the same formula that is used under the UTC Employee Retirement Plan to calculate such Participant's benefit. The Committee will apply either the Final Average Earnings (FAE) formula, Cash Balance (CB) formula, or both as applicable to each Participant under the Qualified Retirement Plan. The Preservation Plan retirement benefit or survivor benefit shall be paid to the Participant, or on his or her behalf to any Contingent Annuitant or Beneficiary (as designated under the Qualified Retirement Plan), as a monthly annuity, unless a timely election is made in accordance with Subparagraph (c) of this Section 7.

(b) A Participant may elect separate payment methods for Prior and Current Plan Benefits. Prior Plan Benefit elections are administered separately in accordance with the terms and procedures in effect under the Prior Plans, as set forth in Appendices A and B.

(c) Unless a Participant elects a form of the benefit payment for Current Plan Benefit, benefits earned under the Preservation Plan will be paid as a single life annuity or actuarially equivalent life annuity. A Participant may elect to receive a single lump-sum payment or a series of 2 to 10 annual installment payments. A payment election under the Plan shall be made on an electronic or written Election Form, completed and submitted to the UTC Pension Service Center no later than December 31st of the calendar year prior to the year in which the period of service commences on which the benefit is based. A change in actuarially equivalent annuities shall not be deemed to be a change in payment election for purposes of this Plan. Except as provided below in Subsection (d), a Participant's payment election shall become irrevocable on the election deadline date.

(d) *Change in Payment Election.* A Participant may make an election to change the form of payment that the Participant elected under Section 7(c), subject to the following requirements:

(i) The new election must be made at least twelve (12) months prior to the date on which payments are scheduled to commence (and the new election shall be ineffective if the Participant incurs a Separation from Service within twelve (12) months after the date of the new election);

(ii) The new election will not take effect until at least twelve months after the date when the Participant submits a new Election Form to the UTC Pension Service Center; and

(iii) The new benefit payment commencement date must be five years later than the date on which payments commence under the current election.

(e) *FAE Benefit in the Form of Lump Sum or Annual Installments.* If a Participant's benefit is calculated under the FAE formula and the Participant elects to have his or her Preservation Plan benefit paid in the form of a single lump-sum or annual installment distribution, the Actuarially Equivalent present value of the Preservation Plan

retirement benefit or survivor benefit shall be determined using the applicable mortality table prescribed by the IRS (updated annually by the IRS), and interest assumption equal to the average yield for tax-free municipal bonds of 10-year maturities, averaged over the prior five calendar years. For purposes of computing this interest assumption, the Barclays Capital 10-Year Municipal Bond Index shall be utilized, averaging the published yield for 10-year maturities (credit quality AA or above) on the last business day of the year over the most recent five consecutive full calendar year period. This rate shall be adjusted annually at the beginning of each calendar year. If the Participant elects to have his or her FAE Benefit paid in the form of annual installments, the value calculated above will be further divided into equal annual installments to be paid over the period elected (2 to 10 years), credited with the interest rate then in effect, as detailed above.

(f) *Cash Balance Benefit in the Form of Annual Installments or an Annuity.* If a Participant's Plan benefit is a Cash Balance Benefit and the Participant elects to have his or her Cash Balance benefit paid as annual installments, the value of the Cash Balance Benefit will be divided into the specific number of equal annual installments (2 to 10 years), credited with the interest rate then in effect, as detailed above in Section 6(d).

(g) *Full Satisfaction of Corporation's Obligation.* The payment of a monthly annuity, lump-sum or annual installment distribution in accordance with this Section 7 shall be in full satisfaction of all of the Corporation's obligations with respect to the Participant under the Preservation Plan.

8. DISTRIBUTION OF BENEFIT

(a) *Timing of Distribution.* Except as provided in Section 7(d) (Change in Payment Election), Section 8(b) (Specified Employees), the value of a Participant's Preservation Plan Benefit will be distributed (or begin to be distributed) to the Participant as follows:

- (i) If a Participant's benefit is calculated under the FAE formula only, the benefit will be paid to Participant on the first business day of the month following the later of a Participant's Separation from Service, or when the Participant reaches age 55;
- (ii) If a Participant's benefit is calculated under the CB formula only, the benefit will be paid to Participant on the first business day of the month following the Participant's Separation from Service;
- (iii) If a Participant's benefit is calculated under both the FAE and CB formulas, the benefit will be paid to the Participant according to the rules outlined above in Subsections (i) and (ii) for the corresponding portions of the benefit.

(b) *Separation from Service of Specified Employees.* If the Participant is a Specified Employee on the date of the Participant's Separation from Service, distribution of the Participant's Current Plan Benefit to the Participant that is made on account of the Participant's Separation from Service will not be made or commence earlier than the first day of the seventh month following the date of Separation from Service.

(c) *Administrative Adjustments in Payment Date.* A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (i) in the same calendar year (for a payment whose specified due date is on or before September 30), or (ii) by the 15th day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than 30 days before the due date specified by the Plan. In no event, will a payment to a Specified Employee be made or commence earlier than the first day of the seventh month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 8(c).

9. DISTRIBUTION IN THE EVENT OF DEATH

(a) *FAE Benefit in the Form of an Annuity.* If a Participant's benefit (or portion of a benefit) is calculated under the FAE formula and the Participant has not made an election to receive his or her Pension Preservation Plan Benefit in a lump sum or installments as of the date of death, any survivor benefits will be paid as a life annuity subject to the following:

(i) If death occurs prior to age 55 with at least five years of service and less than ten years of service, the spouse of the Participant shall receive a 50% Contingent Annuity Benefit beginning on the date the Participant would have attained his or her 55th birthday. If the Participant is unmarried, no Plan benefit is payable.

(ii) If death occurs prior to age 55 with at least ten years of service, the spouse of the Participant shall receive a 100% Contingent Annuity Benefit beginning on the date the Participant would have attained his or her 55th birthday. If the Participant is unmarried, no Plan benefit is payable.

(iii) If death occurs on or after attainment of age 55 with at least ten years of service or attainment of age 65, and the Participant has elected a survivor annuity, survivor benefits shall be paid as a 100% Contingent Annuity Benefit beginning on the first business day of the month following the Participant's death in the following order:

- (1) to the Spouse of the Participant, if the Participant is married at the time of death;
- (2) to the named Beneficiary or contingent annuitant, if the Participant is not married at the time of death;
- (3) to the children of the Participant if the Participant has not designated a Beneficiary prior to his or her death; or
- (4) to the estate of the Participant, if the Participant has no children at the time of his or her death.

(iv) If the Participant is not married at the time of death and the Participant has not designated a Beneficiary or contingent annuitant, the benefit shall be payable as:

- (1) a 10-year certain actuarially equivalent annuity to the children of the Participant; or
- (2) a 5-year certain actuarially equivalent annuity to the estate of the Participant.

(b) *FAE Benefit in the Form of a Lump-Sum or Annual Installments.* If a Participant's benefit (or portion of a benefit) is calculated under the FAE formula and the Participant has made an election to receive his or her Preservation Plan Benefit in a lump sum or annual installments in accordance with Section 7(c) herein, such Participant shall have survivor benefits paid to his or her Beneficiary as follows:

(i) If death occurs prior to age 55, with at least 10 years of service, the Preservation Plan accrued benefit shall be paid in a lump sum payment as of the date the Participant would have attained his or her 55th birthday, in the following order:

- (1) to the Spouse of the Participant, if the Participant is married at the time of death;
- (2) to the children of the Participant (divided among them equally) if the Participant is not married at the time of death; or
- (3) to the Participant's estate, if the Participant has no children at the time of his or her death.

(ii) If death occurs on or after age 55, with at least 10 years of service, the Plan accrued benefit shall be paid to the Beneficiary beginning on the first business day of the month following the Participant's death, in the following order:

- (1) to the named Beneficiary;
- (2) to the Spouse of the Participant, if the Participant is married at the time of death, and has not named a Beneficiary;
- (3) to the children of the Participant (divided among them equally), if the Participant is not married at the time of death; or
- (4) to the Participant's estate, if the Participant has no children at the time of his or her death.

(iii) If death occurs after the benefit commencement date but before all annual installments have been paid, the remaining installments will be paid to his or her Beneficiary as scheduled.

(iv) If death occurs at any age, with less than 10 years of service, 50% of the accrued FAE Benefit shall be paid in a lump-sum payment as of the date the Participant would have attained his or her 55th birthday (or on the first business day of the month following the Participant's death if the Participant had already attained age 55) in the following order:

- (1) to the Spouse of the Participant, if the Participant is married at the time of death;
- (2) to the children of the Participant (divided among them equally) if the Participant is not married at the time of death; or

(3) to the estate of the Participant, if the Participant has no children at the time of his or her death.

(c) *Cash Balance Benefit Prior to Benefit Distribution Commencement.* If a Participant's benefit (or portion of a benefit) is calculated under the CB formula, and the Participant has not commenced receiving Plan Benefits, the accrued Cash Balance Benefit shall be paid as a survivor benefit in a lump sum on the first business day of the month following the Participant's death as follows:

- (i) to the Spouse of the Participant, if the Participant is married at the time of death;
- (ii) to the named Beneficiary or contingent annuitant, if the Participant is not married at the time of death;
- (iii) to the children of the Participant if the Participant has not designated a Beneficiary prior to his or her death; or
- (iv) to the estate of the Participant, if the Participant has no children at the time of his or her death.

(d) *Cash Balance Benefit Following Benefit Distribution Commencement.* If a Participant's Plan benefit (or portion of a benefit) is a CB Benefit, and the Participant has commenced receiving benefits under the Plan in the form of installment payments or a monthly annuity, the remaining accrued CB Benefit shall be paid as soon as practicable but no later than December 31st of the year following the year in which the death occurred as follows:

- (i) Monthly Annuity. If the Participant has elected a survivor annuity, survivor benefits shall be paid as a 100% survivor annuity benefit beginning on the first business day of the month following the Participant's death in the following order:
 - (1) to the named Beneficiary;
 - (2) to the Spouse of the Participant, if the Participant is married at the time of death and has not designated a Beneficiary prior to his or her death;
 - (3) to the children of the Participant (divided among them equally), if the Participant is not married at the time of death; or
 - (4) to the Participant's estate, if the Participant has no children at the time of his or her death, or as a lump sum actuarial equivalent to the Participant's estate, at the sole discretion of the Administrator, in lieu of the survivor annuity benefit.
- (ii) Installment Payments. If the Participant elected annual installment payments, any remaining installment payments shall be paid as survivor benefits beginning on the first business day of the month following the Participant's death in the following order:
 - (1) to the named Beneficiary;

(2) to the Spouse of the Participant, if the Participant is married at the time of death and has not designated a Beneficiary prior to his or her death;

(3) to the children of the Participant (divided among them equally), if the Participant is not married at the time of death; or

(4) to the Participant's estate, if the Participant has no children at the time of his or her death, or as a lump sum to the Participant's estate, at the sole discretion of the Administrator, in lieu of installment payments.

10. DISABILITY

In the event of the Disability of a Participant, the Participant's Plan Benefit will be maintained and distributed in accordance with the terms of the Plan and the Participant's elections on file.

11. [REMOVED]

12. FUNDING

The Preservation Plan shall be maintained as an unfunded Plan that is not intended to meet the qualification requirements of Section 401 of the Code. Except in the event of a Change in Control of the Corporation (as described in Section 13 hereof), all benefits under the Preservation Plan shall be payable solely from the general assets of the Corporation. In this regard, the rights of each Participant, Contingent Annuitant and Beneficiary under the Preservation Plan with respect to his or her Preservation Plan retirement benefit or survivor benefit shall be those of a general unsecured creditor of the Corporation. No Participant, Contingent Annuitant or Beneficiary hereunder shall be entitled to receive any benefits payable under the Preservation Plan from the assets of the Qualified Retirement Plan, nor shall the Corporation undertake to set aside assets in trust or otherwise segregate assets to fund its obligations under the Preservation Plan except as provided in Section 13 hereof.

13. CHANGE OF CONTROL

In the event of a Change of Control of the Corporation, the Corporation shall immediately fully fund the value of all Accrued Benefit under the Preservation Plan, determined by the Actuary as of the date of the Change of Control, provided the funding is not proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. Section 1.409A-3(j)(4)(ix)(C)(1) or would otherwise trigger taxation under Section 409A of the Code. Any required proceeds will be contributed to the United Technologies Corporation Pension Preservation Plan Retirement Security Trust, a rabbi trust, and such proceeds will be held and maintained in the United States. For purposes of this Section 13, "Change of Control" shall have the meaning given to that term under the LTIP.

14. NONASSIGNABILITY

No Participant, Contingent Annuitant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Preservation Plan. All Preservation Plan benefits are unassignable and non-transferable and shall not be subject to attachment or seizure for the payment of any debts,

judgments or other obligations. No Preservation Plan interest shall be transferred by operation of law in the event of the bankruptcy or insolvency of a Participant, Contingent Annuitant, or Beneficiary.

15. NO CONTRACT OF EMPLOYMENT

Participation in the Preservation Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Nothing in the Preservation Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time. Participants, Contingent Annuitants and Beneficiaries shall have no rights against the Corporation resulting from participation in the Preservation Plan other than as specifically provided herein.

16. OPERATION AND ADMINISTRATION

The Committee shall be solely responsible for the administration and operation of the Plan and shall be the “administrator” of the Plan for purposes of ERISA. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan. The Committee shall have the right to delegate its responsibilities hereunder to sub-committees and individuals. Any question of administration or interpretation arising under the Preservation Plan shall be determined by the Committee (or its delegate) in its full discretion, and its decision shall be final and binding upon all parties.

The Committee may provide web access and calculation tools to facilitate the administration of the Plan and to provide information to Participants; provided that any estimate of a Participant’s current or projected accrued benefit shall in no event be binding on the Committee in the event of any discrepancy between such estimate and a Participant’s actual accrued Plan Benefit, which, in all cases, shall control.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee at Raytheon Technologies Corporation, 4 Farm Springs Road, Farmington, CT 06032, Attn: Pension Administration and Investment Committee. The Committee shall respond in writing as soon as practicable.

17. TAXES/WITHHOLDING

The Corporation shall have the right to withhold taxes from Preservation Plan benefit accruals and payments to the extent it reasonably determines such withholding to be required by law to be withheld from such credits and payments.

18. GOVERNING LAW

The Preservation Plan shall be construed, administered and enforced in accordance with the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and to the extent not preempted thereby, the laws of the State of Delaware (disregarding its choice-of-law rules).

19. AMENDMENT AND TERMINATION

(a) The Corporation expects to continue the Preservation Plan indefinitely, but reserves the right, by action of the Committee, to amend or terminate the Preservation Plan at any time, provided, however, that no such action shall decrease any benefits accrued under the Preservation Plan as of the date of such action. Although the benefits accrued under the Preservation Plan are not subject to the restrictions imposed by Section 204(g) of ERISA, the proviso in the preceding sentence shall be construed in a manner consistent with Section 204(g) of ERISA. As a result, the proviso referred to in the preceding sentence imposes restrictions identical with the restrictions that would be imposed on the Preservation Plan if the Preservation Plan were subject to Section 204(g) of ERISA.

(b) Upon the termination of the Plan with respect to all Participants, and termination of all arrangements sponsored by the Corporation or its affiliates that would be aggregated with the Plan under Section 409A of the Code, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's vested Benefit in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 19(b) shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. The Corporation may not accelerate payments pursuant to this Section 19(b) if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. Section 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 19(b), it shall not adopt any new arrangement that would have been aggregated with this Plan under Section 409A within three years following the date of the Plan's termination.

20. COMPLIANCE WITH SECTION 409A

To the extent that rights or payments under this Plan are subject to Section 409A of the Code, the Preservation Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A of the Code shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A of the Code, such provision shall be void and without effect. The Corporation does not warrant that the Preservation Plan will comply with Section 409A of the Code with respect to any Participant or with respect to any payment. In no event shall an RTX Company; any director, officer, or employee of an RTX Company (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Preservation Plan's failure to satisfy the requirements of Section 409A of the Code, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

21. SUCCESSORS

The provisions of the Preservation Plan shall bind and inure to the benefit of the Corporation, and its successors and assigns. The term successors shall include any corporate or other business entity that by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation and successors of any such Corporation or other entity.

22. BENEFIT CLAIMS PROCEDURE

(a) The Committee shall establish and communicate procedures for Participants to obtain forms required to effect elections and designations under the Plan. The Committee may establish a telephonic communication system to facilitate the administration of the Plan and to provide information to Participants, provided that any estimate of a Participant's current or projected accrued benefit shall in no event be binding on the Committee in the event of any discrepancy between such estimate and a Participant's actual accrued benefit, which, in all cases, shall control. Upon notification of the death of any Participant while in the employment of the Employer, the Committee may initiate any claim on behalf of the Spouse, Contingent Annuitant, or Beneficiary.

(b) A Participant or Beneficiary who believes that he or she has been denied a benefit to which he or she is entitled under the Plan (referred to in this Section 22 as a "Claimant") may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(i) Upon receipt of a claim, the Committee or its designated agent shall advise the Claimant that a response will be forthcoming within 90 days. The Committee may, however, extend the response period for up to an additional 90 days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee or its designated agent shall respond to the claim within the specified period.

(ii) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (1) the specific reason or reasons for such denial; (2) the specific reference to relevant provisions of this Plan on which such denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (4) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (5) the time limits for requesting a review of the claim; and (6) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(iii) Within 60 days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request a review of such determination by filing a notice of appeal in writing with the Benefit Claims Appeal Committee (the "Benefits Appeal Committee"). Such notice must set forth all relevant factors upon which the appeal is based. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Benefits Appeal Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred from challenging the determination.

(iv) Within 60 days after the Benefits Appeal Committee receives a request for review, it will review the initial determination. If special circumstances require that the 60-day time period be extended, the Benefits Appeal Committee will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

- (v) The Benefits Appeal Committee shall have the greatest discretion permitted by law in making decisions pursuant to this Section 22. All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (1) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (2) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (3) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

Appendix A

This Appendix A sets forth the United Technologies Corporation Pension Preservation Plan, as in effect on December 31, 2004 ("Prior Preservation Plan"), and as modified thereafter from time to time in a manner that does not constitute a "material modification" for purposes of Section 409A. Amounts that were earned and vested (within the meaning of Section 409A) prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are generally subject to and shall continue to be governed by the terms of this Prior Preservation Plan.

UNITED TECHNOLOGIES CORPORATION
PENSION PRESERVATION PLAN
AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1996

1. INTRODUCTION & PURPOSE

The United Technologies Corporation Pension Preservation Plan (the "Preservation Plan") is maintained as an unfunded plan solely for the purpose of providing retirement benefits in excess of the retirement and survivor benefits that may be paid from tax-qualified retirement plans due to (i) benefit limitations imposed by Section 415 of the Internal Revenue Code of 1986, as amended from time to time (the "Code") and (ii) the limitation imposed by Section 401(a)(17) of the Code on compensation that may be taken into account in computing retirement benefits under tax-qualified retirement plans (referred to collectively as the "Limits"). The Preservation Plan restores the amount of the retirement benefit or survivor benefit that is not paid from the United Technologies Corporation Employee Retirement Plan (or any other tax-qualified defined benefit retirement plan sponsored by the Corporation) (the "Qualified Retirement Plan") as a result of the Limits so that the total actuarial present value of the Qualified Retirement Plan and Pension Preservation Plan benefits equals the actuarial present value of the retirement benefit or survivor benefit that would be paid from the Qualified Retirement Plan if such Plan were administered without regard to the Limits. The Preservation Plan shall be administered and construed to effectuate the foregoing intent.

The capitalized terms used herein shall have the meanings given to them by the United Technologies Corporation Employee Retirement Plan unless the context clearly indicates otherwise.

2. EFFECTIVE DATE

The Preservation Plan became effective on January 1, 1978. This amendment and restatement of the Preservation Plan shall be effective January 1, 1996, except to the extent otherwise specifically provided herein.

3. ELIGIBILITY

An employee of United Technologies Corporation (the "Corporation") or an affiliate thereof who is a Participant in the Qualified Retirement Plan shall be eligible to participate in the Preservation Plan if and to the extent the Participant's Accrued Benefit under the Qualified Retirement Plan is reduced or limited by provisions of the Qualified Retirement Plan that are designed solely to comply with the Limits. In no event shall any person who is not entitled to benefits under the Qualified Retirement Plan be eligible for retirement benefits or survivor benefits under the Preservation Plan. An employee of the Corporation or an affiliate thereof who is eligible for retirement benefits under the Preservation Plan shall be referred to herein as a "Participant."

4. DETERMINATION OF PRESERVATION PLAN BENEFIT

The amount of the retirement benefit or survivor benefit payable from the Preservation Plan to or in respect of a Participant shall equal the excess, if any, of (a) over (b), where

- (a) equals the retirement benefit or survivor benefit that would be paid to such Participant (or on his or her behalf to his Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan if the provisions of the Qualified Retirement Plan were administered without regard to the Limits; and
- (b) equals the retirement benefit or survivor benefit payable to such Participant (or on his or her behalf to his or her Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan.

5. FORM OF PRESERVATION PLAN BENEFIT

(a) The Plan Administrator shall determine, as of the earlier of the Participant's Retirement Date or the Participant's date of death, that portion of the Participant's total retirement benefit or survivor benefit that is to be paid under the Preservation Plan. The Preservation Plan retirement benefit or survivor benefit shall be paid to the Participant, or on his or her behalf to any Contingent Annuitant or Beneficiary (as designated under the Qualified Retirement Plan), in the form of distribution that applies to the benefit payments made to, or on behalf of, the Participant under the Qualified Retirement Plan unless the Participant has made a timely election to receive his or her Preservation Plan retirement benefit in a single lump-sum payment or in a series of 2 to 10 annual installment payments in accordance with this Section 5.

- (b) If—
- (i) the Participant qualifies for an Early Retirement Annuity or a Normal Retirement Annuity or satisfies the Rule of 65 under Section 5.4 of the United Technologies Corporation Employee Retirement Plan (or dies after qualifying for an Early Retirement Annuity or a Normal Retirement Annuity or satisfying such Rule of 65, but before the date as of which retirement benefits under the Qualified Retirement Plan are scheduled to begin), and
 - (ii) terminates, or retires from, employment with the Corporation and its affiliates after December 31, 1995,

the Participant may elect, in accordance with Section 5(c) hereof, to have his or her Preservation Plan retirement benefit or survivor benefit paid in a lump-sum or in annual installments, payable (or commencing) as of the Participant's Retirement Date. Subject to the provisions of Section 5(c) hereof, a Participant may revoke any such election at any time. A Participant shall have no right under the Preservation Plan to have his or her Qualified Retirement Plan benefit paid in a lump sum or in annual installments. Distributions from the Qualified Retirement Plan shall be governed solely by the terms of the Qualified Retirement Plan.

(c) An election to have a lump-sum or installment distribution paid pursuant to Section 5(b) hereof (or a revocation of any such election) shall be disregarded unless it is filed at least one year before the Participant's Retirement Date (or, if earlier, the first day of the month next following the Participant's date of death), except that

- (i) If such an election or revocation is filed on or before October 30, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the commencement of distributions) under the Preservation Plan as of a date occurring on or after January 1, 1997; and
 - (ii) If such an election or revocation is filed on or after November 1, 1996, and on or before December 31, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the commencement of distributions) under the Preservation Plan as of a date occurring on or after April 1, 1997.
- (d) If a Participant elects to have his or her Preservation Plan benefit paid in the form of a single lump-sum or annual installment distribution, the Actuarially Equivalent present value of the Preservation Plan retirement benefit or survivor benefit shall be determined using the 1983 Group Annuity Mortality Table and an interest assumption equal to the average yield for tax-free municipal bonds of 10-year maturities, averaged over the prior 5 calendar years. For purposes of computing this interest assumption, the Actuary shall utilize the Lehman Bros. Municipal Bond Index, averaging the published yield for 10-year maturities (credit quality AA or above) on the last business day of the year over the most recent 5 consecutive full calendar year period. This rate shall be adjusted annually at the beginning of each calendar year.
- (e) The payment of a lump-sum or annual installment distribution in accordance with this Section 5 shall be in full satisfaction of all of the Corporation's obligations with respect to the Participant under the Preservation Plan.

6. DEATH BENEFITS

A Participant who has made an election to receive Pension Preservation Plan benefits in a lump sum or annual installments in accordance with Section 5 herein shall have survivor benefits paid to his or her Pension Preservation Plan beneficiary as follows. If death occurs prior to age 55, the Pension Preservation Plan accrued benefit shall be paid in a lump sum payment as of the date the Participant would have attained his or her 55th birthday. If death occurs after retirement but before all annual installments have been paid, the remaining installments will be paid to his or her Beneficiary as scheduled unless the estate of the Participant is the Beneficiary in which case the commuted value of the remaining payments will be paid in a lump sum.

If no election to receive Pension Preservation Plan benefits in a lump sum or installments is in effect as of the date of death, any survivor benefits will be paid in accordance with the distribution option in effect and to the Beneficiary or Contingent Annuitant designated under the Qualified Retirement Plan.

7. FUNDING

The Preservation Plan shall be maintained as an unfunded Plan that is not intended to meet the qualification requirements of Section 401 of the Code. Except in the event of a Change in Control of the Corporation (as described in Section 7 hereof), all benefits under the Preservation Plan shall be payable solely from the general assets of the Corporation. In this regard, the rights of each Participant, Contingent Annuitant and Beneficiary under the Preservation Plan with respect to his or her Preservation Plan retirement benefit or survivor benefit shall be those of a general unsecured creditor of the Corporation. No Participant, Contingent Annuitant or Beneficiary hereunder

shall be entitled to receive any benefits payable under the Preservation Plan from the assets of the Qualified Retirement Plan, nor shall the Corporation undertake to set aside assets in trust or otherwise segregate assets to fund its obligations under the Preservation Plan except as provided in Section 7 hereof.

8. CHANGE OF CONTROL

In the event of a Change of Control of the Corporation, the Corporation shall immediately fully fund the value of all Accrued Benefits under the Preservation Plan, determined by the Actuary as of the date of the Change of Control. The required proceeds will be contributed to the United Technologies Corporation Pension Preservation Plan Retirement Security Trust. In addition, if the United Technologies Corporation Board of Directors Committee on Compensation and Executive Development takes any action under the United Technologies Corporation 2018 Long-Term Incentive Plan, or any successor thereto (the "LTIP"), including, without limitation, the accelerated vesting or other adjustment to outstanding LTIP awards in anticipation of (i) a Change of Control (ii) an event, which if consummated, would constitute a Change of Control or (iii) any other significant change pertaining to the ownership of the Corporation, the Corporation shall then also immediately fund the United Technologies Corporation Pension Preservation Plan Retirement Security Trust. For purposes of this Section 7, "Change of Control" shall have the meaning given to that term under the LTIP.

9. NONASSIGNABILITY

No Participant, Contingent Annuitant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Preservation Plan. All Preservation Plan benefits are unassignable and non-transferable and shall not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. No Preservation Plan interest shall be transferred by operation of law in the event of the bankruptcy or insolvency of a Participant, Contingent Annuitant, or Beneficiary.

10. NO CONTRACT OF EMPLOYMENT

Participation in the Preservation Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Nothing in the Preservation Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time. Participants, Contingent Annuitants and Beneficiaries shall have no rights against the Corporation resulting from participation in the Preservation Plan other than as specifically provided herein.

11. OPERATION AND ADMINISTRATION

The Preservation Plan shall be administered by the Pension Administration and Investment Committee of United Technologies Corporation (the "Committee"). The Committee shall have the right to delegate its responsibilities hereunder to sub-committees and individuals. Any question of administration or interpretation arising under the Preservation Plan shall be determined by the Committee (or its delegate) in its full discretion, and its decision shall be final and binding upon all parties.

12. TAXES/WITHHOLDING

The Corporation shall have the right to withhold taxes from Preservation Plan benefit payments to the extent it reasonably determines such withholding to be required by law.

13. GOVERNING LAW

The Preservation Plan shall be construed, administered and enforced in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to the extent not preempted thereby, the laws of the State of Connecticut (disregarding its choice-of-law rules).

14. AMENDMENT AND DISCONTINUANCE

The Corporation expects to continue the Preservation Plan indefinitely, but reserves the right, by action of the Committee, to amend or discontinue the Preservation Plan at any time, provided, however, that no such action shall decrease any benefits accrued under the Preservation Plan as of the date of such action. Although the benefits accrued under the Preservation Plan are not subject to the restrictions imposed by Section 204(g) of ERISA, the proviso in the preceding sentence shall be construed in a manner consistent with Section 204(g) of ERISA. As a result, the proviso referred to in the preceding sentence imposes restrictions identical with the restrictions that would be imposed on the Preservation Plan if the Preservation Plan were subject to Section 204(g) of ERISA.

15. SUCCESSORS

The provisions of the Preservation Plan shall bind and inure to the benefit of the Corporation, and its successors and assigns. The term successors shall include any corporate or other business entity that by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation and successors of any such Corporation or other entity.

16. BENEFIT CLAIMS PROCEDURE

- (a) The Plan Administrator shall establish and communicate procedures for Participants to obtain forms required to effect elections and designations under the Plan. The Plan Administrator may establish a telephonic communication system to facilitate the administration of the Plan and to provide information to Participants, provided that any estimate of a Participant's current or projected accrued benefit shall in no event be binding on the Plan Administrator in the event of any discrepancy between such estimate and a Participant's actual Accrued Benefit, which, in all cases, shall control. Upon notification of the death of any Participant while in the employment of the Employer, the Plan Administrator may initiate any claim on behalf of the Spouse, Contingent Annuitant, or Beneficiary.
- (b) If a claim is denied, the Plan Administrator or its designated agent shall give the claimant notice in writing of such denial, which notice shall set forth (i) the specific reason(s) for the denial; (ii) specific reference to pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such materials or information are necessary; and (iv) an explanation of the Plan's claim review procedure.

- (c) Within 60 days after receipt of the notice of denial described above, the claimant may request a review of such denial by filing a notice of appeal in writing with the Benefit Claims Appeal Committee (the "Benefits Appeal Committee"). Such notice must set forth all relevant factors upon which the appeal is based. The Benefits Appeal Committee shall decide the issues raised by the appeal, either with or without holding a hearing, and shall issue to the claimant a written notice setting forth its decision and the reasons for the decision. The Benefits Appeal Committee's decision shall be made not more than 60 days after it has received the claimant's request for review, unless the Benefits Appeal Committee determines that special circumstances require an extension of time and so notifies the claimant, in which case a decision shall be made not more than 120 days after it has received the request for review. The Benefits Appeal Committee shall have the greatest discretion permitted by law in making decisions pursuant to this Section 16. All interpretations, determinations, and decisions of the Benefits Appeal Committee in respect of any claim shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

Appendix B

This Appendix B sets forth the United Technologies Corporation Pension Replacement Plan, as in effect on December 31, 2004 ("Prior Replacement Plan"), and as modified thereafter from time to time in a manner that does not constitute a "material modification" for purposes of Section 409A. Amounts that were earned and vested (within the meaning of Section 409A) prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are generally subject to and shall continue to be governed by the terms of this Prior Replacement Plan.

UNITED TECHNOLOGIES CORPORATION
PENSION REPLACEMENT PLAN
AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1996

1. INTRODUCTION & PURPOSE

The United Technologies Corporation Pension Replacement Plan (the "Replacement Plan") is maintained as an unfunded plan solely for the purpose of providing retirement benefits in excess of the retirement and survivor benefits that may be paid from the United Technologies Corporation Employee Retirement Plan (or any other tax-qualified defined benefit retirement plan sponsored by the Corporation) (the "Qualified Retirement Plan") and the United Technologies Corporation Pension Preservation Plan as a result of any reduction in a Participant's compensation that would otherwise be utilized in computing accrued benefits under such Plans where the reduction results from participation in the Corporation's Deferred Compensation Plan.

The capitalized terms used herein shall have the meanings given to them by the United Technologies Corporation Employee Retirement Plan unless the context clearly indicates otherwise.

2. EFFECTIVE DATE

The Replacement Plan became effective on April 1, 1985 as the United Technologies Corporation Supplemental Plan, which was subsequently renamed the United Technologies Corporation Pension Replacement Plan. This amendment and restatement of the Replacement Plan shall be effective January 1, 1996, except to the extent otherwise specifically provided herein.

3. ELIGIBILITY

An employee of United Technologies Corporation (the "Corporation") or an affiliate thereof who is a Participant in the Qualified Retirement Plan and the Pension Preservation Plan (if applicable) shall be eligible to participate in the Replacement Plan if and to the extent the Participant's Accrued Benefit under the Qualified Retirement Plan or the Pension Preservation Plan is reduced as a result of participation in the United Technologies Corporation Deferred Compensation Plan or other similar deferred compensation arrangement if the Corporation authorizes the replacement of pension benefits in such arrangement (the "Deferred Compensation Plan"). In no event shall any person who is not entitled to benefits under the Qualified Retirement Plan be eligible for retirement benefits or survivor benefits under the Replacement Plan. An employee of the Corporation or an affiliate thereof who is eligible for retirement benefits under the Replacement Plan shall be referred to herein as a "Participant."

4. DETERMINATION OF REPLACEMENT PLAN BENEFIT

The amount of the retirement benefit or survivor benefit payable from the Replacement Plan to or in respect of a Participant shall equal the excess, if any, of (a) over (b), where

- (a) equals the retirement benefit or survivor benefit that would be paid to such Participant (or on his or her behalf to his Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan and the Pension

Preservation Plan if the provisions of such Plans were administered by taking into account any compensation that was deferred under the Deferred Compensation Plan; and

(b) equals the retirement benefit or survivor benefit payable to such Participant (or on his or her behalf to his or her Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan and the Pension Preservation Plan.

5. FORM OF PRESERVATION PLAN BENEFIT

(a) The Plan Administrator shall determine, as of the earlier of the Participant's Retirement Date or the Participant's date of death, that portion of the Participant's total retirement benefit or survivor benefit that is to be paid under the Replacement Plan. The Replacement Plan retirement benefit or survivor benefit shall be paid to the Participant, or on his or her behalf to any Contingent Annuitant or Beneficiary (as designated under the Qualified Retirement Plan), in the form of distribution that applies to the benefit payments made to, or on behalf of, the Participant under the Qualified Retirement Plan unless the Participant has made a timely election to receive his or her Replacement Plan retirement benefit in a single lump-sum payment or in a series of 2 to 10 annual installment payments in accordance with this Section 5.

(b) If—

(1) the Participant qualifies for an Early Retirement Annuity or a Normal Retirement Annuity or satisfies the Rule of 65 under Section 5.4 of the United Technologies Corporation Employee Retirement Plan (or dies after qualifying for an Early Retirement Annuity or a Normal Retirement Annuity or satisfying such Rule of 65, but before the date as of which retirement benefits under the Qualified Retirement Plan are scheduled to begin), and

(2) terminates, or retires from, employment with the Corporation and its affiliates after December 31, 1995,

the Participant may elect, in accordance with Section 5(c) hereof, to have his or her Replacement Plan retirement benefit or survivor benefit paid in a lump sum or in annual installments, payable (or commencing) as of the Participant's Retirement Date. Subject to the provisions of Section 5(c) hereof, a Participant may revoke any such election at any time. A Participant shall have no right under the Replacement Plan to have his or her Qualified Retirement Plan benefit paid in a lump sum or in annual installments. Distributions from the Qualified Retirement Plan shall be governed solely by the terms of the Qualified Retirement Plan.

(c) An election to have a lump-sum or installment distribution paid pursuant to Section 5(b) hereof (or a revocation of any such election) shall be disregarded unless it is filed at least one year before the Participant's Retirement Date (or, if earlier, the first day of the month next following the Participant's date of death), except that

(i) If such an election or revocation is filed on or before October 30, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the

commencement of distributions) under the Replacement Plan as of a date occurring on or after January 1, 1997; and

(ii) If such an election or revocation is filed on or after November 1, 1996, and on or before December 31, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the commencement of distributions) under the Replacement Plan as of a date occurring on or after April 1, 1997.

(d) If a Participant elects to have his or her Replacement Plan benefit paid in the form of a single lump-sum or annual installment distribution, the Actuarially Equivalent present value of the Replacement Plan retirement benefit or survivor benefit shall be determined using the 1983 Group Annuity Mortality Table and an interest assumption equal to the average yield for tax-free municipal bonds of 10-year maturities, averaged over the prior 5 calendar years. For purposes of computing this interest assumption, the Actuary shall utilize the Lehman Bros. Municipal Bond Index, averaging the published yield for 10-year maturities (credit quality AA or above) on the last business day of the year over the most recent 5 consecutive full calendar year period. This rate shall be adjusted annually at the beginning of each calendar year.

(e) The payment of a lump sum or annual installment distribution in accordance with this Section 5 shall be in full satisfaction of all of the Corporation's obligations with respect to the Participant under the Replacement Plan.

6. DEATH BENEFITS

A Participant who has made an election to receive Replacement Plan benefits in a lump sum or annual installments in accordance with Section 5 herein and such election is effective as of the date of the Participant's death shall have survivor benefits paid to his or her Replacement Plan Beneficiary as follows. If death occurs prior to age 55, the Replacement Plan benefits shall be paid in a lump sum payment as of the date the Participant would have attained his or her 55th birthday. If death occurs after retirement but before all annual installments have been paid, the remaining installments will be paid to his or her Beneficiary as scheduled unless the estate of the Participant is the Beneficiary in which case the commuted value of the remaining payments will be paid in a lump sum.

If no election to receive Replacement Plan benefits in a lump sum or installments is in effect as of the date of death, any survivor benefits will be paid in accordance with the distribution option in effect and to the Beneficiary or Contingent Annuitant designated under the Qualified Retirement Plan.

7. FUNDING

The Replacement Plan shall be maintained as an unfunded Plan that is not intended to meet the qualification requirements of Section 401 of the Code. Except in the event of a Change in Control of the Corporation (as described in Section 7 hereof), all benefits under the Replacement Plan shall be payable solely from the general assets of the Corporation. In this regard, the rights of each Participant, Contingent Annuitant and Beneficiary under the Replacement Plan with respect to his or her Preservation Plan retirement benefit or survivor benefit shall be those of a general unsecured creditor of the Corporation. No Participant, Contingent Annuitant or Beneficiary

hereunder shall be entitled to receive any benefits payable under the Replacement Plan from the assets of the Qualified Retirement Plan, nor shall the Corporation undertake to set aside assets in trust or otherwise segregate assets to fund its obligations under the Replacement Plan except as provided in Section 7 hereof.

8. CHANGE OF CONTROL

In the event of a Change of Control of the Corporation, the Corporation shall immediately fully fund the value of all Accrued Benefits under the Replacement Plan, determined by the Actuary as of the date of the Change of Control. The required proceeds will be contributed to the United Technologies Corporation Pension Replacement Plan Retirement Security Trust. In addition, if the United Technologies Corporation Board of Directors Committee on Compensation and Executive Development takes any action under the United Technologies Corporation Long Term Incentive Plan (the "LTIP") including, without limitation, the accelerated vesting or other adjustment to outstanding LTIP awards in anticipation of (i) a Change of Control (ii) an event, which if consummated, would constitute a Change of Control or (iii) any other significant change pertaining to the ownership of the Corporation, the Corporation shall then also immediately fund the United Technologies Corporation Pension Replacement Plan Retirement Security Trust. For purposes of this Section 7, "Change of Control" shall have the meaning given to that term under the LTIP.

9. NONASSIGNABILITY

No Participant, Contingent Annuitant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Replacement Plan. All Replacement Plan benefits are unassignable and non-transferable and shall not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. No Replacement Plan interest shall be transferred by operation of law in the event of the bankruptcy or insolvency of a Participant, Contingent Annuitant, or Beneficiary.

10. NO CONTRACT OF EMPLOYMENT

Participation in the Replacement Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Nothing in the Replacement Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time. Participants, Contingent Annuitants and Beneficiaries shall have no rights against the Corporation resulting from participation in the Replacement Plan other than as specifically provided herein.

11. OPERATION AND ADMINISTRATION

The Replacement Plan shall be administered by the Pension Administration and Investment Committee of United Technologies Corporation (the "Committee"). The Committee shall have the right to delegate its responsibilities hereunder to sub-committees and individuals. Any question of administration or interpretation arising under the Replacement Plan shall be determined by the Committee (or its delegate) in its full discretion, and its decision shall be final and binding upon all parties.

12. TAXES/WITHHOLDING

The Corporation shall have the right to withhold taxes from Replacement Plan benefit payments to the extent it reasonably determines such withholding to be required by law.

13. GOVERNING LAW

The Replacement Plan shall be construed, administered and enforced in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to the extent not preempted thereby, the laws of the State of Connecticut (disregarding its choice-of-law rules).

14. AMENDMENT AND DISCONTINUANCE

The Corporation expects to continue the Replacement Plan indefinitely, but reserves the right, by action of the Committee, to amend or discontinue the Replacement Plan at any time, provided, however, that no such action shall decrease any benefits accrued under the Replacement Plan as of the date of such action. Although the benefits accrued under the Replacement Plan are not subject to the restrictions imposed by Section 204(g) of ERISA, the proviso in the preceding sentence shall be construed in a manner consistent with Section 204(g) of ERISA. As a result, the proviso referred to in the preceding sentence imposes restrictions identical with the restrictions that would be imposed on the Replacement Plan if the Replacement Plan were subject to Section 204(g) of ERISA.

15. SUCCESSORS

The provisions of the Replacement Plan shall bind and inure to the benefit of the Corporation, and its successors and assigns. The term successors shall include any corporate or other business entity that by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such Corporation or other entity.

16. BENEFIT CLAIMS PROCEDURE

(a) The Plan Administrator shall establish and communicate procedures for Participants to obtain forms required to effect elections and designations under the Plan. The Plan Administrator may establish a telephonic communication system to facilitate the administration of the Plan and to provide information to Participants, provided that any estimate of a Participant's current or projected accrued benefit shall in no event be binding on the Plan Administrator in the event of any discrepancy between such estimate and a Participant's actual Accrued Benefit, which, in all cases, shall control. Upon notification of the death of any Participant while in the employment of the Employer, the Plan Administrator may initiate any claim on behalf of the Spouse, Contingent Annuitant, or Beneficiary.

(b) If a claim is denied, the Plan Administrator or its designated agent shall give the claimant notice in writing of such denial, which notice shall set forth (i) the specific reason(s) for the denial; (ii) specific reference to pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such materials or information are necessary; and (iv) an explanation of the Plan's claim review procedure.

(c) Within 60 days after receipt of the notice of denial described above, the claimant may request a review of such denial by filing a notice of appeal in writing with the Benefit Claims Appeal Committee (the "Benefits Appeal Committee"). Such notice must set forth all relevant factors upon which the appeal is based. The Benefits Appeal Committee shall decide the issues raised by the appeal, either with or without holding a hearing, and shall issue to the claimant a written notice setting forth its decision and the reasons for the decision. The Benefits Appeal Committee's decision shall be made not more than 60 days after it has received the claimant's request for review, unless the Benefits Appeal Committee determines that special circumstances require an extension of time and so notifies the claimant, in which case a decision shall be made not more than 120 days after it has received the request for review. The Benefits Appeal Committee shall have the greatest discretion permitted by law in making decisions pursuant to this Section 16. All interpretations, determinations, and decisions of the Benefits Appeal Committee in respect of any claim shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

EXECUTIVE LEADERSHIP GROUP AGREEMENT*(Rev. April 2020)***Raytheon Technologies Corporation**

This Executive Leadership Group Agreement (the “ELG Agreement”) is entered into between _____ (hereinafter the “Executive”) and Raytheon Technologies Corporation (“Raytheon Technologies”), a Delaware corporation, with an office and place of business at 870 Winter Street, Waltham, Massachusetts (Raytheon Technologies and all its subsidiaries, divisions and affiliates are hereinafter referred to as the “Company”). In entering into this ELG Agreement, the Executive acknowledges his or her obligations and commitments to the Company as an ELG member.

The Executive acknowledges receipt of the materials summarizing the Raytheon Technologies Corporation’s Executive Leadership Group (“ELG”) Program and the Executive’s obligations and commitments to the Company as an ELG member. Capitalized terms in this ELG Agreement are defined below, as well as in Attachment A of the ELG Program materials.

The benefits of ELG membership include recognition of status as one of Raytheon Technologies’ most senior leaders, with annual Long-Term Incentive Plan awards and annual bonus awards commensurate with your ELG status.

Your ELG membership also includes a significant restricted stock unit (RSU) retention award. Following three years of ELG service, the ELG Restricted Stock Unit Retention Award (the “ELG RSU Retention Award”) provides for vesting in the event of a Qualifying Separation. A “Qualifying Separation” means and includes a Mutually Agreeable Termination, a Change in Control Termination, or retirement at age 62 or later. Vesting is also subject to compliance with ELG Covenants. The ELG RSU Retention Award will not vest in the case of a Termination for Cause. The amounts realized in the event of the vesting of the ELG RSU Retention Award will be offset and reduced by the full amount (if any) of cash severance benefits that the Executive may separately be entitled to receive from the Company based on any employment agreement or other contractual obligation or statutory scheme, including mandated termination indemnities or similar benefits. The Executive agrees that in the event of such an offset, the Executive’s commitments under the ELG remain in full force and effect.

In recognition of the current and prospective benefits of ELG membership, the Executive agrees to be bound by the following covenants:

Non-Disclosure. The Executive agrees to protect and to not disclose “Company Information” until the information has become public (through no action on the part of the Executive) or is no longer material or relevant to the Company. This obligation survives the Executive’s termination of employment. “Company Information” means (i) confidential or proprietary information including without limitation information received from third parties under confidential or proprietary conditions; (ii) information subject to the Company’s attorney-client or work-product privilege; and (iii) other technical, business or financial information, the use or disclosure of which might reasonably be construed to be contrary to the Company’s interests.

Non-disparagement. For two-years following termination of employment, the Executive agrees to not directly or indirectly, in any capacity or manner, make any statements of any kind (or cause, further, assist, solicit, encourage, support or participate in the foregoing), whether verbal, in writing, electronically transferred or otherwise, or disclose any items of information, which are or may reasonably be construed to be derogatory, critical of, or adverse to the interests of the Company. The Executive agrees that he will not disparage the Company, its executives, directors or products.

Non-Solicitation. For two-years following termination of employment, the Executive will not initiate, cause or allow to be initiated (under those conditions which he or she controls) any action which would reasonably be expected to encourage or to induce any employee of the Company, or any individual who had been an employee of the Company within the previous three months (collectively, a “Company Employee”) to leave the employ of the Company. In this regard, the Executive agrees not to directly or indirectly recruit any Company Employee or provide any information or make referrals to personnel recruitment agencies or other third parties in connection with Company Employees.

Non-Compete. While employed and for one-year following termination of employment, the Executive shall not accept employment or directly or indirectly provide services (including entering into consulting relationships or similar arrangements) with any business that: (i) engages in activities that compete directly or indirectly with any of the Company’s businesses; or (ii) is a material customer of or a material supplier to any of the Company’s businesses unless the Executive has first obtained the consent of the Corporation’s Executive Vice President and Chief Human Resources Officer, which consent shall not be unreasonably withheld.

In the event of a Qualifying Separation, the Executive will vest in the ELG RSU Retention Award, provided the Executive agrees to certain additional commitments to the Company, including an additional one-year non-compete agreement and a waiver of claims arising from or relating to the termination of the Executive’s employment. In the event payment is required under local law for enforcement of a non-compete, the Executive agrees that the Company may structure payments and/or distribution of amounts payable pursuant to this ELG Agreement, and/or the ELG RSU Retention Award, or payments in lieu thereof, at the time of separation to satisfy

local requirements, which may include adjustments to method, form and timing of benefits, provided such payments are not subject to IRC Section 409A.

The Executive agrees that the terms of the foregoing covenants are reasonable and that the value associated with ELG membership is fair and reasonable consideration for accepting such restrictions. In addition, the Executive agrees that if any portion of these covenants is held by a competent authority to be unenforceable (except as may be perfected by the Company as provided above), they shall be deemed amended to limit their scope to the broadest scope that such authority determines is enforceable, and as so amended shall continue in effect. These covenants are in addition to other obligations and commitments of the ELG program, the terms and conditions of the Company's Long-Term Incentive Plan and the Executive's intellectual property agreement with the Company (as each may be amended from time to time).

ELG membership requires commitment to compliance with Raytheon Technologies' share ownership guidelines. The value of an ELG member's RTX share ownership must equal or exceed a minimum of three times (3x) annual base salary within five years of appointment to the ELG.

The Executive hereby commits to membership in the ELG effective [DATE] in accordance with the terms and conditions set forth in this Agreement and as further described in the ELG Program materials. In consideration of ELG membership, the Executive hereby acknowledges and accepts the obligations and commitments to the Company, including postemployment restrictions and protective covenants as described in this Agreement and the ELG Program materials. The Company, in turn, agrees to provide ELG benefits to the Executive upon receipt of this signed Agreement. The ELG Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

[Name of ELG Member]
[Title]
[Business Unit]

Date

RAYTHEON TECHNOLOGIES CORPORATION

By _____
[Name]
Executive Vice President and Chief Human Resources Officer

Date

(Rev. April 2020)

Attachment A

Executive Leadership Group Program Definitions

- (a) "Committee" means the Compensation Committee of the Board of Directors.
- (b) "Company" means Raytheon Technologies Corporation and its subsidiaries, divisions and affiliates.
- (c) "Company Information" means (i) confidential or proprietary information, including without limitation, information received from third parties under confidential or proprietary conditions; (ii) information subject to the Company's attorney-client or work-product privilege; and (iii) other technical, business or financial information, the use or disclosure of which might reasonably be construed to be contrary to the Company's interests.
- (d) "Qualifying Separation" means and includes a Mutually Agreeable Termination, a Change-in-Control Termination, or retirement at age 62 or later.
 - (i) "Mutually Agreeable Termination" means a decision by the Company, in its sole discretion, to terminate the Executive's employment with the Company as a result of circumstances described in this paragraph and the Executive's acknowledgment and agreement that his/her employment will end as a result of such circumstances. Circumstances that may result in a Mutually Agreeable Termination include management realignment, change in business conditions or priorities, the sale or elimination of the Executive's business unit or any other change in business circumstances that materially and adversely affects the Executive's role within the Company or such circumstances that preclude continued employment at the ELG level, in all cases as determined by the Executive Vice President and Chief Human Resources Officer. Neither a unilateral voluntary resignation nor a Termination for Cause will constitute a Mutually Agreeable Termination.
 - (ii) "Change-in-Control Termination" means either the involuntary termination of the Executive's employment by the Company (other than a Termination for Cause) or the voluntary resignation by the Executive for Good Reason within 24 months following a Change-in-Control.
 - (1) "Change-in-Control" shall mean any of the following events:
 - a. An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either: (a) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock"); or (b) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this section 1, the following acquisitions shall not constitute a Change-in-Control: (1) any acquisition directly from the Corporation, (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any entity controlled by the Corporation, or (4) any acquisition by any entity pursuant to a transaction that complies with clauses (a), (b) and (c) of subsection (3) of this Section (d)(ii)(A); or
 - b. A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of

this Section (d)(2)(A), any individual who becomes a member of the Board subsequent to the Effective Date whose election, or nomination for election by the Corporation's shareowners, was approved by a vote of at least two-thirds of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be considered as a member of the Incumbent Board; or

- c. The consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Corporation or any of its subsidiaries or a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries, (a "Business Combination"), in each case, unless following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent securities), as the case may be, of the entity resulting from such Business Combination (including an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (b) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the Business Combination, and (c) at least a majority of the members of the Board of Directors (or, for a non-corporate entity, equivalent body or committee) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or
- d. The approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

The sale, merger or other transaction affecting any subsidiary or business unit of the Corporation will in no case be considered a Change-in-Control under this Program.

If an Award is determined to constitute nonqualified deferred compensation within the meaning of Section 409A of the Code, a Change-in-Control shall not constitute a settlement or distribution event with respect to such Award, or an event that otherwise changes the timing of settlement or distribution of such Award, unless the Change-in-

Control also constitutes an event described in Section 409A(a)(2)(v) of the Code and the regulations promulgated thereunder (a “Section 409A CIC”); provided, however, that whether or not a Change-in-Control is a Section 409A CIC, such Change-in-Control shall result in the accelerated vesting of such Award to the extent provided by the Award Agreement, this Plan, any Individual Agreement or otherwise by the Committee.

- (B) “Good Reason” means, voluntary termination of the Executive’s employment within twenty-four (24) months of a Change-in-Control *and* the occurrence of any of the following without a Participant’s consent: (i) a material reduction in the Participant’s annual base salary, annual bonus opportunities, long-term incentive opportunities or other compensation and benefits in the aggregate from those in effect immediately prior to the Change-in-Control; (ii) a material diminution in the Participant’s title, duties, authority, responsibilities, functions or reporting relationship from those in effect immediately prior to the Change-in-Control; (iii) a mandatory relocation of the Participant’s principal location of employment greater than 50 miles from immediately prior to the Change-in-Control; or (iv) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform its obligations under this Agreement.

In order to invoke a termination for Good Reason, the Participant shall provide written notice to the Corporation of the existence of one or more of the conditions described in clauses (i) through (iv) within 90 days following the Participant’s knowledge of the initial existence of such condition or conditions, and the Corporation shall have 30 days following receipt of such written notice (the “Cure Period”) during which it may cure the condition, if curable. If the Corporation fails to cure the condition constituting Good Reason during the Cure Period, the Participant must terminate employment, if at all, within one year following the end of the Cure Period in order for such termination to constitute a termination for Good Reason. The Participant’s mental or physical incapacity following the occurrence of an event described above in clauses (i) through (iii) shall not affect the Participant’s ability to terminate employment for Good Reason.

- (e) “Termination for Cause” means a decision by the Company to terminate the Executive’s employment for (i) violation of an ELG covenant, (ii) conduct involving a felony criminal offense under U.S. federal or state law or an equivalent violation of the laws of any other country, (iii) dishonesty, fraud, self-dealing, or material violations of civil law in the course of fulfilling the Executive’s employment duties; (iv) breach of the Executive’s intellectual property agreement or other written agreement with the Company; (v) willful misconduct injurious to the Company, as determined by the Committee; (vi) negligent conduct injurious to the Company, including negligent supervision of a subordinate who causes significant harm to the Company as determined by the Committee; or (vii) prior to a Change-in-Control, such other events as shall be determined by the Committee. Following a Change-in-Control, any determination by the Committee as to whether “Cause” exists shall be subject to de novo review.

UNITED TECHNOLOGIES CORPORATION
LTIP Performance Share Unit Deferral Plan
(As Amended and Restated as of January 1, 2020)

ARTICLE I - PREAMBLE

Section 1.1 - Purpose

The purpose of the United Technologies Corporation LTIP Performance Share Unit Deferral Plan, as amended and restated as of January 1, 2020 (the “*Plan*”), is to provide eligible Participants with the opportunity to defer receipt of shares of Common Stock in respect of Performance Share Units (“PSUs”) awarded pursuant to a long-term incentive plan (“LTIP”) of the Corporation.

Section 1.2 - Effective Date of Plan and Amendments

The Plan as originally established in 2008 is hereby amended and restated, effective as of January 1, 2020, for the purpose of: (a) documenting certain plan rule changes in the determination of the Valuation Date for PSUs granted prior to, and on or after, January 1, 2008, effective January 1, 2008; (b) changing the definition of Specified Employee effective as of April 1, 2020; (c) certain other administrative changes effective as of January 1, 2020; and to change pertinent references from “United Technologies Corporation” or “UTC” to “Raytheon Technologies Corporation” or “RTX” effective as of April 3, 2020.

ARTICLE II - DEFINITIONS

For purposes of this Plan, the following terms are defined as set forth below:

- a) *Beneficiary* means the person, persons or entity designated on an electronic or written form by the Participant to receive the value of his or her Plan Account in the event of the Participant’s death in accordance with the terms of this Plan. If the Participant fails to designate a Beneficiary, or the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant’s Plan Account will be paid to the Participant’s estate.
- b) *Code* means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. Reference to any section of the Internal Revenue Code shall include any final regulations or other applicable guidance. References to “Section 409A” shall refer to Section 409A of the Code and any final regulations and guidance issued thereunder by the Internal Revenue Service from time to time in effect.
- c) *Committee* means the Deferred Compensation Committee, which is responsible for administration of the Plan.
- d) *Corporation* means Raytheon Technologies Corporation, or any successor thereto.
- e) *Default Deferral Period* means the minimum Deferral Period of five (5) years following the date on which the Performance Cycle Account is established.
- f) *Default Distribution* means payment in a lump sum distribution.

- g) *Deferral Period* means the period designated (or deemed to be designated) by the Participant in accordance with this Plan that ends on the Participant's Retirement Date or on a Specific Deferral Date.
- h) *Deferred Share Units* means PSUs that have been deferred pursuant to the terms of this Plan and dividend equivalents that are credited and invested pursuant to Section 7.1.
- i) *Disability* means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C) of the Code.
- j) *Election Form* means the enrollment form provided by the Committee to Participants electronically or in paper form for the purpose of deferring PSUs under the Plan. Each Participant's Election Form must contain such information as the Committee may require, including: the percentage of the Award to be deferred with respect to the applicable Performance Cycle, the form of distribution elected, and the distribution start date (*see also* Default Deferral Period and Default Distribution). There will be a separate Election Form for each Performance Cycle.
- k) *ERISA* means the Employee Retirement Income Security Act of 1974, as amended.
- l) *Participant* means an executive of an RTX Company who is paid from a U.S. payroll, files a U.S. income tax return, has been awarded PSUs and elects to defer a portion of such PSUs pursuant to the terms of this Plan. A Participant who has previously contributed to the Plan, but who ceases to be eligible under the preceding sentence, shall not be eligible to further defer PSUs under Article IV, but shall remain a Participant under the Plan with respect to his or her Plan Account until final distribution in accordance with the terms of the Plan.
- m) *Performance Cycle* means the performance measurement period, as established by the Compensation Committee of the Board of Directors of the Corporation ("Compensation Committee of the Board"), during which the pre-established performance targets are measured for each PSU Award.
- n) *Performance Cycle Account* means the account established for each Participant for each Performance Cycle for which PSUs have been deferred under the Plan. The Performance Cycle Account shall be established shortly after the end of the final year of the Performance Cycle (i.e., when the Compensation Committee of the Board determines the extent to which the performance goals were obtained).
- o) *Plan* means the United Technologies Corporation LTIP Performance Share Unit Deferral Plan, as amended from time to time.
- p) *Plan Account* means the aggregate value of all Performance Cycle Accounts.
- q) *PSUs* mean restricted stock units granted pursuant to a long-term incentive plan of the Corporation, the vesting of which are conditioned upon the attainment of performance goals and continued service.
- r) *Retirement* means a Separation from Service on or after attainment of age 50.
- s) *Retirement Date* means the date of a Participant's Retirement.

t) *Separation from Service* means a Participant's termination of employment with all RTX Companies, other than by reason of death. A Separation from Service will be deemed to occur where the Participant and the RTX Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) for RTX Companies will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed during the immediately preceding thirty-six (36) months (or the entire period the Participant has provided services if the Participant has been providing services to RTX Companies for less than thirty-six (36) months). A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one RTX Company to another RTX Company.

u) *Share* means a share of RTX Common Stock.

v) *Specific Deferral Date* means a specified date, not less than five (5) years following the date on which the Performance Cycle Account is established.

w) *Specified Employee* means:

(i) prior to April 1, 2008, each of the fifty (50) highest-paid officers and other executives of the Corporation and its Subsidiaries, effective annually as of April 1st, based on annual salary and incentive compensation paid in the prior year;

(ii) on or after April 1, 2008, but prior to April 1, 2020, each of the fifty (50) highest-paid officers and other executives of the Corporation and its Subsidiaries, effective annually as of April 1st, based on wages subject to federal income tax withholding, and amounts that are excluded from taxable income by the employee's election to make pre-tax contributions under a cafeteria plan, section 401(k) plan, or similar plan, determined for the preceding calendar year as provided in Treas. Reg. 1.415(c)-2(d)(3). The term includes both U.S. and non-U.S. employees, and the compensation used to determine whether an employee is among the fifty (50) highest-paid officers and other executives shall be determined by treating non-U.S. compensation as if it had been earned in the U.S. by a U.S. citizen; and

(iii) on or after April 1, 2020, each of the fifty (50) highest-paid officers and other executives of the Corporation and its affiliates (determined for this purpose under Treas. Reg. §1.409A-1(g)), effective annually as of April 1st, based on compensation reported in Box 1 of Form W-2, but including amounts that are excluded from taxable income as a result of elective deferrals to qualified plans and pre-tax contributions. Compensation will not include foreign compensation earned by a nonresident alien that is not effectively connected with the conduct of a trade or business in the United States.

x) *RTX Company* means the Corporation or any entity controlled by or under common control with the Corporation within the meaning of Section 414(b) or (c) of the Code (but substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

y) *Valuation Date* means the date on which Deferred Share Units included in a Participant's Performance Cycle Account are valued prior to distribution. In determining the Valuation date, different Plan rules shall apply to PSUs granted prior to January 1, 2008 and to PSUs granted on or after January 1, 2008 as follows:

(i) For PSUs granted on or after January 1, 2008, the following rules apply for purposes of determining the Valuation Date:

Separation from Service prior to age 50. If the distribution is made because of the Participant's Separation from Service prior to attaining age fifty (50), the Valuation Date for the lump sum distribution will be the July 31st next following the Separation from Service date.

Retirement. If the distribution is made because of the Participant's Retirement and the distribution is (1) a lump sum, the Valuation Date will be the July 31st next following the Retirement Date (or, if later, the July 31st next following the vesting date for the PSUs) or (2) in installments, the Valuation Date will be the July 31st next following the Retirement Date (or, if later, the vesting date for the PSUs) and each subsequent July 31st thereafter for the remaining installments.

Specific Deferral Date. If the distribution is made because the Deferral Period has ended on a Specific Deferral Date, the Valuation Date for the lump sum or initial installment distribution will be the July 31st next following the Specific Deferral Date and each subsequent July 31st thereafter for any remaining installments.

Death. If the distribution is made as a result of the Participant's death, the Valuation Date will be a date that is as soon as practicable prior to the date the distribution is to be made on account of the death.

(ii) For PSUs granted prior to January 1, 2008, the following rules apply for purposes of determining the Valuation Date:

Separation from Service prior to age 50. If the distribution is made because of the Participant's Separation from Service prior to attaining age fifty (50), the Valuation Date will be determined by reference to the date upon which the Participant's Separation from Service occurs. For Separations of Service that occur in a year (1) prior to July 21st, the Valuation Date will be July 31st of that year, (2) on or after July 21st and prior to October 21st, the Valuation Date will be October 31st, (3) on or after October 21st and prior to December 1st, the Valuation Date will be December 15th, and (4) in the month of December, the Valuation Date will be January 15th of the following year.

Retirement. If the distribution is made because of the Participant's Retirement and the distribution is a lump sum, the Valuation Date will be determined by reference to the date upon which the Participant's Retirement Date occurs (or, if later, the vesting date for the PSUs). For Retirement Dates that occur in a year (1) prior to July 21st, the Valuation Date will be July 31st of that year, (2) on or after July 21st and prior to October 21st, the Valuation Date will be October 31st, (3) on or after October 21st and prior to December 1st, the Valuation Date will be December 15th, and (4) in the month of December, the Valuation Date will be January 15th of the following year. If the distribution is made because of the Participant's Retirement and the distribution is in the form of installments, the Valuation Date will be the July 31st next following the Retirement Date (or if later the vesting date of the PSUs) and each subsequent July 31st thereafter for the remaining installments.

Specific Deferral Date. If the distribution is made because the Deferral Period has ended on a Specific Deferral Date, the Valuation Date for the lump sum or initial installment distribution will be the July 31st

next following the Specific Deferral Date and each subsequent July 31st thereafter for any remaining installments.

Death. If the distribution is made as a result of the Participant's death, the Valuation Date will be a date that is as soon as practicable prior to the date the distribution is to be made on account of the death.

ARTICLE III - ELIGIBILITY AND PARTICIPATION

Section 3.1 - Eligibility

Each employee of an RTX Company, who is classified as an eligible Participant at the time of the deferral election, will be eligible to participate in the Plan in respect of that Performance Cycle in accordance with the terms of the Plan.

Section 3.2 - Participation

Each eligible Participant may elect to participate in the Plan with respect to any Performance Cycle for which he/she receives an award of PSUs, and for which the opportunity to defer PSUs is offered, by timely filing an Election Form, properly completed in accordance with Section 4.1. Participation in the Plan is entirely voluntary.

ARTICLE IV - PARTICIPANT ELECTIONS AND DESIGNATIONS

Section 4.1 - Election

An eligible Participant, who has been awarded PSUs, may, on or before the election deadline established by the Committee, file an Election Form to defer the Participant's PSUs, subject to their future vesting.

Section 4.2 - Election Amount

An eligible Participant must designate in the Election Form the percentage of vested PSUs (rounded down to the nearest whole share) that will be deferred under the Plan for the Performance Cycle. The minimum percentage of vested PSUs that a Participant may defer under the Plan for any Performance Cycle is ten percent (10%) and the maximum is one hundred percent (100%).

Section 4.3 - Election Date

To defer PSUs under the Plan, an Election Form must be completed and submitted to the Committee no later than the election deadline for that Performance Cycle. If the PSUs qualify as "performance-based compensation" for purposes of Section 409A, the election deadline shall be no later than December 31st of the second year of the Performance Cycle; provided that the compensation provided under the PSUs has not become reasonably ascertainable by the election deadline, and provided further that the Participant has performed services continuously from the beginning of the Performance Cycle (or, if later, the date when the performance criteria were established if the award is made after the beginning of the Performance Cycle) until the election deadline. The Committee may specify an election deadline for any Performance Cycle that is earlier than the latest permissible deadline described in this paragraph or may specify before the election deadline that particular PSUs are not eligible for deferral. Except as provided below in Section 4.6 (Change in Distribution Election) and Section 5.8 (Accelerated

Distribution in the Case of an Unforeseeable Emergency), the choices reflected in the Participant's Election Form shall become irrevocable on the election deadline. If an eligible Participant fails to submit a properly completed Election Form by the election deadline, he or she will be ineligible to participate in the Plan for the applicable Performance Cycle.

Section 4.4 - Deferral Period

Each Participant shall specify in the Election Form the Deferral Period for amounts to be deferred. Failure to specify a deferral period shall result in a deferral for the Default Deferral Period. A Participant may elect a Deferral Period that ends either (1) on a Specific Deferral Date that is at least five (5) years following the date on which the Performance Cycle Account is established, or (2) on the Participant's Retirement Date.

Section 4.5 - Distribution Election

At the time the Participant first elects to defer his or her vested PSUs under Section 4.1, the Participant must further make an election to have the Performance Cycle Account distributed in a lump sum or in two (2) to fifteen (15) annual installments. If no distribution election is made, the Participant's Performance Cycle Account will be distributed in a lump sum. If a Participant elects to receive the Performance Cycle Account in installments, the amount of each installment shall be determined by dividing the total Performance Cycle Account Balance on each Valuation Date by the number of installments remaining, rounded down to the nearest whole share.

Section 4.6 - Change in Distribution Election

A Participant may make an irrevocable election to extend the Deferral Period and/or change the form of distribution for a Performance Cycle Account. A Participant may change his or her election, as provided in this Section 4.6, for some accounts and not for others. For each Performance Cycle Account, the extended Deferral Period shall not be less than five (5) years following the date on which distribution would otherwise have occurred. A deferral extension election and/or change to the form of distribution must meet all of the following requirements:

- a. The new election must be made at least twelve (12) months prior to the date on which payments will commence under the current election (and the new election shall be ineffective if the Participant incurs a Separation from Service within twelve (12) months after the date of the new election);
- b. The new election will not take effect until at least twelve (12) months after the date when the new election is submitted in a manner acceptable to the Committee; and
- c. The new payment commencement date must be at least five (5) years later than the date on which payments would commence under the current election.

A Participant may change his or her election up to a maximum of three (3) times for each Performance Cycle Account.

Section 4.7 - Designation of Beneficiary

Each Participant shall designate a Beneficiary for his or her Plan Account on an electronic or written form provided by the Committee. A Participant may change such designation on an electronic or written form acceptable to the Committee and any change will be effective on the date received by the Committee. Designations received after the Participant's death will not be effective. If a Beneficiary designation is not filed with the Committee before the Participant's death, or if the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Account will be paid to the Participant's estate. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any: (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of the Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.7. In the event of the death of a Participant, distributions shall be made in accordance with Section 5.5.

ARTICLE V – VALUATION & DISTRIBUTION OF ACCOUNTS

Section 5.1 – Valuation of Performance Cycle Accounts

Deferred Share Units included in a Participant's Performance Cycle Account are valued prior to distribution on the applicable Valuation Date. Except in the case of distributions made after Deferred Share Units have been converted to cash as a result of a Change of Control (as defined in Section 5.7 below), one share of RTX Common Stock will be distributed for each Deferred Share Unit. If the distribution includes a fractional Unit, the number of Units will be rounded down to the next whole Unit for purposes of calculating the number of shares of Common Stock to be exchanged in the distribution, and the value of the fractional Unit will be paid in cash. The Deferred Share Unit shall be valued based on the closing price of RTX Common Stock as reported on the composite tape of the New York Stock Exchange on the Valuation Date, or if the Stock is not traded on that day, on the next trading day.

Section 5.2 – Timing of Plan Distributions

Except as provided in Section 4.6 Change in Distribution Election), Section 5.3 (Separation from Service before Attaining Age 50), Section 5.4 (Separation from Service of Specified Employees), and Section 5.5 (Distribution in the Event of Death) the value of a Participant's Performance Cycle Account will be distributed (or begin to be distributed) according to the distribution election on file to the Participant within thirty (30) calendar days following the Valuation Date associated with (a) the Participant's Retirement (if the Participant's Deferral Period ends on the Retirement Date) or (b) the Specific Deferral Period (if the Participant's Deferral Period ends on a Specific Deferral Date).

Section 5.3 - Separation from Service before Attaining Age 50.

If a Participant's Separation from Service occurs before the Participant attains age fifty (50), the full value of the Participant's entire Plan Account will be distributed in a lump sum, within thirty (30) calendar days following the Valuation Date (subject to Section 5.4 below), regardless of the distribution election on file.

Section 5.4 - Separation from Service of Specified Employees

If the Participant is a Specified Employee on the date of the Participant's Separation from Service, any distribution of the Participant's Plan Account that is made on account of the Participant's Separation from Service will not be made or commence earlier than the first day of the seventh month following the date of Separation from Service. The Plan Account shall be valued as if the Valuation Date were the last business day of the month preceding the distribution date. In the case of a distribution in installments, the date of any subsequent installments shall not be affected by the delay of any installment hereunder.

Section 5.5 – Distribution in the Event of Death

In the event of the death of a Participant before the Participant's Plan Account has been fully distributed, the full remaining value of the Participant's Plan Account will be distributed to the designated Beneficiary or the Participant's estate in a lump sum on the first business day of the third month following the Participant's death.

Section 5.6 – Disability

In the event of the Disability of a Participant, the Participant's Performance Cycle Accounts that are designated to be deferred to a Specific Deferral Date will be maintained and distributed in accordance with the Participant's elections on file. The Participant's Performance Cycle Accounts that are designated to be deferred to the Participant's Retirement Date will be distributed as if such Participant had retired on the date of the Participant's Disability, but without applying the six-month delay in Section 5.4, above.

Section 5.7 – Distribution upon a Change in Control

In the event of a Change in Control of the Corporation, the Participant's entire Plan Account will be converted to cash and distributed in a lump sum within ten (10) business days following the Change in Control event. The cash amount per Deferred Share Unit will equal the closing price of RTX Common Stock on the New York Stock Exchange on the date the Change in Control occurs or, if the Stock is not traded on that day, on the trading day immediately preceding the Change in Control. For purposes of the Plan, a "Change in Control" means (i) the acquisition by one person, or more than one person acting as a group, of stock possessing 30 percent or more of the total voting power of the Common stock of the Corporation during the twelve (12)-month period ending on the date of the most recent acquisition; (ii) the replacement of a majority of the members of the Corporation's board of directors during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the members of the Corporation's board of directors as constituted immediately prior to the date of such appointment or election; (iii) the acquisition by one person, or more than one person acting as a group, of more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation; (iv) a change in the ownership of a substantial portion of the Corporation's assets such that one person, or more than one person acting as a group, acquires assets of the Corporation with a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Corporation determined immediately prior to such acquisition; and (v) a dissolution or liquidation of the Corporation. The intention of the Plan is that Change in Control shall be a permissible payment event under Section 409A.

Section 5.8 – Accelerated Distribution in the Case of an Unforeseeable Emergency

(a) The Committee may, upon a Participant's written application, agree to an accelerated distribution of some or all of the value of a Participant's Plan Accounts upon the showing of an unforeseeable emergency. An

“unforeseeable emergency” is a severe financial hardship to the Participant resulting from (1) an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary, or the Participant’s dependent (as defined in IRC Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1) (B)); (2) loss of the Participant’s property due to casualty; or (3) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an unforeseeable emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case. Acceleration will not be granted if the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan.

(b) Distributions on account of an unforeseeable emergency, as defined in Section 5.8(a), shall be limited to the amount reasonably necessary to satisfy the emergency need. Such amount may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution.

(c) The Committee will determine from which Performance Cycle Accounts hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for distributions on account of unforeseeable emergency.

Section 5.9 - Administrative Adjustments in Payment Date

A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (a) in the same calendar year (for a payment whose specified due date is on or before September 30), or (b) by the fifteenth (15th) day of the third (3rd) calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than thirty (30) days before the due date specified by the Plan. In no event will a payment to a Specified Employee on account of his or her Separation from Service be made or commence earlier than the first day of the seventh month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 5.9.

Section 5.10 - Minimum Balance Payout Provision

If a Participant’s Plan Account balance under this Plan (and under all other nonqualified deferred compensation plans of the Corporation that are required to be aggregated with this Plan under Section 409A), determined at the time of the Participant’s Separation From Service, is less than the amount set as the limit on elective deferrals under Section 402(g)(1)(B) of the Code in effect for the year in which the Participant’s Separation From Service occurs, the Committee retains discretion to distribute the Participant’s entire Plan Account (and the Participant’s entire interest in any other nonqualified deferred compensation plan that is required to be aggregated with this Plan) in a lump sum within thirty days following the Participant’s Separation From Service, even if the Participant has elected to receive a different form of distribution. Any exercise of the Committee’s discretion taken pursuant to this Section 5.10 shall be evidenced in writing, no later than the payment date.

ARTICLE VI – AMENDMENT AND TERMINATION OF PLAN

Section 6.1 - Amendment

The Corporation may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to the Plan or the tax treatment of Plan Accounts, the Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article V. To the extent any rule or procedure adopted by the Committee is inconsistent with a provision of the Plan that is administrative, technical or ministerial in nature, the Plan shall be deemed amended to the extent of the inconsistency.

Section 6.2 - Plan Suspension and Termination

(a) The Committee may, at any time, suspend or terminate the Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interest of the Corporation or for any other reason.

(b) In the event of suspension of the Plan, no additional deferrals shall be made under the Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of the Plan and the applicable elections on file.

(c) Upon the termination of the Plan with respect to all Participants, and the termination of all arrangements sponsored by the Corporation that would be aggregated with the Plan under Section 409A, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's Plan Account in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 6.2 shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. The Corporation may not accelerate payments pursuant to this Section 6.2 if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. section 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 6.2, it shall not adopt any new arrangement that would have been aggregated with the Plan under Section 409A within three years following the date of the Plan's termination. The Committee may also provide for distribution of Plan Accounts following a termination of the Plan under any other circumstances permitted by Section 409A.

Section 6.3 - No Consent Required

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of the Plan.

ARTICLE VII – MISCELLANEOUS PROVISIONS

Section 7.1 - Reinvestment of Dividend Equivalents

Deferred Share Units shall be credited with dividend equivalents at the same time and in the same amount that cash dividends would be paid with respect to an equal number of shares of RTX Common Stock. At the time

the election under Section 4.1 is made, the Participant agrees to have dividend equivalents deferred and invested in additional Deferred Share Units based upon the number of whole and fractional Units that the dollar dividend amount would purchase, using the closing price of RTX Common Stock on the New York Stock Exchange on each dividend payment date. Dividend equivalents that are deferred and invested pursuant to this Section 7.1 shall be credited to the same Performance Cycle Account as the Deferred Share Units for which the dividend equivalents are paid and shall be distributed at the time and in the form applicable to that Performance Cycle Account.

Section 7.2 - Withholding Taxes

The Committee may make any appropriate arrangements to deduct from all deferrals and payments under the Plan any taxes that the Committee reasonably determines to be required by law to be withheld from such credits and payments.

Section 7.3 - Adjustment of Deferred Share Units

In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, spin-off or other similar corporate change, the number of Deferred Share Units may be adjusted appropriately by the Committee, whose determination shall be conclusive.

Section 7.4 - Section 409A Compliance

To the extent that rights or payments under this Plan are subject to Section 409A, the Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A, such provision shall be void and without effect. The Corporation does not warrant that the Plan will comply with Section 409A with respect to any Participant or Beneficiary or with respect to any payment. In no event shall any RTX Company; any director, officer, or employee of a RTX Company (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan's failure to satisfy the requirements of Section 409A, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

ARTICLE VIII – GENERAL PROVISIONS

Section 8.1 - Unsecured General Creditor

The Corporation's obligations under the Plan constitute an unfunded and unsecured promise to distribute shares in the future. Participants' and Beneficiaries' rights under the Plan are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of the Plan or Participants' Plan Accounts.

Section 8.2 – Nonassignability

(a) Except as provided in subsection (b) or (c) below, No Participant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Plan and All Plan Accounts and the rights to all payments are unassignable and non-transferable. Plan Accounts or payment hereunder, prior to actual payment, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

(b) The Plan shall comply with the terms of any valid domestic relations order submitted to the Committee. Any payment of a Participant's Plan Account to a party other than the Participant pursuant to the terms of a domestic relations order shall be charged against and reduce the Participant's Plan Account. Neither the Plan, the Corporation, the Committee, nor any other party shall be liable in any manner to any person, including but not limited to any Participant or Beneficiary, for complying with the terms of a domestic relations order.

(c) To the extent that any Participant, Beneficiary or other person receives an excess or erroneous payment under the Plan, the amount of such excess or erroneous payment shall be held in a constructive trust for the benefit of the Corporation and the Plan, and shall be repaid by such person upon demand. The Committee may reduce any other benefit payable to such person or may pursue any remedy available at law or equity to recover the amount of such excess or erroneous payment or the proceeds thereof. Notwithstanding the foregoing, the amount payable to a Participant or Beneficiary may be offset by any amount owed to any RTX Company to the extent permitted by Section 409A.

Section 8.3 - No Contract of Employment

Participation in the Plan shall not be construed to constitute a direct or indirect contract of employment between any RTX Company and the Participant. Participants and Beneficiaries will have no rights against any RTX Company resulting from participation in the Plan other than as specifically provided herein. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of any RTX Company for any length of time or to interfere with the right of any RTX Company to terminate a Participant's employment.

Section 8.4 - Governing Law

The provisions of the Plan will be construed and interpreted according to the laws of the State of Delaware, to the extent not preempted by federal law.

Section 8.5 - Validity

If any provision of the Plan is held to be illegal or invalid for any reason, the remaining provisions of the Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

Section 8.6 - Notice

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if sent by first-class mail, to Raytheon Technologies Corporation, 4 Farm Springs Road, Farmington, Connecticut 06032, Attn: Deferred Compensation Committee, MS 4FS-2. Any notice or filing required or permitted to be given to any Participant or Beneficiary under the Plan shall be sufficient if provided either electronically, hand-delivered,

or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

Section 8.7 - Successors

The provisions of the Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

Section 8.8 - Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under the Plan is unable to care for their affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of and on behalf of such Participant or Beneficiary. Any such payment from a Participant's Plan Accounts shall be a complete discharge of any liability under the Plan with respect to the amount so paid.

ARTICLE IX – ADMINISTRATION AND CLAIMS

Section 9.1 - Plan Administration

The Committee shall be solely responsible for the administration and operation of the Plan and shall be the “administrator” of the Plan for purposes of ERISA. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan. All decisions and interpretations of the Committee shall be final and binding on all parties.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee at Raytheon Technologies Corporation, 4 Farm Springs Road, Farmington, Connecticut 06032, Attn: Deferred Compensation Committee, MS 4FS-2. The Committee shall respond in writing as soon as practicable.

Section 9.2 - Claim Procedures

A Participant or Beneficiary who believes that he or she has been denied a benefit under the Plan (referred to in this Section 9.2 as a “Claimant”) may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(a) Upon receipt of a claim, the Committee shall advise the Claimant that a response will be forthcoming within ninety (90) days. The Committee may, however, extend the response period for up to an

additional ninety (90) days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee shall respond to the claim within the specified period.

(b) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (1) the specific reason or reasons for such denial; (2) the specific reference to relevant provisions of this Plan on which such denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation for why such material or such information is necessary; (4) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (5) the time limits for requesting a review of the claim; and (6) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(c) Within sixty (60) days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Committee review the determination. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such sixty (60)-day period, the Claimant shall be barred from challenging the determination.

(d) Within sixty (60) days after the Committee receives a request for review, it will review the initial determination. If special circumstances require that the sixty (60)-day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

(e) All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (1) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (2) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (3) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

CERTAIN REGULATORY MATTERS

The Plan is subject to ERISA. Because the Plan is an unfunded plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, the Plan is exempt from most of ERISA's requirements. Although the Plan is subject to Part 1 (Reporting and Disclosure) and Part 5 (Administration and Enforcement) of Title I, Subtitle B of ERISA, the Department of Labor has issued a regulation that exempts the Plan from most of ERISA's reporting and disclosure requirements.

TO WHOM SHOULD QUESTIONS CONCERNING THE PLAN BE DIRECTED?

All questions concerning the operation of the Plan (including information concerning the administrators of the Plan) should be directed to:

Raytheon Technologies Corporation
4 Farm Springs Road
Farmington, CT 06032
Attn: Deferred Compensation Committee
Telephone: 860-728-7000

RAYTHEON TECHNOLOGIES CORPORATION

By: /s/ Jeffrey W. Kridler
Jeffrey W. Kridler
Corporate Vice President, Total Rewards

Attest: /s/ Christine L. Hill
Christine L. Hill
Vice President, Associate General Counsel,
Executive & Global Compensation & Benefits

**UNITED TECHNOLOGIES CORPORATION
COMPANY AUTOMATIC CONTRIBUTION EXCESS PLAN**

(As Amended and Restated effective as of January 1, 2020)

ARTICLE I – PREAMBLE

Section 1.1 – Purpose of the Plan

The United Technologies Corporation Company Automatic Contribution Excess Plan (the “CACEP” or the “Plan”) was initially established January 1, 2010 for the benefit of employees covered by the Company Automatic Feature (the “CAF”, since renamed “Company Retirement Contributions”) of the United Technologies Corporation Employee Savings Plan (the “UTC Qualified Savings Plan”). The purpose of the CACEP is to provide for the accrual of benefits supplemental to Company Retirement Contributions payable under the UTC Qualified Savings Plan. CACEP benefits are accrued with respect to compensation that is not taken into account under the UTC Qualified Savings Plan due to (i) the compensation limitations imposed by Section 401(a)(17) of the Code, (ii) the contribution limitations imposed by Section 415(c) of the Code, or (iii) the Participant’s elective deferral of compensation. The purpose of the CACEP, effective as of January 1, 2020, is to provide for the accrual of benefits which are supplemental to all Company Retirement Contributions, and certain Company Matching Contributions, payable under the UTC Qualified Savings Plan.

Section 1.2 - Effective Date of Plan and Amendments

(a) The Plan as originally established effective January 1, 2010 was amended and restated July 16, 2018 for the purposes of clarifying the intent of the Plan to accrue CACEP benefits with respect to both the IRS Compensation Limit and the IRS Contribution Limit, as well as other minor administrative revisions. Such changes effected by the amendment and restatement were generally effective January 1, 2010.

(b) The Plan is hereby further amended and restated effective as of January 1, 2020 to allow for the accrual of benefits, supplemental to Company Retirement Contributions payable under the UTC Qualified Savings Plan effective as of January 1, 2020, which were previously credited under the United Technologies Corporation Pension Preservation Plan, and to change pertinent references from “United Technologies Corporation” or “UTC” to “Raytheon Technologies Corporation” or “RTX” effective as of April 3, 2020.

ARTICLE II – DEFINITIONS

Unless otherwise indicated, capitalized terms herein shall have the same meanings ascribed under the UTC Qualified Savings Plan.

(a) *Beneficiary* means the person, persons or entity designated on an electronic or written form by the Participant to receive the value of his or her Plan Account in the event of the Participant’s death in accordance with the terms of this Plan. If the Participant fails to designate a Beneficiary, or the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant’s Plan Account will be paid to the Participant’s estate.

- (b) *Benefit Reduction Contribution* means an amount credited by the Corporation to the Participant's Plan Account to restore the reduction in the Company Automatic Contribution credited to a Participant's Plan Account as a result of the reduction of such Participant's Eligible Earnings due to an elective deferral of compensation by the Participant under the UTC DCP.
- (c) *Code* means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. Reference to any section of the Internal Revenue Code shall include any final regulations or other applicable guidance. References to "Section 409A" shall refer to Section 409A of the Code and any final regulations and guidance issued thereunder by the Internal Revenue Service from time to time in effect.
- (d) *Committee* means the Deferred Compensation Committee, which is responsible for the administration of the Plan.
- (e) *Company Automatic Contribution* means the age-graded non-matching contribution credited to the Plan on behalf of a Participant in accordance with Section 5.1 of the Plan. Where referring to Company Retirement Contribution under the UTC Qualified Savings Plan, the definition of such term in the UTC Qualified Savings Plan shall apply.
- (f) *Company Matching Contribution* means the matching contribution credited to the Plan on behalf of a Participant in accordance with Section 5.2 of the Plan.
- (g) *Corporation* means Raytheon Technologies Corporation, or any successor thereto.
- (h) *Default Investment Option* means the Investment Fund designated by the Plan or selected by the Committee on behalf of all Participants at the time they first become eligible to participate in the Plan. The Default Investment Option shall be the Income Fund, unless otherwise determined at the sole discretion of the Committee.
- (i) *Disability* means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C) of the Code.
- (j) *Election Form* means the form or process provided by the Committee to Participants electronically or in paper form for the purpose of specifying the method of distribution and/or the percentage allocation among the Investment Funds with respect to a Participant's Plan Account.
- (k) *Eligible Earnings* means the total compensation paid with respect to a Plan Year to a Participant meeting the definition of "Compensation" as set forth in the UTC Qualified Savings Plan, but modified by disregarding the IRS Compensation Limit in such definition and including amounts the Participant elects to defer for such Plan Year to the UTC DCP.
- (l) *Eligible Excess Compensation* means Eligible Earnings in excess of the IRS Compensation Limit for any Plan Year.

- (m) *Employee* means an employee of the Corporation or an RTX Company, but excluding any employee who is not eligible to participate in the UTC Qualified Savings Plan and any Represented Employee (as defined in the UTC Qualified Savings Plan).
- (n) *ERISA* means the Employee Retirement Income Security Act of 1974, as amended.
- (o) *Investment Fund* means a hypothetical fund that tracks the value of an investment option offered under the UTC Qualified Savings Plan or the UTC DCP, as determined by the Committee. Investment Funds offered under the CACEP may be changed from time to time by the Committee and shall be valued in the manner set forth in Section 6.3. Available investments are described at <https://www.newportgroup.com>. The value of Participants' Accounts shall be adjusted to replicate the performance of the applicable Investment Funds. Amounts credited to any Investment Fund do not result in the investment in actual assets corresponding to the Investment Fund.
- (p) *IRS Compensation Limit* means the limitation imposed by Section 401(a)(17) of the Code.
- (q) *IRS Contribution Limit* means the limitation imposed by Section 415(c) of the Code.
- (r) *Participant* means an Eligible Employee who (i) is eligible to receive Retirement Contributions under the UTC Qualified Savings Plan for the Plan year; (ii) has Eligible Excess Compensation, or (ii) is barred from receiving additional Retirement Contributions under the UTC Qualified Savings Plan for such Plan Year due to the IRS Contribution Limit. A Participant who has previously received an allocation of benefits under the Plan but who ceases to be eligible under the preceding sentence shall not be eligible for a contribution under Article V but shall remain a Participant under the Plan with respect to his or her Plan Account until it is distributed or forfeited in accordance with the terms of the Plan.
- (s) *Plan* means the United Technologies Corporation Company Automatic Contribution Excess Plan, as amended from time to time.
- (t) *Plan Account* means an account maintained under the Plan on behalf of a Participant for the purpose of crediting Company Automatic Contributions and Company Matching Contributions.
- (u) *Plan Year* means the calendar year.
- (v) *Separation from Service* means a Participant's termination of employment with all RTX Companies, other than by reason of death. A Separation from Service will be deemed to occur where the Participant and the RTX Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) for RTX Companies will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed during the immediately preceding thirty-six (36) months (or the entire period the Participant has provided services if the Participant has been providing services to RTX Companies for less than thirty-six (36) months). A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one RTX Company to another RTX Company.
- (w) *Specified Employee* means:

(i) prior to April 1, 2020, each of the fifty (50) highest-paid officers and other executives of the Corporation and its Subsidiaries, effective annually as of April 1st, based on wages subject to federal income tax withholding, and amounts that are excluded from taxable income by the employee's election to make pre-tax contributions under a cafeteria plan, section 401(k) plan, or similar plan, determined for the preceding calendar year as provided in Treas. Reg. § 1.415(c)-2(d)(3). The term includes both U.S. and non-U.S. employees, and the compensation used to determine whether an employee is among the fifty (50) highest-paid officers and other executives shall be determined by treating non-U.S. compensation as if it had been earned in the U.S. by a U.S. citizen; and

(ii) on or after April 1, 2020, each of the fifty (50) highest-paid officers and other executives of the Corporation and its affiliates (determined for this purpose under Treas. Reg. §1.409A-1(g)), effective annually as of April 1st, based on compensation reported in Box 1 of Form W-2, but including amounts that are excluded from taxable income as a result of elective deferrals to qualified plans and pre-tax contributions. Compensation will not include foreign compensation earned by a nonresident alien that is not effectively connected with the conduct of a trade or business in the United States.

(x) *RTX Company* means the Corporation or any entity controlled by or under common control with the Corporation within the meaning of Section 414(b) or (c) of the Code (but substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

(y) *UTC DCP* means the United Technologies Corporation Deferred Compensation Plan.

(z) *UTC SRP* means the United Technologies Corporation Savings Restoration Plan

(aa) *UTC Qualified Saving Plan* means the United Technologies Corporation Employee Savings Plan.

ARTICLE III – ELIGIBILITY AND ENROLLMENT

Section 3.1 – Eligibility

Each Employee who meets the definition of a Participant for the Plan Year shall be eligible to participate in this Plan, if and to the extent, such Employee's Eligible Earnings for such Plan Year are in excess of the IRS Compensation Limit, or such Employee's Company Retirement Contributions under the UTC Qualified Savings Plan for such Plan Year are limited by the IRS Contribution Limit.

Section 3.2 – Enrollment

An eligible Participant will automatically be enrolled in the Plan within thirty (30) days of the first pay date of the first Plan Year in which such Participant's Eligible Earnings exceed the IRS Compensation Limit, or Company Retirement Contributions to his or her account in the UTC Qualified Savings Plan are barred by the IRS Contribution Limit ("Initial Enrollment Period").

ARTICLE IV – PARTICIPANT ELECTIONS AND DESIGNATIONS

Section 4.1 – Distribution Election

A Participant must, on or before the election deadline established by the Committee, make an electronic or written election on the Election Form to have the Participant's Plan Account distributed in a lump sum or in two (2) to fifteen (15) annual installments. To the extent no distribution election is made with respect to a Participant's Plan Account, the distribution will be made in a lump sum at the time provided in Article VII.

Section 4.2 – Election Date

An Election Form must be completed and submitted to the Committee no later than the end of the Initial Enrollment Period (as defined in Section 3.2), or such other date as the Committee may specify and shall be effective with respect to benefits accrued for services to be performed after the election. Except as provided below in Section 4.4 (Change in Distribution Election), the choices reflected on the Participant's Election Form shall be irrevocable on the election deadline.

Section 4.3 – Investment Fund Allocations

A Participant's Plan Account will be allocated to the Default Investment Option at the time the Participant first becomes eligible to participate in the Plan. Participants may change the asset allocation of their existing Participant Plan Account balance, or the Investment Funds to which new contributions are allocated, as permitted by the Committee.

Section 4.4 – Change in Distribution Election

A Participant may make an irrevocable election to change the time or form of distribution, either by changing the number of installments (including changing to or from a lump sum), the commencement date, or both, for his or her Plan Account. A change to the time or form of distribution must meet all of the following requirements:

- (a) The new election must be made at least twelve (12) months prior to the date on which payments will commence under the current election (and the new election shall be ineffective if the Participant incurs a Separation from Service within twelve (12) months after the date of the new election);
- (b) The new election will not take effect until at least twelve (12) months after the date when the new election is submitted in a manner acceptable to the Committee; and
- (c) The new payment commencement date must be at least five (5) years later than the date on which payments would commence under the current election.

A maximum of three change elections are allowed under the Plan.

Section 4.5 - [Removed]

Section 4.6 - Designation of Beneficiary

Each Participant shall designate a Beneficiary for his or her Plan Account on an electronic or written form provided by the Committee. A Participant may change such designation on an electronic or written form acceptable to the Committee and will be effective on the date received by the Committee. Designations received after the date of the Participant's death will not be effective. If a Beneficiary designation is not filed with the Committee before the Participant's death, or if the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan

Account will be paid to the Participant's estate. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of the Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.6. In the event of the death of a Participant, distributions shall be made in accordance with Section 7.6.

ARTICLE V – COMPANY CONTRIBUTIONS

Section 5.1 – Company Automatic Contribution Amount

(a) Due to IRS Compensation Limit. The Corporation will credit an age-graded Company Automatic Contribution to the Plan on behalf of each eligible Participant having Eligible Excess Compensation for the Plan Year, provided that the Participant is eligible for a Company Retirement Contribution under the terms of the Qualified Savings Plan for such Plan Year. This contribution shall be a percentage of the Participant's Eligible Excess Compensation based on the Participant's date of hire and age as of December 31 of the Plan Year for which the contribution is credited determined under the applicable Company Retirement Contribution formula under the UTC Qualified Savings Plan.

(b) Due to IRS Contribution Limit. A Participant shall be immediately eligible to receive an allocation of Company Automatic Contributions for a Plan Year, if and to the extent, such Company Retirement Contributions on behalf of the Participant to the UTC Qualified Savings Plan for the Plan Year are limited by the IRS Contribution Limit. This contribution shall be a percentage of the Participant's Eligible Earnings up to the IRS Compensation Limit based on the Participant's date of hire and age as of December 31 of the Plan Year for which the contribution is credited determined under the applicable Company Retirement Contribution formula applicable to the Participant under the UTC Qualified Savings Plan, with respect to Eligible Earnings paid to the Participant once the IRS Contribution Limit is reached, and will stop once the Participant's Eligible Earnings equal the IRS Compensation Limit for the Plan Year.

(c) No Duplication. In no event shall a Participant be eligible for Company Automatic Contributions under this Plan if, Company Retirement Contributions are made under the Qualified Savings Plan for the same Eligible Earnings, or would otherwise result in a duplication of benefits (e.g., if amounts are credited under any other Company deferred compensation plan with respect to the same Eligible Earnings).

Section 5.2 – Company Matching Contribution Eligibility and Amount

A Participant shall be eligible to receive an allocation of Company Matching Contributions for a Plan Year, if and to the extent, such Participant's Company Matching Contributions under the UTC Qualified Savings Plan for such Plan Year are limited by the IRS Contribution Limit and provided further that the Participant has made the maximum elective deferrals to the UTC Qualified Savings Plan permitted under Section 402(g) of the Code or the terms of the Plan. The allocation will be made with respect to Eligible Earnings paid to the Participant once the IRS Contribution Limit is reached and will stop once the Participant's Eligible Earnings equal the IRS Compensation Limit for the Plan Year. The amount of the Company Matching Contribution shall be calculated in the same manner that Company Matching Contributions would be calculated under the UTC Qualified Savings Plan if the IRS Contribution Limit did not apply and assuming that the Participant would have continued to contribute at least six percent (6%) of the Participant's

Eligible Earnings (or if the matching formula changes under the Qualified Savings Plan, the minimum amount necessary to receive the maximum match under the Qualified Savings Plan) if the Participant were permitted to do so but for the IRS Contribution Limit. In no event shall a Participant be eligible for an allocation of Company Matching Contributions under this Plan with respect to Eligible Excess Compensation, or if such matching contributions are made under the UTC Qualified Savings Plan or credited under any other Company deferred compensation plan with respect to the same Eligible Earnings.

Section 5.3 – Timing of Contribution

Allocation of Company Automatic Contributions and Company Matching Contributions shall be made no less frequently than annually with respect to each Plan Year. The Corporation may in its sole discretion credit additional amounts to Participants' Plan Accounts, may specify vesting requirements applicable to such additional amounts, and need not treat Participants uniformly.

Section 5.4 – Vesting of Contributions

A Participant shall be vested in the value of contributions credited to his or her Plan Account upon the first to occur of the following: participation in the Plan for two (2) years; completion of three (3) years of "Continuous Service" (as defined in the UTC Qualified Savings Plan); attainment of age sixty-five (65); the death or Disability of the Participant while employed by an RTX Company; the layoff of a Participant from an RTX Company due to lack of work; or the Participant's entrance into United States military service before completing two (2) years of Plan participation.

Section 5.5 – Annual Contribution Limitation

In no event shall the aggregate contributions made to a Participant's Plan Account under Section 5.1 and Section 5.2 as a result of the Participant's deferral elections under the UTC Qualified Savings Plan for the Plan Year exceed the amounts permitted to be made to a "linked" Plan under Treasury Regulations issued under Section 409A.

ARTICLE VI - PLAN ACCOUNTS

Section 6.1 – Accounts

A Plan Account will be established for each Participant. Company contributions made under the Plan shall be allocated or reallocated among Investment Funds in accordance with the Plan terms and each Participant's instructions in the manner set forth in Section 4.3.

Section 6.2 - [Removed]

Section 6.3 – Valuation of Investment Funds

Company contributions allocated to Investment Funds will be converted to the applicable Investment Fund units based on the closing share price of that Investment Fund as of the date the contribution is credited to the Participant's applicable Investment Fund. The value of the units of an Investment Fund will fluctuate on each business day based on the performance of the applicable Investment Fund.

Section 6.4 - Crediting of Benefit Reduction Contribution

At the end of each Plan Year, the Committee will determine whether a Participant is eligible to receive a Benefit Reduction Contribution and will credit any applicable Benefit Reduction Contribution to the affected Participant's Plan Account as of the last business day of the Plan Year. Any such amounts will be allocated on a pro-rata basis to the Participant's Investment Funds in accordance with the Participant's Default Investment Option or current investment allocation election in effect for that Plan Year.

Section 6.5 - Reports to Participants

The Committee will provide or make available detailed information to Participants regarding the credited value of Plan Accounts, distribution elections, Beneficiary designations, and Investment Fund allocations. Such information may be provided via electronic media as determined by the Committee. No RTX Company, no director, officer or employee of an RTX Company, and no entity retained by an RTX Company to provide Plan services shall have any liability to any Participant or Beneficiary for any failure or delay in providing such information, or for the results of any error (including the failure to implement any Investment Fund allocation) disclosed in such information.

ARTICLE VII – DISTRIBUTION OF PLAN ACCOUNT

Section 7.1 – Timing of Plan Distributions

Except as provided in Section 4.4 (Change in Distribution Election), Section 7.4 (Separation from Service before Attaining Age Fifty (50)), Section 7.5 (Separation from Service of Specified Employees), and Section 7.6 (Death), the value of a Participant's Plan Account will be distributed (or begin to be distributed) to the Participant in April of the calendar year following the calendar year of the Participant's Separation from Service.

Section 7.2 – Method of Distribution

Except as provided in Section 7.4 (Separation from Service before Attaining Age Fifty), Section 7.6 (Death), a Plan Account will be distributed to the Participant in a single lump-sum payment, or in a series of annual installment payments, in accordance with the Participant's election on file.

Annual installment distributions shall be payable to the Participant beginning on the payment commencement date and continuing as of each anniversary of the payment commencement date thereafter until all installments have been paid. To determine the amount of each installment, the value of the Participant's Plan Account on the payment date will be multiplied by a fraction, the numerator of which is one and the denominator of which is the remaining number of scheduled installments.

Section 7.3 – Form of Distribution

Plan Account distributions will be made in cash.

Section 7.4 – Separation from Service before Attaining Age Fifty (50)

If a Participant's Separation from Service occurs before the Participant attains age fifty (50), the full value of the Participant's Plan Account will be distributed to the Participant in a lump-sum payment in April of the calendar year following the calendar year of the Participant's Separation from Service (or, if the Participant is a Specified Employee at

the time of his or her Separation from Service, on the date provided in Section 7.5 below, if later) regardless of the distribution option elected and regardless of any change in the distribution election.

Section 7.5 – Separation from Service of Specified Employees

Distributions to Specified Employees on account of a Separation from Service will not be made or commence earlier than the first day of the seventh month following the date of Separation from Service. All Plan Accounts shall continue to accrue hypothetical investment gains and losses as provided in Article VI until the distribution date. In the case of a distribution in installments, the date of subsequent installments shall not be affected by the delay of any installment hereunder.

Section 7.6 – Death

In the event of the death of a Participant before the Participant's Plan Account has been fully distributed, the full remaining value of the Participant's Plan Account will be distributed to the designated Beneficiary or the Participant's estate in a lump sum on the first business day of the third month following the Participant's death. Upon notification of death, pending distribution, the value of the Participant's Plan Account will be allocated to the Default Investment Option.

Section 7.7 – Accelerated Distribution in the Case of an Unforeseeable Emergency

(a) The Committee may, upon a Participant's written application, agree to an accelerated distribution of some or all of the value of a Participant's Plan Account upon the occurrence of an Unforeseeable Emergency. An "Unforeseeable Emergency" is a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependent (as defined in IRC Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)); (ii) loss of the Participant's property due to casualty; or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an Unforeseeable Emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case. Acceleration will not be granted if the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship).

(b) Distributions on account of an Unforeseeable Emergency shall be limited to the amount reasonably necessary to satisfy the emergency need. Such amount may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution.

(c) The Committee will determine from which Investment Funds hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for distributions on account of an Unforeseeable Emergency.

Section 7.8 – Disability

In the event of the Disability of a Participant that qualifies as a "Separation from Service" for purposes of Section 409A, the Participant's Plan Accounts will be distributed in accordance with the Participant's elections on file.

Section 7.9 – Administrative Adjustments in Payment Date

A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (a) in the same calendar year (for a payment whose specified due date is on or before September 30), or (b) by the fifteenth (15th) day of the third (3rd) calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment is also treated as being made on the date when it is due under the Plan if the payment is made not more than thirty (30) days before the due date specified by the Plan. In no event will a payment to a Specified Employee be made or commence earlier than the first day of the seventh (7th) month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 7.9.

Section 7.10 – Minimum Balance Payout Provision

If a Participant's Plan Account balance under this Plan (and under all other nonqualified deferred compensation plans of the Corporation that are required to be aggregated with this Plan under Section 409A), determined at the time of the Participant's Separation from Service, is less than the amount set as the limit on elective deferrals under Section 402(g)(1)(B) of the Code in effect for the year in which the Participant's Separation from Service occurs, the Committee retains discretion to distribute the Participant's entire Plan Account (and the Participant's entire interest in any other nonqualified deferred compensation plan that is required to be aggregated with this Plan) in a lump sum in the month of April following the Participant's Separation from Service, even if the Participant has elected to receive a different form of distribution. Any exercise of the Committee's discretion taken pursuant to this Section 7.10 shall be evidenced in writing, no later than the payment date.

ARTICLE VIII – AMENDMENT AND TERMINATION OF PLAN

Section 8.1 – Amendment

The Corporation may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to the Plan or the tax treatment of Plan Accounts, the Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective as of the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article VII. To the extent any rule or procedure adopted by the Committee is inconsistent with a provision of the Plan that is administrative, technical or ministerial in nature, the Plan shall be deemed amended to the extent of the inconsistency.

Section 8.2 – Plan Suspension and Termination

(a) The Committee may, at any time, suspend or terminate the Plan if, in its sole judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interest of the Corporation or for any other reason.

(b) In the event of the suspension of the Plan, no additional contributions shall be made under the Plan. All previous contributions shall be distributed in accordance with the otherwise applicable provisions of the Plan and the applicable elections on file.

(c) Upon the termination of the Plan with respect to all Participants, and the termination of all arrangements sponsored by the Corporation or its affiliates that would be aggregated with the Plan under Section 409A, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's Plan Account in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 8.2(c) shall be made no earlier than the thirteenth (13th) month and no later than the twenty-fourth (24th) month after the termination of the Plan. The Corporation may not accelerate payments pursuant to this Section 8.2(c) if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Regs. Sec. 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 8.2(c), it shall not adopt any new arrangement that would have been aggregated with the Plan under Section 409A within three (3) years following the date of the Plan's termination. The Committee may also provide for distribution of Plan Accounts following a termination of the Plan under any other circumstances permitted by Section 409A.

Section 8.3 – No Consent Required

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of the Plan.

ARTICLE IX – GENERAL PROVISIONS

Section 9.1 – Unsecured General Creditor

The Corporation's obligations under the Plan constitute an unfunded and unsecured promise to pay money in the future. Participants' and Beneficiaries' rights under the Plan are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of the Plan or Participants' Plan Accounts.

Section 9.2 – Nonassignability

(a) No Participant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Plan and all Plan Accounts and the rights to all payments are unassignable and non-transferable. Plan Accounts or payment hereunder, prior to actual payment, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or any other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

(b) To the extent that any Participant, Beneficiary or other person receives an excess or erroneous payment under the Plan, the amount of such excess or erroneous payment shall be held in a constructive trust for the benefit of the Corporation and the Plan, and shall be repaid by such person upon demand. The Committee may reduce any other benefit payable to such person, or may pursue any remedy available at law or equity to recover the amount of such excess or erroneous payment or the proceeds thereof. Notwithstanding the foregoing, the amount payable to a Participant or Beneficiary may be offset by any amount owed to any RTX Company to the extent permitted by Section 409A.

Section 9.3 – No Contract of Employment

Participation in the Plan shall not be construed to constitute a direct or indirect contract of employment between any RTX Company and any Participant. Participants and Beneficiaries will have no rights against any RTX Company resulting from participation in the Plan other than as specifically provided herein. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of any RTX Company for any length of time or to interfere with the right of any RTX Company to terminate a Participant's employment.

Section 9.4 – Governing Law

The provisions of the Plan will be construed and interpreted according to the laws of the State of Delaware, to the extent not preempted by federal law.

Section 9.5 – Validity

If any provision of the Plan is held to be illegal or invalid for any reason, the remaining provisions of the Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

Section 9.6 – Notice

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if sent by first-class mail to Raytheon Technologies Corporation, 4 Farm Springs Road, MS4-2, Farmington, Connecticut 06032, Attn: Deferred Compensation Committee. Any notice or filing required or permitted to be given to any Participant or Beneficiary under the Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

Section 9.7 – Successors

The provisions of the Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term "successors" as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

Section 9.8 – Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under the Plan is unable to care for his or her affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of and on behalf of such Participant or Beneficiary. Any such payment from a Participant's Plan Account shall be a complete discharge of any liability under the Plan with respect to the amount so paid.

Section 9.9 – Section 409A Compliance

To the extent that rights or payments under this Plan are subject to Section 409A, the Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A, such provision shall be void and without effect. The Corporation does not warrant that the Plan will comply with Section 409A with respect to any Participant or with respect to any payment. In no event shall any RTX Company; any director, officer, or employee of an RTX Company (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan's failure to satisfy the requirements of Section 409A, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

Section 9.10 – Withholding Taxes

The Committee may make any appropriate arrangements to deduct from all contributions, vested Plan Accounts and distributions under the Plan any taxes that the Committee reasonably determines to be required by law to be withheld from such credits and payments.

ARTICLE X – ADMINISTRATION AND CLAIMS

Section 10.1 – Plan Administration

The Committee shall be solely responsible for the administration and operation of the Plan and shall be the “administrator” of the Plan for purposes of ERISA. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan. All decisions and interpretations of the Committee shall be final and binding on all parties.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee at: Raytheon Technologies Corporation, 4 Farm Springs Road, Farmington, CT 06032, Attn: Deferred Compensation Committee. The Committee shall respond in writing as soon as practicable.

Section 10.2 – Claim Procedures

A Participant or Beneficiary who believes that he or she has been denied a benefit to which he or she is entitled under the Plan (referred to in this Section 10.2 as a “Claimant”) may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(a) Upon receipt of a claim, the Committee shall advise the Claimant that a response will be forthcoming within ninety (90) days. The Committee may, however, extend the response period for up to an additional ninety (90) days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee shall respond to the claim within the specified period.

(b) If the claim is denied in whole or in part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (i) the specific reason or reasons for such

denial; (ii) the specific reference to relevant provisions of this Plan on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (v) the time limits for requesting a review of the claim; and (vi) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(c) Within sixty (60) days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Committee review the determination. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comments in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such sixty (60)-day period, the Claimant shall be barred from challenging the determination.

(d) Within sixty (60) days after the Committee receives a request for review, it will review the initial determination. If special circumstances require that the sixty (60)-day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

(e) All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (i) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (ii) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (iii) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

CERTAIN REGULATORY MATTERS

The Plan is subject to ERISA. However, because the Plan is an unfunded plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, the Plan is exempt from most of ERISA's requirements. Although the Plan is subject to Part 1 (Reporting and Disclosure) and Part 5 (Administration and Enforcement) of Title I, Subtitle B of ERISA, the Department of Labor has issued a regulation that exempts the Plan from most of ERISA's reporting and disclosure requirements. A portion of this Plan constitutes an "excess benefit plan" as defined in Section 3(36) of ERISA.

TO WHOM SHOULD QUESTIONS CONCERNING THE PLAN BE DIRECTED?

All questions concerning the operation of the Plan (including information concerning the administrators of the Plan) should be directed to:

Raytheon Technologies Corporation
4 Farm Springs Road
Farmington, CT 06032

Attn: Deferred Compensation Committee
Telephone: 860-728-7000

RAYTHEON TECHNOLOGIES CORPORATION

By: /s/ Jeffrey W. Kridler
Jeffrey W. Kridler
Corporate Vice President, Total Rewards

Attest: /s/ Christine L. Hill
Christine L. Hill
Vice President, Associate General Counsel,
Executive & Global Compensation & Benefits

UNITED TECHNOLOGIES CORPORATION
2018 LONG-TERM INCENTIVE PLAN

AMENDMENT 1

The United Technologies Corporation 2018 Long-Term Incentive Plan (the “LTIP”) is hereby amended, effective December 6, 2020, to rename the Plan as the “Raytheon Technologies Corporation 2018 Long-Term Incentive Plan”; and is further amended for purposes of implementing the following non-material administrative revisions:

1. Section 1 (Purpose; Definitions), subsection “n.” is amended and restated to read as follows:

n. “Corporation” means Raytheon Technologies Corporation, a Delaware corporation, or its successor.

2. Section 1 (Purpose; Definitions), subsection “ii.” is amended and restated to read as follows:

ii. “Plan” means the Raytheon Technologies Corporation 2018 Long-Term Incentive Plan, as set forth herein and as hereinafter amended from time to time.

3. Section 14 (General Provisions), subsection “i.” is amended and restated to read as follows:

i. Clawback Policy.

i. All Awards granted under the Plan prior to December 6, 2020 remain subject to the terms and conditions of Section 14(i) of the Plan as in effect immediately prior to December 6, 2020.

ii. All Awards granted under the Plan (whether before, on or after December 6, 2020), including any proceeds from such Awards (whether paid in Shares or cash), shall be subject to any compensation clawback, recoupment or other similar policy adopted by the Compensation Committee of the Board of Directors, as such policy may be in effect from time to time.

iii. Effect of Change-in-Control. Notwithstanding the foregoing and notwithstanding anything to the contrary in any Award Agreement or otherwise, this Section 14(i) shall not be applicable to any Participant following a Change-in-Control.

iv. Nonexclusive Remedy. This Section 14(i) shall be a nonexclusive remedy and shall not preclude the Corporation from pursuing any other applicable remedies available to it, whether in addition to, or in lieu of, application of this Section 14(i).

IN WITNESS WHEREOF, the undersigned has hereunto set her hand as of February 2, 2021.

RAYTHEON TECHNOLOGIES CORPORATION

By: /s/ Dantaya M. Williams
Dantaya M. Williams
Executive Vice President & CHRO, Human Resources

Attest: /s/ Christine L. Hill
Christine L. Hill
Vice President & Associate General Counsel,
Executive & Global Compensation & Benefits

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the “*Agreement*”), dated as of June 9, 2019, by and between United Technologies Corporation, a Delaware corporation (the “*Company*”), and Thomas A. Kennedy (“*Executive*”).

WHEREAS, Executive is currently the Chief Executive Officer of Raytheon Company, a Delaware corporation (“*Raytheon*”); and

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders to ensure that the Company will have the continued dedication of Executive following the consummation of the transactions contemplated by the Agreement and Plan of Merger dated as of June 9, 2019, entered into by and among Raytheon, the Company and Light Merger Sub, a Delaware corporation and wholly owned subsidiary of the Company (the “*Merger Agreement*”); and

WHEREAS, Executive and the Company mutually desire that Executive provide services to the Company on the terms herein provided.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties set forth in this Agreement, and other good and valuable consideration the receipt and sufficiency of which are acknowledged, the parties agree as follows:

a. Term. The term of this Agreement shall commence on the Closing Date (as defined in the Merger Agreement) (the “*Effective Date*”) and shall continue, unless earlier terminated pursuant to Section 5 of this Agreement, through the later of (a) March 31, 2022 and (b) the second anniversary of the Closing Date (the “*Term*”). Unless otherwise mutually agreed to by the parties, Executive shall retire from employment with the Company at the expiration of the Term. This Agreement shall automatically terminate and be of no force or effect if the Merger Agreement is terminated for any reason without the occurrence of the Closing (as defined in the Merger Agreement).

b. Position and Responsibilities.

i. During the Term, Executive shall serve as Executive Chairman of the Board of Directors of the Company (the “*Board*”), and a member of the Board, and shall report solely and directly to the Board.

ii. In his capacity as Executive Chairman, Executive shall devote his best efforts to the performance of the duties and responsibilities customarily incident to such position and shall perform such other duties as may be reasonably assigned by the Board commensurate with his position and as reasonably agreed to by Executive and the Board. Such duties and responsibilities shall in any event include, and otherwise be consistent with, the duties and responsibilities specifically established and approved by the Board and the Board of Directors of Radiant in connection with their respective approvals of the Merger Agreement on or prior to the date hereof.

iii. Executive’s principal place of employment shall be the Company’s headquarters in the Greater Boston Metro Area.

c. Performance of Duties. Executive shall devote his full business time, attention, and energies to the Company’s business (except for periods of absence occasioned by illness, vacation and

reasonable leaves of absence) and shall not engage in consulting work or any business for his own account or for any person, firm or corporation other than the Company. Subject to the Company's corporate governance policies, during the Term it shall not be a violation of this Agreement for Executive to (a) serve on corporate, civic, or charitable boards or committees or (b) manage personal investments, in each case, so long as this service does not interfere with the performance of his duties with the Company in accordance with this Agreement and complies with applicable provisions of any codes of business conduct and ethics of the Company, as in effect from time to time. It is expressly understood and agreed that to the extent that any such activities have been conducted by Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of Executive's responsibilities to the Company.

d. Compensation.

i. Salary. During the Term, the Company shall pay Executive an annual base salary of \$1,540,864, subject to any upward adjustment made to such amount in the ordinary course of business consistent with past practice prior to the Effective Date, payable in equal installments on the Company's regularly recurring paydays in accordance with the Company's normal payroll practice. Increases in annual base salary shall be at the sole discretion of the Board or the compensation committee of the Board (the "*Compensation Committee*") and the annual base salary shall not be reduced after any such increase. The base salary as determined herein and increased from time to time shall constitute "Base Salary" for purposes of this Agreement.

ii. Annual Bonus Incentive Program.

1. With respect to each fiscal year of the Company during the Term, Executive shall be entitled to participate in the Company's annual cash incentive bonus program established for the Company's executives (such bonus program, as in effect from time to time, the "*Bonus Program*"). Executive's target annual bonus opportunity under the Bonus Program shall be no less than 200% of Executive's Base Salary. Executive's annual bonus under the Bonus Program shall be earned based upon objectives established by the Compensation Committee with respect to each fiscal year of the Company. Any annual bonus earned with respect to any fiscal year during the Term shall be paid to Executive consistent with the Company's prevailing bonus payment practices, but no later than March 15 following the end of such fiscal year.

2. Notwithstanding the foregoing, for the year in which the Effective Date occurs, Executive's annual cash incentive bonus shall consist of: (A) a pro-rated portion of the bonus for the period that occurs prior to the Effective Date through and including the Effective Date, determined in accordance with the terms of the Raytheon Results-Based Incentive Plan as in effect immediately prior to the Effective Date, based on actual performance during the period from the first day of such year through the latest practicable date prior to the Effective Date (as determined by the Management Development and Compensation Committee of the Board of Directors of Raytheon prior to the Effective Date); *plus* (B) a pro-rated portion of the bonus for the period beginning the day following the date of the Effective Date through the end of the year, paid (x) in accordance with the Bonus Program based on the actual achievement levels of the performance goals established by the Compensation Committee after the Effective Date or (y) based on the greater of target or the payout, as a percentage of target, determined under clause (ii)(A) to

the extent that the Compensation Committee does not establish performance goals for such period.

iii. Long-Term Incentive and Equity Awards. Executive shall be eligible to receive equity and other long-term incentive awards under any applicable plan adopted by the Company during the Term for which employees are generally eligible. For each fiscal year of the Term, the Company shall grant Executive annual equity awards with an aggregate target grant date value equal to or greater than \$10,500,000. The form and terms and conditions of Executive's annual equity awards will be determined by the Compensation Committee and will be no less favorable than those applicable to equity awards granted to any other executive officer of the Company.

iv. Reimbursement of Expenses. In accordance with established policies and procedures of the Company as in effect from time to time, the Company shall pay or reimburse Executive for all reasonable and actual out-of-pocket expenses, including, but not limited to, travel, hotel, and similar expenses, incurred by Executive from time to time in performing his obligations under this Agreement. Any reimbursement of Executive's expenses made by the Company pursuant to this Agreement shall be payable in the normal business course in accordance with the Company's expense reimbursement policy.

v. Other Benefits. During the Term, Executive shall be entitled to such other employee benefits and perquisites, including, but not limited to, life insurance, medical and hospitalization, use of Company aircraft, leased car allowance and/or driver, disability, and retirement benefits, as may be provided by the Company and as may be amended from time to time, consistent with the benefits and perquisites provided to other executive officers of the Company; *provided, however*, that (i) Executive's use of the Company aircraft and the Company's vehicle policy (including Executive's use of a driver) shall be on terms no less favorable than those provided to Executive by Raytheon immediately prior to the Effective Date (or if more favorable, as provided to any other executive officer of the Company) and (ii) the remaining perquisites provided to Executive shall be no less favorable, in the aggregate, than the perquisites in effect for Executive at Raytheon immediately prior to the Effective Date (or if more favorable, as provided to any other executive officer of the Company).

e. Employment Termination.

i. Termination of Employment. Subject to the terms of this Section 5, either the Company or Executive can terminate Executive's employment at any time for any or no reason. Notwithstanding anything to the contrary, during the Term, the affirmative written approval of members of the Board representing at least 75% of the then serving independent members of the Board shall be required to bring before any meeting of the Board (whether organizational, stated, special or otherwise) the termination of Executive's employment with the Company for any reason as an item of business to be transacted at such meeting (or to present the termination of Executive's employment for any reason as an item of business to be transacted pursuant to action by written consent of the Board), or to validly include the termination of Executive's employment as an item of business in any notice of any such meeting. Upon Executive's termination of employment for any reason, Executive shall be entitled to receive, within 30 days following the date of termination (subject to any applicable deferral election), a cash payment equal to the sum of (1) Executive's accrued Base Salary through the date of termination, (2) any annual incentive bonus earned by Executive under the Bonus Program for a performance period that was completed

prior to the date of termination, and (3) any business expenses incurred by Executive that are unreimbursed as of the date of termination, in each case, to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the “*Accrued Obligations*”).

ii. Qualifying Termination. If, during the Term, (i) the Company terminates Executive’s employment for any reason other than for Cause or due to Executive’s death or disability (within the meaning of the Company’s long-term disability plan applicable to Executive), or (ii) Executive resigns for Good Reason (each of clauses (i) and (ii), a “*Qualifying Termination*”), then Executive shall be entitled to receive the severance benefits set forth in Section 5(c), conditioned upon Executive’s execution and delivery of a general release of claims in favor of the Company (which release shall not include any additional restrictive covenants) on the Company’s standard form, and such release becoming effective and irrevocable no later than the 30th day following the Qualifying Termination. The Company shall provide Executive with the form of release no later than two days after the Qualifying Termination.

iii. Severance Benefits. The severance benefits due upon a Qualifying Termination shall consist of the following, with cash payments pursuant to clauses (i) and (ii) payable, subject to any applicable deferral election in the case of clause (ii), on the date that is six months following the date of termination due to a Qualifying Termination:

1. a lump sum cash payment equal to the product of (A) the sum of (1) Executive’s Base Salary (disregarding any reduction thereto that serves as a basis for Executive’s resignation for Good Reason), and (2) the greater of (x) Executive’s annual bonus earned for the fiscal year immediately prior to the Effective Date and (y) Executive’s target annual bonus established for the fiscal year in which a Qualifying Termination occurs or, if not yet established, the target annual bonus for the prior fiscal year (disregarding any reduction thereto that serves as a basis for Executive’s resignation for Good Reason), *provided* that such target annual bonus shall not be less than 200% of Base Salary, *multiplied* by (B) three (3);

2. a lump sum cash payment equal to the product of (A) Executive’s target annual bonus established for the fiscal year in which the Qualifying Termination occurs or, if not yet established, the target annual bonus for the prior fiscal year (disregarding any reduction thereto that serves as a basis for Executive’s resignation for Good Reason), *provided* that such target annual bonus shall not be less than 200% of Base Salary, *multiplied* by (B) a fraction, the numerator of which is the number of days elapsed from the first day of the fiscal year in which the Qualifying Termination occurs to the Qualifying Termination and the denominator of which is 365;

3. (A) with respect to Company equity awards granted prior to the Effective Date and held by Executive as of the Qualifying Termination, Executive’s Qualifying Termination shall be treated as an “Involuntary Termination” as such term is used in the award agreements applicable to such awards (subject to the modification to such term described in Section 4(e)), and (B) with respect to Company equity awards granted after the Effective Date and held by Executive as of the Qualifying Termination, Executive’s Qualifying Termination shall be treated as a retirement for purposes of the applicable terms and conditions, and any minimum holding period that would otherwise apply as a condition to vesting upon retirement shall be waived; and

4. for the period of 12 months (the “*Benefit Continuation Period*”) following the Qualifying Termination, the Company shall continue to provide to Executive (and Executive’s dependents who were covered by healthcare benefit coverage from the Company as of immediately prior to the date of termination, if any (the “*eligible dependents*”)), without any requirement for Executive (or the eligible dependents) to pay a monthly premium, healthcare benefit coverage (including medical, prescription, dental, vision, basic life, employee assistance program coverage, and annual executive physicals) at least equal to the coverage that would have been provided to Executive (and Executive’s eligible dependents, if any) if Executive had continued employment with the Company during the Benefit Continuation Period; *provided, however*, that if Executive becomes reemployed with another employer and is eligible to receive any of the types of healthcare benefits under another employer-provided plan, the healthcare benefit coverage that is duplicative of the type of coverage provided hereunder shall cease. Executive shall promptly notify the Company that Executive has become eligible to receive healthcare benefits under another employer-provided plan. The period for providing continuation coverage under the group health plans of the Company and its affiliates as described in Section 4980B of the Internal Revenue Code of 1986, as amended (the “*Code*”) (i.e., “COBRA” continuation benefits) shall commence upon the expiration of the Benefits Continuation Period (or, if earlier, upon the cessation of the healthcare benefits coverage provided hereunder). For purposes of determining eligibility (but not the time of commencement of benefits) of Executive for retiree benefits pursuant to any applicable plans, practices, programs and policies of the Company, Executive shall be considered to have remained employed during the Benefit Continuation Period and to have retired on the last day of such period.

iv. Cause. For purposes of this Agreement and for purposes of all Company equity awards held by Executive, “*Cause*” means Executive’s:

1. willful and continued failure to perform substantially Executive’s duties with the Company pursuant to this Agreement after the Company delivers to Executive written demand for substantial performance specifically identifying the manner in which Executive has not substantially performed Executive’s duties;
2. conviction of a felony; or
3. willfully engaging in illegal conduct or gross misconduct (including a willful and material violation of the code of business conduct and ethics of the Company, as in effect from time to time), which is materially and demonstrably injurious to the Company.

For purposes of this Section 5(d), no act or omission by Executive shall be considered “willful” unless it is done or omitted in bad faith or without reasonable belief that Executive’s action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board, or advice of counsel for the Company, shall be conclusively presumed to be done or omitted to be done by Executive in good faith and in the best interests of the Company. For purposes of subsections (i) and (iii) above, Executive shall not be deemed to be terminated for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the Board in compliance with the process set forth in Section

5(a) (after reasonable notice is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of the conduct described in subsection (i) or (iii) above and specifying the particulars thereof in detail.

v. Good Reason. For purposes of this Agreement and for purposes of all Company equity awards held by Executive that were granted to Executive prior to the Effective Date, “*Good Reason*” (and any term of similar import used in the terms and conditions applicable to such equity awards, including “*Involuntary Termination*”) means any breach by the Company of a material provision of this Agreement, including, without limitation:

1. a diminution of Executive’s duties or responsibilities, authorities, powers or functions, including ceasing to serve in the positions contemplated by this Agreement or the assignment to Executive of any duties inconsistent with Executive’s positions (including offices, titles and reporting requirements), authority, powers, functions, duties or responsibilities as contemplated by Section 2 of this Agreement;
2. requiring Executive (A) to be based at any office or location in excess of 50 miles from the Greater Boston Metro Area or (B) to travel on Company business to a substantially greater extent than required immediately prior to the Effective Time;
3. reducing Executive’s Base Salary;
4. reducing Executive’s incentive opportunities as described in Sections 4(b) and 4(c) of this Agreement; and
5. failing to maintain Executive’s benefits and perquisites as described in this Agreement.

Executive’s resignation from employment shall not constitute a resignation for “Good Reason” as defined above unless (A) Executive has first delivered to the Company, not later than 90 days after the initial occurrence of the event or circumstance underlying Executive’s claim that Good Reason exists, a written notice of termination indicating Executive’s intention to resign for Good Reason and describing in reasonable detail the event that Executive believes to constitute Good Reason, (B) the Company has not cured such event or circumstance within 30 days after its receipt of such written notice, and (C) Executive actually resigns within 30 days after the expiration of such cure period.

vi. Section 280G.

1. If any payment or benefit Executive would receive under this Agreement, when combined with any other payment or benefit Executive receives pursuant to the termination of Executive’s employment with the Company (“*Payment*”), would constitute a “parachute payment” within the meaning of Section 280G of the Code, and would, but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “*Excise Tax*”), then such Payment shall either be (A) delivered in full or (B) delivered in such amount that no portion of the Payment would be subject to the Excise Tax, whichever of the foregoing results in the receipt by Executive of the greatest benefit on an after-tax basis (taking into account the applicable federal, state and local income taxes and the Excise Tax).

2. All determinations required to be made under this Section 5(f), including whether and to what extent the Payment shall be reduced and the assumptions to be utilized in arriving at such determination, shall be made by a national independent accounting firm registered with the Public Company Accounting Oversight Board as shall be designated by the Company (the “*Accounting Firm*”). The Accounting Firm shall provide detailed supporting calculations both to Executive and the Company at such time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. For purposes of making the calculations required by this Section 5(f), the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good-faith interpretations concerning the application of Sections 280G and 4999 of the Code.

3. To the extent any reduction of the Payment becomes necessary pursuant to this Section 5(f), payments or benefits included in the Payment shall be reduced or eliminated by applying the following principles in order: (A) the payment or benefit with the higher ratio of the parachute payment value to present economic value (determined using reasonable actuarial assumptions) shall be reduced or eliminated before a payment or benefit with a lower ratio; (B) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (C) cash payments shall be reduced prior to non-cash benefits; *provided* that if the foregoing order or reduction or elimination would violate Section 409A of the Code, then the reduction shall be made pro rata among the payments or benefits included in the Payment (on the basis of the relative present value of the parachute payments).

f. Resignation as a Member of the Board of Directors. In all cases of termination of Executive’s employment, including upon the expiration of this Agreement (if applicable), unless otherwise agreed to in writing, Executive shall be deemed to have contemporaneously resigned from his position as a member of the Board and any other position he then holds with the Company or any of its subsidiaries or other entities controlled by, controlling, or under common control with, the Company (“*Affiliated Entities*”) and shall execute any documentation reasonably required by the Company in order to effectuate such resignation.

g. Cooperation in Proceedings. In all cases of termination of Executive’s employment, including upon Executive’s termination of employment upon the expiration of this Agreement, unless otherwise agreed to in writing, Executive agrees to cooperate with the Company and its Affiliated Entities with respect to any litigation or administrative proceedings involving any matters with which Executive was involved during Executive’s employment with the Company. Such cooperation shall be at such time or times requested by the Company upon reasonable advance notice to Executive and the Company shall cover any reasonable out-of-pocket expenses of Executive in so cooperating.

h. Restrictive Covenants.

i. Executive understands and agrees that Executive’s employment creates a relationship of confidence and trust between Executive and the Company with respect to all Confidential Information (as defined below). At all times, both during Executive’s employment with the Company and after its termination, Executive shall keep in confidence and trust all such Confidential Information, and shall not use or disclose any such Confidential Information without the written consent of the Company, except as may be necessary in the ordinary course of performing Executive’s duties to the Company. Nothing in this Agreement shall be construed to

prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency. Upon receipt of any such order, Executive shall promptly provide written notice to the Company of any such order, and shall consult with and assist the Company in seeking a protective order or request for other appropriate remedy. Notwithstanding any provision of this Agreement to the contrary, the provisions of this Agreement are not intended to, and shall be interpreted in a manner that does not, limit or restrict Executive from exercising any legally protected whistleblower rights (including pursuant to Rule 21F under the Securities Exchange Act of 1934). As used in this Agreement, “*Confidential Information*” means information belonging to the Company that is of value to the Company in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Company. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management or Board of the Company. Confidential Information includes information developed by Executive in the course of Executive’s employment by the Company, as well as other information to which Executive may have access in connection with Executive’s employment. Confidential Information also includes the confidential information of others with which the Company has a relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain, unless due to breach of Executive’s duties under this Section 8.

ii. To further ensure the protection of the Confidential Information, Executive agrees that for a period of one year after Executive’s date of termination of employment, including upon Executive’s termination of employment upon the expiration of this Agreement, Executive shall not accept employment with or provide services in any form to (including serving as a director, partner or founder, or entering into a consulting relationship or similar arrangements) a business that (i) competes, directly or indirectly, with any of the Company’s principal business units as of the date of termination or (ii) is a material customer of or a material supplier to any of the Company’s businesses as of the date of termination (a “*Competitive Business*”); *provided* that it shall not be considered a breach of this Agreement for Executive to be a passive owner of not more than 5% of the outstanding stock or other securities or interests of a corporation or other entity that is a Competitive Business, so long as Executive has no direct or indirect active participation in the business or management of such corporation or entity.

iii. Executive agrees that, for a period of two years after Executive’s date of termination of employment, including upon Executive’s termination of employment upon the expiration of this Agreement, Executive shall not, directly or indirectly: (i) solicit any individual who is, at the time of such solicitation (or was during the three-month period prior to the date of such solicitation), employed by the Company or one of its Affiliated Entities with whom Executive had direct contact (other than incidental) during the two-year period prior to the date of termination to terminate or refrain from rendering services to the Company or its Affiliated Entities for the purpose of becoming employed by, or becoming a consultant to, any individual or entity other than the Company or its Affiliated Entities, or (ii) induce or attempt to induce any current customer, investor, supplier, licensee or other business relation of the Company or any of its Affiliated Entities with whom or which Executive had direct contact (other than incidental) during the two-year period prior to the date of termination (“*Customer*”) to cease doing business with the

Company or its Affiliated Entities, or in any way interfere with the relationship between any such Customer, on the one hand, and the Company or any of its Affiliated Entities, on the other hand.

iv. Executive agrees that it would be difficult to measure any damages caused to the Company that might result from any breach by Executive of Sections 8(a), (b), or (c), that in any event money damages would be an inadequate remedy for any such breach and that the Company and its Affiliated Entities would be irreparably injured by any such breach. Accordingly, Executive agrees that the Company shall be entitled to a preliminary injunction, temporary restraining order or other equivalent relief, restraining Executive from any actual or threatened material breach of any of Sections 8(a), (b), or (c) of this Agreement without showing or proving any actual damage to the Company.

v. To the extent that any court action is permitted consistent with or to enforce Section 8(a) of this Agreement, the parties hereby consent to the jurisdiction of the State of Delaware and the United States District Court for the District of Delaware. Accordingly, with respect to any such court action, Executive (i) submits to the personal jurisdiction of such courts; (ii) consents to service process; and (iii) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or service of process.

i. Dispute Resolution.

i. Subject to Section 8(e), Executive shall have the right to have settled by arbitration any dispute or controversy arising in connection herewith. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association before a panel of three arbitrators sitting in a location selected by Executive. Judgment may be entered on the award of the arbitrators in any court having proper jurisdiction. All expenses of such arbitration shall be borne by the Company in accordance with Section 9(b) hereof.

ii. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses that Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, Executive, or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by Executive about the amount of payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code.

iii. This arbitration provision does not limit Executive's right to file an administrative charge with the National Labor Relations Board, the Equal Employment Opportunity Commission, or any state agency charged with the enforcement of fair employment practice laws.

j. Miscellaneous.

i. Entire Agreement. This Agreement supersedes any prior agreements or understandings, oral or written, between Executive and the Company with respect to the subject matter hereof, including the Change in Control Severance Agreement, dated March 31, 2014, between Executive and Raytheon, as amended to date, and constitutes the entire agreement of the parties with respect thereto.

ii. Modification. This Agreement shall not be varied, altered, modified, cancelled, changed or in any way amended except by mutual agreement of the parties in a written instrument executed by the parties.

iii. Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected and shall remain in full force and effect.

iv. Tax Withholding. The Company may withhold all Federal, state, city or other taxes required pursuant to any law or governmental regulation or ruling.

v. Binding Effect. This Agreement shall bind and inure to the benefit of each of the parties and their respective heirs, successors, administrators, executors, and assigns.

vi. Governing Law. The provisions of this Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to its principles of conflicts of law.

vii. Notice. Any notices, requests, demands or other communications required by or provided for in this Agreement shall be sufficient if in writing and (i) if addressed to Executive, delivered personally to Executive, or sent by registered or certified mail to Executive at the last address Executive has filed in writing with the Company or by electronic mail to Executive's Company email address prior to the date of termination of Executive's employment or thereafter to the email address provided by Executive to the Company, or (ii) if addressed to the Company, delivered personally to the General Counsel of the Company or sent by registered or certified mail to the Company at its principal office, or by electronic mail to the Company's General Counsel at such individual's Company email address.

viii. Compliance with Company Policies. Executive acknowledges and agrees that Executive will be subject to all applicable compensation and benefit and governance policies of the Company applicable to executive officers, as in effect from time to time (including, for the avoidance of doubt, any applicable policy related to the recoupment of incentive compensation).

ix. Section 409A.

1. General. The obligations under this Agreement are intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and shall in all respects be administered in accordance with Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception, the separation pay exception or another exception under Section 409A of the Code shall be paid under the applicable exception to the maximum extent possible. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the exclusion under Section 409A of the Code for short-term deferral amounts, the separation pay exception or any other exception or exclusion under Section 409A of the Code. All payments to be made upon a termination of employment under this Agreement

may only be made upon a “separation from service” under Section 409A of the Code to the extent necessary in order to avoid the imposition of penalty taxes on Executive pursuant to Section 409A of the Code.

2. Reimbursements and In-Kind Benefits. Notwithstanding anything to the contrary in this Agreement, all reimbursements and in-kind benefits provided under this Agreement that are subject to Section 409A of the Code shall be made in accordance with the requirements of Section 409A of the Code, including, without limitation, where applicable, the requirement that (A) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (B) the reimbursement of eligible fees and expenses shall be made no later than the last day of the calendar year following the year in which the applicable fees and expenses were incurred; *provided* that Executive shall have submitted an invoice for such fees and expenses at least 30 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; and (C) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

i. Delay of Payments. Notwithstanding any other provision of this Agreement to the contrary, if Executive is considered a “specified employee” for purposes of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the Date of Termination), any payment or benefit that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to be paid to Executive under this Agreement during the six-month period immediately following Executive’s separation from service (as determined in accordance with Section 409A of the Code) because of Executive’s separation from service shall be accumulated and paid to Executive on the first business day of the seventh month following Executive’s separation from service, to the extent necessary to avoid penalty taxes or accelerated taxation pursuant to Section 409A of the Code. If Executive dies during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of his or her estate within 30 days following Executive’s death.

1. No Mitigation or Offset. The Company’s obligation to provide the payments and benefits under this Agreement and otherwise to perform its obligations hereunder shall be absolute and unconditional and shall not be affected by any setoff, counterclaim, recoupment, defense or other claim, right or action that the Company may have against Executive. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under Section 5(c) of the Agreement, and, except as provided in Section 5(c)(iv) regarding healthcare benefits, no payments or benefits received from other employment shall serve to mitigate the payments and benefits hereunder.

2. Survival. Any provision of this Agreement that by its terms continues after the expiration of the Term or the termination of Executive’s employment shall survive in accordance with its terms.

3. Counterparts; Facsimiles. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument. This Agreement may be executed and delivered by exchange of facsimile copies

showing the signatures of the parties, and those signatures need not be affixed to the same copy. The facsimile copies so signed shall constitute originally signed copies of the same consent requiring no further execution.

[Signature page follows]

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the date first above written.

UNITED TECHNOLOGIES CORPORATION

By: /s/ Charles D. Gill

Name: Charles D. Gill

Title: Executive Vice President and
General Counsel

EXECUTIVE

/s/ Thomas A. Kennedy

Thomas A. Kennedy

[SIGNATURE PAGE TO EXECUTIVE CHAIRMAN EMPLOYMENT AGREEMENT]

[Signature Page]

February 8, 2021

Board of Directors
Raytheon Technologies Corporation
870 Winter Street
Waltham, MA 02451

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to Raytheon Technologies Corporation's (the "Company") Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements incorporated by reference in the Form 10-K and issued our report thereon dated February 8, 2021. Note 2 to the consolidated financial statements describes a change in accounting principle where the annual goodwill impairment testing date changed from July 1 to October 1 for the Pratt & Whitney and Collins Aerospace segments. It should be understood that the preferability of one acceptable method of accounting over another for the annual goodwill impairment test date in accordance with Accounting Standards Codification 350, Intangibles - Goodwill and Other, has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-K, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, a change to a preferable accounting principle in conformity with Accounting Standards Codification 250, Accounting Changes and Error Corrections.

Very truly yours,

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts

Raytheon Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2020

Entity Name

Augusta (Gibraltar) Holdings I Limited
 B/E Aerospace (UK) Limited
 B/E Aerospace B.V.
 B/E Aerospace B.V. - Philippines
 B/E Aerospace Holdings GmbH
 B/E Aerospace, Inc.
 BE Aerospace Global Holdings Limited
 BE Aerospace Investments Holdings II S.A.R.L - Barbados
 BE Aerospace Investments Holdings Ltd.
 BEA (Barbados) International Holdings SRL
 BEA Jersey Limited
 Beesail Limited
 Blades Technology International, Inc.
 Blades Technology Ltd.
 Devonshire Switzerland Holdings GmbH
 Eagle Services Asia Private Limited
 Forcepoint LLC
 Goodrich Aerospace Canada Ltd
 Goodrich Control Systems
 Goodrich Control Systems, Inc.
 Goodrich Corporation
 Goodrich XCH Luxembourg B.V./S.a.r.l. (Dual Dutch/Lux Citizenship)
 Hamilton Sundstrand Aviation Services, Inc.
 Hamilton Sundstrand Corporation
 Hamilton Sundstrand Space Systems International, Inc. (Joint Venture)
 IAE International Aero Engines AG
 Kidde Technologies Inc.
 Latin American Holding, Inc.
 NLX Holding Corporation
 Nova Scotia Limited
 P&WC Turbo Engines Corp./P&WC Turbomoteurs Cie
 Pratt & Whitney Aero Engines International GmbH
 Pratt & Whitney Air New Zealand Services
 Pratt & Whitney Canada Corp.
 Pratt & Whitney Canada Leasing, Limited Partnership
 Pratt & Whitney Component Solutions, Inc.
 Pratt & Whitney Engine Leasing, LLC
 Pratt & Whitney Engine Services, Inc.
 Pratt & Whitney Materials International Sarl
 Raytheon Australia Pty Ltd

Place of Incorporation

Gibraltar
 United Kingdom
 Netherlands
 Philippines
 Germany
 Delaware
 United Kingdom
 Barbados
 Cayman Islands
 Barbados
 New Jersey
 England
 Delaware
 Israel
 Switzerland
 Singapore
 Delaware
 Ontario
 United Kingdom
 Delaware
 New York
 Netherlands
 Delaware
 Delaware
 Delaware
 Switzerland
 Delaware
 Delaware
 Delaware
 Nova Scotia
 Nova Scotia
 Switzerland
 New Zealand
 Nova Scotia
 Québec
 Michigan
 Delaware
 Delaware
 Switzerland
 Australia

Raytheon Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2020

<u>Entity Name</u>	<u>Place of Incorporation</u>
Raytheon Company	Delaware
Raytheon Systems Limited	United Kingdom
Raytheon Technologies Corporation	Delaware
Rockwell Collins International Financing S.A.R.L - Barbados	Barbados
Rockwell Collins, Inc.	Delaware
Rohr, Inc.	Delaware
Rosemount Aerospace Inc.	Delaware
Simmonds Precision Products, Inc.	New York
UT Finance Corporation	Delaware
United Technologies Intercompany Lending Ireland Designated Activity Company	Ireland
UTC Corporation	Delaware

* Kidde Technologies Inc. also conducts business as Kidde Aerospace & Defense, Fenwal Safety Systems and Kidde Dual Spectrum.

** The following entity is excluded from the above table because it is deemed to be in the same line of business as Forcepoint LLC: Raytheon Oakley Systems, LLC, which, together with its wholly-owned subsidiaries, wholly owns Forcepoint LLC.

Other subsidiaries of the Registrant have been omitted from this listing since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary, as defined by Rule 1-02 of Regulation S-K.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-234027) and in the Registration Statements on Form S-8 (Nos. 333-237576, 333-234086, 333-234085, 333-234084, 333-228649, 333-225839, 333-207193, 333-197704, 333-183123, 333-177517, 333-175781, 333-150643, 333-125293, 333-110020, 333-100724, 333-100723, 333-100718 and 033-51385) of Raytheon Technologies Corporation of our report dated February 8, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2020 Annual Report to Shareowners, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 8, 2021 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 8, 2021

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of RAYTHEON TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints GREGORY J. HAYES, ANTHONY F. O'BRIEN and FRANK R. JIMENEZ, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2020, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ THOMAS A. KENNEDY

Thomas A. Kennedy

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of RAYTHEON TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints GREGORY J. HAYES, ANTHONY F. O'BRIEN and FRANK R. JIMENEZ, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2020, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ TRACY A. ATKINSON

Tracy A. Atkinson

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ MARSHALL O. LARSEN

Marshall O. Larsen

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ GEORGE R. OLIVER

George R. Oliver

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ ROBERT K. ORTBERG

Robert K. Ortberg

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ MARGARET L. O'SULLIVAN

Margaret L. O'Sullivan

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ DINESH C. PALIWAL

Dinesh C. Paliwal

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ ELLEN M. PAWLIKOWSKI

Ellen M. Pawlikowski

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of RAYTHEON TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints GREGORY J. HAYES, ANTHONY F. O'BRIEN and FRANK R. JIMENEZ, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2020, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ DENISE L. RAMOS

Denise L. Ramos

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of RAYTHEON TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints GREGORY J. HAYES, ANTHONY F. O'BRIEN and FRANK R. JIMENEZ, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2020, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ FREDRIC G. REYNOLDS

Fredric G. Reynolds

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of RAYTHEON TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints GREGORY J. HAYES, ANTHONY F. O'BRIEN and FRANK R. JIMENEZ, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2020, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ BRIAN C. ROGERS

Brian C. Rogers

RAYTHEON TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of RAYTHEON TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints GREGORY J. HAYES, ANTHONY F. O'BRIEN and FRANK R. JIMENEZ, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2020, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ JAMES A. WINNEFELD, JR.

James A. Winnefeld, Jr.

RAYTHEON TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of RAYTHEON TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints GREGORY J. HAYES, ANTHONY F. O'BRIEN and FRANK R. JIMENEZ, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2020, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed this 8th day of February, 2021.

/s/ ROBERT O. WORK

Robert O. Work

CERTIFICATION

I, Gregory J. Hayes, certify that:

1. I have reviewed this annual report on Form 10-K of Raytheon Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2021

/s/ GREGORY J. HAYES

Gregory J. Hayes

President and Chief Executive Officer

CERTIFICATION

I, Anthony F. O'Brien, certify that:

1. I have reviewed this annual report on Form 10-K of Raytheon Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2021

/s/ ANTHONY F. O'BRIEN

Anthony F. O'Brien

Executive Vice President and Chief Financial Officer

CERTIFICATION

I, Michael J. Wood, certify that:

1. I have reviewed this annual report on Form 10-K of Raytheon Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2021

/s/ MICHAEL J. WOOD

Michael J. Wood

Corporate Vice President and Controller

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Raytheon Technologies Corporation, a Delaware corporation (the "Corporation"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 8, 2021

/s/ GREGORY J. HAYES

Gregory J. Hayes

President and Chief Executive Officer

Date: February 8, 2021

/s/ ANTHONY F. O'BRIEN

Anthony F. O'Brien

Executive Vice President and Chief Financial Officer

Date: February 8, 2021

/s/ MICHAEL J. WOOD

Michael J. Wood

Corporate Vice President and Controller