MEET THE MOMENT

2021 ANNUAL REPORT

Driving sustainability. Inspiring confidence.

The time to shape a more healthy, safe, sustainable and intelligent world is now. At Carrier, we are meeting the moment. In the face of critical challenges, we are driving sustainability through ambitious goals, bold initiatives and innovative solutions that empower our customers to make a positive impact. We are living and breathing our commitment to an inclusive, diverse culture. We are promoting the health and safety of indoor spaces where people live, work, learn and play, and helping preserve, protect and extend the supply of food and medicine across the globe. In moments big and small, Carrier is inspiring confidence.

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About Carrier

Carrier is the leading global provider of healthy, safe, sustainable and intelligent building and cold chain solutions, with a diverse and world-class workforce. Through our performance-driven culture, we are driving long-term shareowner value by growing sales and investing strategically to strengthen our position in the markets we serve.

160+ Countries

~58,000 Employees

Financials at a Glance

Net sales (dollars in billions)

2020	17.5
2021	20.6

Adjusted operating profit [1] (dollars in billions)

2020	2.2
2021	2.8

Adjusted operating margin [1] (percent)

2020	12.8
2021	13.6

Research and development (dollars in millions)

2020	419
2021	503

Adjusted diluted earnings per share [1] (dollars per share)

2020	1.66
2021	2.26

Free cash flow [1] (dollars in billions)

2020	1.4
2021	1.9

Dividends paid per common share (dollars per share)

2020	0.16
2021	0.48

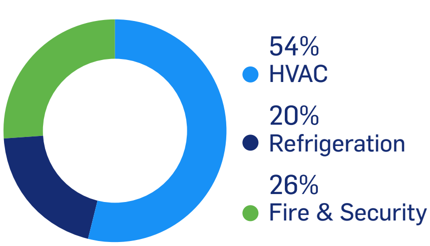
Net debt/ Adjusted EBITDA [1]

2020	2.8X
2021	2.1X

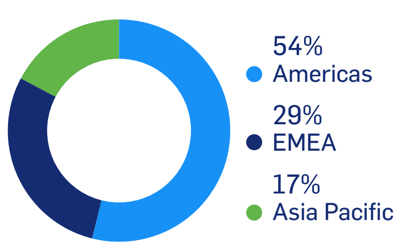
[1] See page 65 for additional information regarding non-GAAP measures.

2021 Net Sales Breakdown

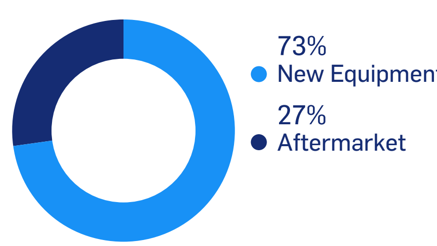
Net sales [2]



Net sales by region



Net sales mix



[2] Segment sales include intercompany sales.

David Gitlin, Chairman & Chief Executive Officer

$20.6B

Net sales

$2.26

Adjusted diluted earnings per share[1]

$1.9B

Free cash flow[1]

$54.24

CARR stock price as of December 31, 2021

Appreciated 44% in 2021 vs. a 27% increase in the S&P 500

[1] See page 65 for additional information regarding non-GAAP measures.

Dear Fellow Shareowners,

Looking back on 2021, our first full year as an independent public company, Carrier successfully executed on our growth initiatives, accelerated technological and digital innovation and delivered differentiated results for our stakeholders, including customers and shareowners. It is just the beginning. Carrier is uniquely positioned to address some of the most critical challenges facing people and our planet, and I am proud that our team continues to meet the moment to make a profoundly positive impact on both.

Innovating to Meet Business Challenges

Amid the ongoing COVID-19 pandemic, and confronted with supply chain disruptions and broad-based inflation, Carrier delivered strong performance and notable year-over-year growth. Our growth was fueled by our position at the epicenter of important secular trends – including an increased focus on healthy indoor air environments, effective cold chain distribution and, of course, sustainability.

In 2021, we booked approximately $500 million in healthy building orders. We are confident this demand will not only continue, but accelerate, as building owners play an increasingly important role in ensuring the health and safety of their occupants. Recent studies confirm that improved building filtration and ventilation can significantly reduce the spread of COVID-19 and other airborne-spread illnesses, and that people are more productive in healthier indoor environments. To lead as a solutions provider, we launched Abound, a cloud-based building platform that enables owners, tenants and visitors to assess and improve indoor air quality. This open-technology platform aggregates data from different systems and sensors, and provides transparency into actionable insights about air quality, thermal comfort and other performance data to help enhance occupant experiences while achieving sustainability targets. Customer feedback on Abound has been very positive, and we are excited about the future of this new and innovative offering.

In addition to shining a light on the importance of healthy indoor environments, COVID-19 has also underscored the criticality of having an effective and connected cold chain that preserves, protects and extends the supply of vaccines and food. We responded by providing end-to-end visibility across the cold chain through Lynx, our cloud-based digital offering, developed in collaboration with Amazon Web Services. Lynx was recognized by Fast Company as one of 2021's World Changing Ideas, based on its ability to enable the safe movement, monitoring and storage of vaccines around the world.

Embracing Sustainability

We continue to embrace global environmental, social and governance (ESG) and are very well positioned to address customers' sustainability needs. We are deeply committed to our aggressive and important ESG goals, which include carbon neutrality across our operations by 2030 and reducing our customers' carbon footprint by more than 1 gigaton over the same period. To that end, more than 30% of our 2021 residential heating sales in North America consisted of heat pumps, reflecting consumer demand for energy efficiency. We launched an air-cooled chiller heat pump platform in Europe with 70% lower global warming potential than our previous platforms. We were first to market with electrically powered refrigeration units for trailers and began offering zero-emission electric truck refrigeration technology. Whether we are designing sustainable product offerings or building a more robust cold chain to help reduce food waste, we are seizing the moment to have an outsized positive impact on the planet.

Underlying our success at Carrier is an engaged culture that embraces inclusion and diversity across our global workforce, a vital part of our core values as an employer of choice. We believe a diverse workforce is a better workforce and, in 2021, we continued to reduce the gap and recruit more diverse talent into the company, working toward our ultimate goal that our workforce at Carrier reflects the communities in which we work.

Continuing Our Strong Performance

Our strong performance in 2021 demonstrated successful execution against our growth initiatives. We delivered net sales of $20.6 billion, including 15% organic growth, adjusted operating profit of $2.8 billion and an adjusted diluted earnings per share increase of 36% in the face of raw material constraints, supplier price increases, chip shortages and logistics costs.[1] We generated $2.2 billion of cash from operations and free cash flow of $1.9 billion, or 114% of net income.[1] The net debt to adjusted EBITDA ratio improved from 2.8X to 2.1X, and net debt was lower than the prior year.[1]

Even though 2021 was one of the most challenging supply chain environments that I can recall, we supported our customers and drove outsized top-line growth thanks to the tremendous efforts of our global team members. I cannot thank our team enough for their industry-leading performance.

In addition to strong financial results, we were purposeful in driving more recurring revenues. Subscriptions of digitally enabled aftermarket offerings increased in 2021, reflecting strong demand for our differentiated IoT solutions. Our attachment rate in commercial HVAC increased over 2020, and we had more than 60,000 chillers under service maintenance agreements, up approximately 10,000 units from the year before. Sales of BluEdge service agreements were also strong in our refrigeration business for European truck trailers. The total addressable market for our expanding aftermarket business is not simply an important growth lever, it represents an opportunity for a steady, recurring revenue stream.

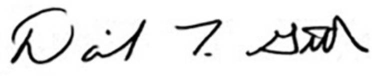
Disciplined Capital Allocation to Create Long-term Shareowner Value

Finally, we continue to take a very disciplined approach to capital allocation. Having completed the Chubb divestiture on January 3, 2022, our net debt has decreased from about $10 billion at our spin in April 2020 to about $4 billion in early 2022.[1] With a strong balance sheet, we are now playing offense on capital deployment. We invested an incremental $150 million in organic growth in 2021. We acquired tremendous technology and talented new employees through our acquisitions of Giwee Group, Nlyte Software, BrokerBay and Cavius. We also announced a 25% increase to the dividend and our plan to repurchase $1.6 billion in shares in 2022.

In short, Carrier is very well positioned to capitalize on key secular trends, and we are energized by the opportunities ahead. We have the right people, strategy, expertise and offerings to lead the way by delivering solutions that matter to people and our planet.

Thank you for your confidence in Carrier. I am proud of our accomplishments in the past year, and I know that our best days are ahead.

Sincerely,



David Gitlin
Chairman & Chief Executive Officer
Carrier

At Carrier, we are innovating to address the needs of people and our planet through our key programs – Healthy Buildings, Healthy Homes and Connected Cold Chain. These programs bring together Carrier's expertise in healthy, safe, sustainable and intelligent solutions to inspire confidence every day and help solve global challenges.

HEALTHY**BUILDINGS**

We are shaping a healthier future through our Healthy Buildings Program. With solutions and services that help optimize indoor environments for health, safety and security, we positively impact occupant experiences in places where people live, work, learn and play, while helping to enhance sustainability and improve operational efficiency.

As K-12 schools looked to safely resume in-person learning, Carrier provided guidance on how U.S. schools can use federal stimulus funding to implement healthy building solutions. We also rolled out a BluEdge K-12 service program that provides an outcome-based approach to help schools select and implement the best indoor air quality upgrades for their needs.

Carrier supported research led by the Harvard T.H. Chan School of Public Health, which found that buildings can play a significant role in improving cognitive function, health and productivity. The global study identifies higher ventilation rates and enhanced filtration as critical public health strategies. Carrier also collaborated with a major U.S. university to create a custom risk assessment tool for buildings, with research showing how tactics such as managed occupancy, increased filtration and ventilation, air scrubbers and air purifiers can work together to reduce the risk of airborne transmission of pathogens by up to 80%.

Carrier implemented a comprehensive suite of healthy, safe, sustainable and intelligent building technologies at the Emory Musculoskeletal Institute in Atlanta, Georgia. The state-of-the-art facility selected Carrier HVAC solutions, Automated Logic's WebCTRL building automation system, fire detection and security solutions from Edwards and LenelS2, an occupant app and the Abound cloud-native platform for building health and performance. The solutions work together to enhance occupant experiences while achieving sustainability targets.

HEALTHY**HOMES**

Carrier's Healthy Homes Program includes a suite of targeted solutions that can help improve the overall health and safety of homes and the people inside.

Our businesses continue to introduce innovations that give people greater awareness and control of their home's health. Our new plug-in air monitor helps users understand the quality of the air they breathe and connects with the Carrier Home app for remote notifications and monitoring. In addition, Kidde launched alarms and detectors with smart features that connect to mobile apps to alert homeowners to potential safety issues, even when they are not at home.

We launched new efforts to educate consumers on the importance of creating healthy home environments since, on average, most people spend over 65% of their time inside their home. We continue to develop resources and share recommendations, such as changing air filters frequently, adjusting room temperature settings, keeping fire extinguishers on every floor and installing smoke and carbon monoxide alarms throughout the home.

CONNECTED**COLDCHAIN**

We are making the cold chain more healthy, safe, sustainable and intelligent through our Connected Cold Chain Program. Our solutions help preserve, protect and extend the supply of food, medicine and other perishables across the globe.

Carrier was key to the rollout of COVID-19 vaccines. We helped safely move, monitor and store vaccines around the world.

Our Lynx Fleet digital solution is improving connectivity throughout the cold chain to optimize asset utilization, lower logistics costs and operational carbon footprint, and help customers reduce food and medicine loss.

We remain committed to thought leadership and advancing dialogue around the global cold chain. Carrier co-sponsored the World Cold Chain Symposium convened by the Global Food Cold Chain Council and the United Nations Environment Programme. We discussed ways we are helping combat world hunger and helping customers avoid greenhouse gas emissions.

Carrier launched a Wi-Fi-enabled smart air purifier with HEPA filtration. The solution combines three different filtration technologies to create healthier indoor air and allows for monitoring of a home's indoor air quality from anywhere.

A&M Cold Storage chose Carrier Pods monitored by Sensitech to help meet an increase in demand for refrigerated storage capacity in support of vaccine distribution efforts. The solution integrates with Carrier's Lynx digital platform, ensuring end-to-end cold chain visibility.

HVAC

Carrier's HVAC segment provides solutions globally to meet the heating, ventilating and cooling needs of residential and commercial customers, while enhancing building performance, energy efficiency and sustainability. Through an industry-leading family of brands, we offer an innovative and complete portfolio of products and solutions, including digital offerings, building automation and services that help optimize indoor environments to enhance human health, safety and productivity.

$11.4B
Net sales

$1.8B
Adjusted operating profit[1]

15.6%
Adjusted operating margin[1]

[1] See page 65 for additional information regarding non-GAAP measures.

Our HVAC businesses are constantly innovating solutions that matter for people and our planet.

As part of our Healthy Homes offerings, Carrier launched the Infinity return air purifier to improve indoor air quality and inactivate 99% of certain airborne viruses and pathogens in filtered air.[2] The solution is installed and mounted in the return air duct, allowing for convenient filter cartridge replacement.

Carrier introduced the AquaEdge 19MV, a water-cooled centrifugal chiller available with oil-free magnetic bearings and a compact footprint for easy installation. The chiller provides an expanded operating range, performing reliably and efficiently even in extreme conditions and when there is heavy cooling demand. It features an intelligent control panel that connects to building automation systems. Carrier's BluEdge digital service offerings help achieve optimal performance and a smaller carbon footprint.

The Carrier XCT7 variable refrigerant flow (VRF) system launched in Europe as well as India and Malaysia. It delivers high energy efficiency and the ability to scale to meet climate control needs, from single-family

Extending Carrier's long history of preserving and protecting art at the Sistine Chapel, Carrier engineers developed and installed a custom solution for the Raphael Rooms at the Vatican Museums. The solution delivers heating and cooling in one-quarter of the traditional footprint, without altering the existing historic infrastructure.

residences to commercial high-rise buildings. The system is easy to install and connects to smart home systems for remote, intelligent control.

The HVAC segment attained many key wins throughout the year.

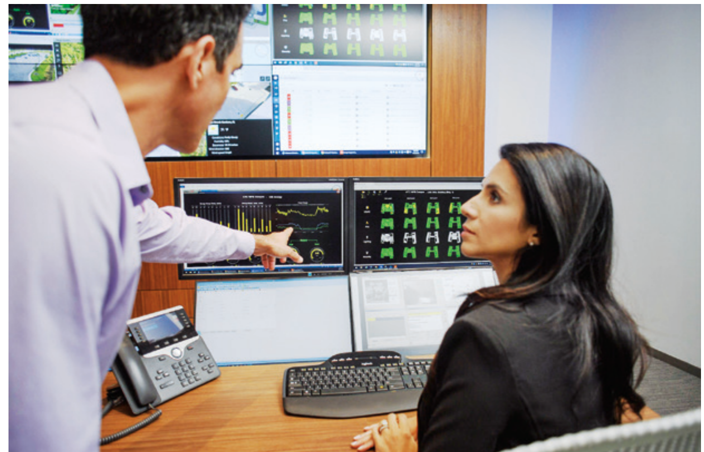
Tamdeen Group selected Carrier to supply HVAC solutions for the development of The Warehouse Mall in Kuwait – one of Carrier's largest Healthy Buildings project wins in the Middle East. It includes chillers, fan coil units and air-handling units with UVC emitters, which help deactivate bacteria, viruses and other pathogens in the air.

Meritage Homes chose Carrier as its exclusive HVAC provider, becoming the first publicly traded homebuilder to offer a multispeed HVAC system as the standard in new homes in the United States. The system is more energy-efficient than traditional single-stage systems, and is designed to reduce operating costs and environmental impact.

We also completed strategic acquisitions in our HVAC business portfolio.

Carrier acquired Guangdong Giwee Group to accelerate growth in the rapidly expanding VRF and light commercial market. The acquisition combines Giwee Group's technology with Carrier's significant technical capabilities and global networks.

We acquired Nlyte Software. Nlyte's data center infrastructure management software and Automated Logic's WebCTRL building automation technology create an integrated solution that monitors and controls power and cooling systems to optimize data center operations and improve energy efficiency. The intelligent solution also provides opportunities for digitally enabled recurring revenues.



Automated Logic released WebCTRL for Life Sciences, an indoor environmental control system that helps pharmaceutical, biotechnical and biomedical firms ensure compliance with United States Food and Drug Administration (FDA) requirements for electronic records. The system closely monitors and controls temperature, humidity, pressure and airflow in FDA-regulated facilities such as hospitals and laboratories.

[2] The Infinity air purifier has demonstrated effectiveness against the murine coronavirus, based on third-party testing (2020) showing a >99% inactivation, which is a virus similar to the human novel coronavirus (SARS-CoV-2) that causes COVID-19. Therefore, the Infinity air purifier can be expected to be effective against SARS-CoV-2 when used in accordance with its directions for use. Third-party testing (2012, 2007) also shows ≥99% inactivation for the type of virus that causes common colds, Streptococcus pyogenes and human influenza. Airborne particles must flow through your HVAC system and be trapped by the MERV 15 Infinity filter to be inactivated at 99%. Learn how it works at carrier.com/purifier.

Abound, a cloud-based building solution and platform, was launched as part of Carrier's Healthy Buildings offerings to help provide occupants with confidence in their indoor environments. The platform connects directly to existing building systems and sensors and provides real-time actionable data in a smart, simple interface. Building operators can measure performance related to air quality, ventilation and humidity against thresholds, including the WELL Building Standard, a leading global benchmark for healthy buildings.

Refrigeration

Carrier's Refrigeration segment provides a more healthy, safe, sustainable and intelligent cold chain through the reliable transport and preservation of food, medicine and other perishable goods. Our refrigeration and monitoring products, services and digital solutions strengthen the connected cold chain and are designed for trucks, trailers, shipping containers, intermodal applications, food retail and warehouse cooling.

$4.1B	$501M	12.1%
Net sales	Adjusted operating profit[1]	Adjusted operating margin[1]

[1] See page 65 for additional information regarding non-GAAP measures.

Our Refrigeration businesses continue to innovate electric transport solutions that help customers avoid greenhouse gas emissions and comply with evolving regulations.

In North America, Carrier introduced innovations that drive sustainability. The Supra zero-emission electric truck refrigeration unit delivers performance on par with conventional diesel systems while eliminating the associated fuel consumption and noise. Carrier also developed a lithium-ion auxiliary power unit to reduce engine idling while keeping drivers comfortable.

In Europe, Carrier collaborated on a zero-emission refrigerated transport project that entered road testing. The project's refrigeration unit, which is powered by a hydrogen fuel cell, offers a more sustainable alternative to diesel engines.

Carrier also entered a strategic agreement with AddVolt to use the company's battery-electric technology to develop sustainable transport refrigeration solutions for customers in Europe. AddVolt's technology is compatible with Carrier's Lynx digital platform, which was developed in collaboration with Amazon Web Services Inc. and allows

Carrier's PowerCO$_2$OL system won the gold Innovation of the Year award at ATMOsphere's Natural Refrigerants Trade Show. The award recognizes products expected to have a significant impact on the industry and the environment. The PowerCO$_2$OL system for high-capacity applications uses natural carbon dioxide refrigeration and provides up to 30% energy savings.

customers to leverage data to improve the effectiveness, efficiency and sustainability of their supply chains.

The Refrigeration segment achieved several key wins throughout the year.

Original equipment manufacturer Gray & Adams completed the first field trial program for the Carrier Vector eCool system, the industry's only fully autonomous, all-electric refrigerated trailer. It produces no direct carbon dioxide or particulate emissions and complies with regulations that limit operating noise. Following the trial, long-standing Carrier distributor THT New Cool B.V. became the first rental company in Europe to supply trailers equipped with Vector eCool units. By the end of 2021, Vector eCool units were on the road in 10 European countries.

~1.8M Carrier transport refrigeration **UNITS IN OPERATION** worldwide

Cleveron selected Carrier NaturaLINE refrigeration units to provide sustainable cooling for its touchless grocery kiosks. NaturaLINE is the world's first and only container refrigeration system to use natural refrigerant carbon dioxide, which has the lowest global warming potential among all container system refrigerants in use. The units are helping Cleveron's customers, including large multinational grocery retailers, achieve their sustainability goals, such as carbon neutrality.

Xin Yu Lou Department Store Group Co. Ltd. selected Carrier to provide an energy-efficient refrigeration system to preserve perishable goods at its new flagship store in China, extending the company's relationship with Carrier. The system features patented defrosting technology that reduces energy consumption and temperature fluctuations to help keep food at optimal temperatures. In addition, remote monitoring services enhance performance and efficiency.

Carrier's Lynx digital platform was recognized among Fast Company's 2021 World Changing Ideas, which focuses on social good and solutions that make the world better.

SeaCube became the first intermodal equipment leasing company to incorporate Carrier's Lynx Fleet solution into its operations to deliver enhanced digital capabilities for 2,000 PrimeLINE refrigerated container units. The system includes proprietary technology that intelligently monitors transport refrigeration unit performance from anywhere in the world, and provides actionable diagnostics and predictive analytics to improve cold chain operations, improve fleet uptime, reduce operational costs and reduce cargo spoilage.

Tribe Transportation, one of the fastest-growing minority-owned carriers in North America, significantly expanded its fleet of trailers equipped with Carrier X4 refrigeration units to help meet the growing demand for the safe storage and transport of pharmaceutical products. The agreement also includes sustainable solutions, such as solar charging systems and ComfortPro auxiliary power units that help reduce emissions.

Fire & Security

Carrier's Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help save lives and protect people and property. Our globally recognized brands provide comprehensive solutions, including installation and maintenance, web-based and mobile applications, and cloud-based services.

$5.5B	$730M	13.2%
Net sales	Adjusted operating profit[1]	Adjusted operating margin[1]

[1] See page 65 for additional information regarding non-GAAP measures.

Our Fire & Security businesses continue to develop innovative solutions that strategically advance our product portfolio.

In the commercial fire business, Edwards introduced the latest update of EST4, an advanced networked fire alarm and emergency communications platform. The upgrade supports larger installations and offers customers flexibility for future growth. The system integrates with other building systems such as the LenelS2 OnGuard access control system.

With sustainability in mind, Kidde Fire Systems added new fire suppression agent options to its Natura Inert Gas System. They include pure inert gases and blends that are found naturally in the atmosphere, with an ozone depletion potential of zero and a global warming potential of zero. The system is efficient to install and has an economical refill cost after a discharge.

In China, the innovative Kidde MOON series of smart, safe and healthy home devices launched, marking Kidde's entrance into China's growing market for smart home products. The series includes smoke detectors as well as

Kidde launched a smoke and carbon monoxide alarm with smart features that allow customers to manage their alarms from anywhere using the new Kidde app. The alarm can connect to Kidde's hardwired interconnected alarms and will sound and send a mobile notification if an alarm in any room goes off.[2]

[2] Alarms only connect with other Kidde alarms that have hardwired AC interconnect capability.

gas, temperature, relative humidity, water leak and motion detectors, for an enhanced holistic home health experience and convenient monitoring through connectivity to a mobile application.

The Fire & Security businesses secured several key wins throughout the year.

Marioff installed a HI-FOG water mist fire protection system in Germany's tallest residential building in Frankfurt am Main. The sustainable system fights fires as effectively as traditional sprinkler systems, but with less water. It helps protect the Grand Tower's apartments and technical areas, parking garage, retail shops, the grand entrance area and a live cooking show area on a roof terrace. The project includes HI-FOG sprinklers and technologically advanced modular sprinkler pump units to ensure compliance with local codes for high-rise buildings.

Supra extended its agreement with the California Regional Multiple Listing Service. Real estate professionals who subscribe to the service can use the eKEY mobile app to connect with Supra lockboxes, facilitating seamless property access. Through the eKEY app, agents can securely set access hours, track lockbox inventory, customize codes and get real-time notifications on showings.

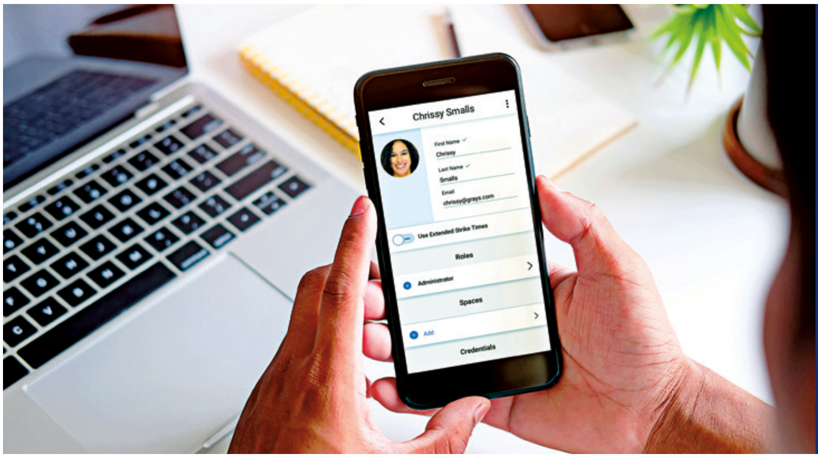
Edwards introduced ESTMobile, a software-as-a-service (SaaS) solution that remotely and securely connects service providers to Edwards iO fire control panels. The digital productivity tool is designed to provide insight into fire systems to improve responsiveness, predict service needs, reduce service costs and improve customer satisfaction.

We optimized our Fire & Security business portfolio through strategic moves, including acquisitions and a divestiture.

We sold our Chubb business. The sale, which was completed in early 2022, enables us to focus on our core businesses and reinvest in strategic priorities.

The acquisition of BrokerBay, a leading digital real estate solutions provider, positioned Carrier to strategically combine Supra's market-leading mobile credentialing technology with BrokerBay's advanced, cloud-based real estate office management software. The integrated access solution optimizes scheduling for sellers, buyers and agents; provides real-time communication; delivers actionable insights; and helps improve agent productivity. These enhanced capabilities will drive recurring revenue.

Carrier also acquired Cavius, an innovative Danish residential alarm company that provides a complete range of smoke, heat, flood and carbon monoxide alarms, including the world's smallest photoelectric smoke alarm. Cavius further enhances Carrier's Healthy Homes fire safety product offerings with additional interconnected technologies.



LenelS2 released the Elements system, a cloud-based access control and video surveillance solution. By leveraging the cloud, business customers benefit from automated updates, reduced on-site maintenance, predictable monthly billing and minimized training requirements.

Aftermarket

Aftermarket is central to Carrier's growth strategy and a key differentiator across our businesses. We offer a broad portfolio of aftermarket solutions and services, including spare parts, preventive maintenance, repairs, modifications and upgrades, rentals, remote monitoring and other digital services to support customers across the entire product lifecycle.

We continued to expand our BluEdge service platform offerings and geographical reach to support customers globally. Digital solutions are enabling our BluEdge offerings to increase service coverage and traction across our three segments. We have signed nearly 30,000 BluEdge agreements since mid-2020 when we launched the program, and longer-term customer relationships are also growing our mix of recurring revenues.

Our commercial HVAC business had over 60,000 chillers under service contracts in 2021, and Carrier and CIAT launched BluEdge in Europe to help customers maximize equipment performance.

We also launched a digital tiered service offering that can stand alone or be added to existing BluEdge service agreements. It connects HVAC equipment to Carrier's cloud-based Internet of Things platform, providing advanced analytics and actionable insights to visualize, optimize and make recommendations on machine health and lifecycle outcomes.

Our Refrigeration segment launched BluEdge for truck trailer customers in North America in 2020 and has since expanded to Europe and Australia. The platform leverages actionable intelligence from Lynx to maximize uptime and operational efficiencies. Carrier signed a three-year BluEdge service contract with Scott's Refrigerated Logistics, Australia's largest national refrigerated transport fleet.

In our Fire & Security segment, Det-Tronics and Autronica launched the BluEdge service platform to provide service over the lifecycle of customers' equipment and systems.

Carrier achieved **double-digit** aftermarket growth in 2021, and our service coverage levels are at all-time highs.

Digital

Carrier is harnessing the power of digital technologies to make the places people live, work, learn and play more resilient and responsive.

At Carrier, we are unlocking siloed equipment data, creating intelligence through advanced analytics and launching connected platforms that solve critical challenges for customers.

Digital is driving business growth by enabling recurring revenues and empowering our teams to innovate at scale. Our turnkey suite of cloud-based services helps us connect equipment and accelerate software development.

Our new Abound cloud-native platform unlocks and unites building data to create more healthy, safe, sustainable and intelligent solutions for indoor spaces. It gathers data from disparate systems, sensors and sources; identifies opportunities to optimize performance; and works with healthy building solutions to improve occupant experiences. Abound's suite of SaaS applications provides opportunities to produce subscription-based revenue for Carrier and to expand our installed base of connected devices.

We continued our collaboration with Amazon Web Services on Lynx, Carrier's digital platform that supports end-to-end visibility across the cold chain, and we launched Lynx Fleet in Europe to provide customers with transparency into asset location and performance.

Carrier is increasingly recognized as a digital leader. Our EcoEnergy Insights business won Best Predictive Analytics Platform by AI Breakthrough, a market intelligence organization. As our digital transformation continues, industry-leading cybersecurity remains essential. Carrier was designated as a Common Vulnerabilities and Exposures Numbering Authority by the Cybersecurity and Infrastructure Security Agency.

Innovation

Building upon our history of innovation, Carrier is accelerating the development of healthy, safe, sustainable and intelligent building and cold chain solutions. We develop frontier technologies, design with the product lifecycle in mind and continuously enhance our products to anticipate changes in environmental regulations.

At Carrier, we enable growth by aligning innovation with key secular trends, expanding our current markets and growing in adjacent ones.

In 2021, we released more than 130 new products. We have approximately 9,000 active patents and pending patent applications worldwide combined, and in the last three years, we have invested over $1.3 billion in research and development.

Recent innovations include differentiated solutions that use refrigerants with a lower global warming potential, a chiller available with oil-free magnetic bearings, digital solutions and platforms that provide greater control of home and building health, and electric transport equipment that helps customers avoid greenhouse gas emissions.

We continue to invest in new capabilities and education to foster innovation across our company. We are advancing knowledge in controls, systems engineering and electrification, and reimagining our tools that help release software products faster, enhance customer satisfaction and optimize engineering costs.

Carrier is also committed to partnerships that support technology advancements around the world. We participate in early-stage innovation with thought leaders, startups, universities and innovation hubs. This includes research leading to insights that can create healthier indoor environments, along with our involvement in the U.S. Department of Energy's Cold Climate Heat Pump Technology Challenge, which aims to reduce the carbon footprint of cold climate heating solutions by improving the efficiency and affordability of new heat pumps.

Operations

Carrier Excellence is our continuous improvement engine that drives operational excellence across our company, enhances customer experiences, enables growth and engages employees in problem-solving to achieve breakthrough performance results.

In 2021, we invested more than **$30 million** in automation projects and had more than **3 million** aggregate manufacturing hours under automation.

We continue to advance a sustainable performance culture across our supply chain and throughout our facilities.

Carrier has devoted significant resources to enhance supply chain management and localized certain categories to keep costs down and reduce logistics cost and complexity. We expanded dual sourcing of critical components and invested in digital tools that increase visibility and drive proactive actions across our factories and supply chain.

As we strive for operational excellence, we also remain dedicated to ESG efforts. We are actively engaging with our suppliers to develop a world-class supplier sustainability program, and we met our initial goal of assessing 80% of our direct factory spend against ESG topic areas, including labor practices, human rights, ethics, energy, climate, water and more.

In addition, we are focused on product safety and quality, along with health and safety excellence throughout our facilities. Our factories undergo an in-depth quality assessment to ensure compliance with our standards, and our Lead with Safety program includes nine safety commitments that empower our employees to stop work if any task cannot be performed safely. The program helps us uphold our 2030 ESG goal to maintain world-class safety metrics.

2030 Environmental, Social & Governance Goals

Our 2030 ESG goals underscore our commitment to the things that matter and to continuously challenge ourselves to think bigger and to be better. Expanding on three decades of environmental targets, our goals include measures to improve our planet, our people and our communities. We strive to be a catalyst for positive and sustainable change as we innovate, empower our people and operate with integrity. That is *The Carrier Way.*

Learn about our progress at **corporate.carrier.com/esg-report**

Our Planet

Climate change is among the most significant issues facing humanity. HVAC contributes an estimated 15% of the world's greenhouse gas emissions. More than one-third of all food produced is wasted every year, resulting in an estimated 4.4 gigatons of greenhouse gas emissions. **We recognize the potential for smart, sustainable innovation, and are committed to setting science-based emissions targets aligned with the goals of the Paris Agreement.**

- Reduce our customers' **carbon footprint** by **more than 1 gigaton**.
- Invest over **$2 billion** to develop **healthy, safe, sustainable and intelligent building and cold chain solutions** that incorporate **sustainable design principles and reduce lifecycle impacts**.
- Achieve **carbon neutral** operations.
- Reduce **energy intensity** by 10% across our operations.
- Achieve **water neutrality** in our operations, prioritizing water-scarce locations.
- Deliver **zero waste** to landfill from manufacturing locations.
- Establish a **responsible supply chain program** and assess key factory suppliers against program criteria.

Our People

Our greatest strength is the diversity of our employees and their ideas. We are a company of innovators and problem-solvers who are united by *The Carrier Way* – our purpose, values and culture.

- Exceed benchmark **employee engagement**.
- Achieve **gender parity** in senior leadership roles.
- Achieve a **diverse workforce** that represents the communities in which we live and work.
- Foster the growth of **Employee Resource Groups (ERGs)** to drive social impact.
- Maintain world-class **safety metrics**.

Our Communities

Decades of leadership in sustainability have guided Carrier to the forefront of healthy buildings, healthy homes and a more connected cold chain. Throughout our global operations, we are reducing our environmental footprint and making investments that have a positive impact on society.

- Positively impact communities by enabling access to **safe and healthy indoor environments, alleviating hunger and food waste,** and **volunteering our time and talent**.
- Invest in **science, technology, engineering and math education** programs that promote **diversity and inclusion**.
- Promote **sustainability** through education, partnerships and climate resiliency programs.

Sustainability

At Carrier, we are driving sustainability in buildings and homes and across the cold chain. We continue to deliver innovative products and services that help customers avoid greenhouse gas emissions, while reducing our own environmental footprint throughout our global operations. By meeting the moment, we are inspiring confidence in a brighter future.

We are helping address global challenges by innovating solutions and services that enable our customers to achieve their sustainability goals and by making sustainable enhancements across our operations.

Our efficient solutions and intelligent building systems reduce energy consumption and resulting emissions, and the use of advanced, connected technologies and lower global warming potential refrigerants are contributing to a more healthy, safe, sustainable and intelligent cold chain. These solutions, along with our overall ESG progress, led to Newsweek recognizing Carrier as one of America's Most Responsible Companies.

> Carrier is advancing toward our goal of helping our customers avoid more than 1 gigaton of greenhouse gas emissions by 2030. Learn more at **corporate.carrier.com/gigaton-goal**

In Indianapolis, our manufacturing site achieved zero waste to landfill certification by converting waste to energy and other uses. Carrier set a goal to deliver zero waste to landfill for more than 50 global manufacturing sites as part of our 2030 ESG goals.

Carrier is helping advance global progress toward sustainability and energy efficiency through research and thought leadership. We participated in events such as the World Cold Chain Symposium, the India Green Building Council's Green Building Congress and Energy Action Day. We also sponsored a study from Dodge Data & Analytics that confirms healthy and sustainable buildings remain a priority for the global design and construction industry.

Carrier's Center for Intelligent Buildings became the first commercial building in Florida to earn the highest designation in the areas of health and well-being, as well as energy and environmental performance. The building was awarded the WELL Platinum Certification from the International WELL Building Institute. It was previously recognized as the first commercial building in the state to earn Leadership in Energy and Environmental Design Platinum Certification. It is one of six commercial buildings in the country with both designations.

Our People & Culture

At Carrier, our diverse employees are our greatest strength and source of innovation as we work as one team toward a common purpose – united by *The Carrier Way*.

As an employer of choice, Carrier is committed to attracting, developing and retaining world-class talent, and fostering a diverse and inclusive culture that drives teamwork and sparks innovation for our customers.

The Carrier Way is the foundation of everything we do. It defines our vision, reaffirms our values, describes the behaviors that create a winning culture, and establishes how we work and win together. We introduced a series of new education courses to reinforce behaviors in *The Carrier Way* that are critical to our success, such as having a passion for customers and building the best teams.

We continue to advance our inclusion and diversity (I&D) strategy. Carrier remains steadfast in our goal to create a workplace that is truly and genuinely inclusive, and where all employees feel like they *_belong*, which is our I&D philosophy and brand. Our strategy consists of four key tenets: Reduce the Gap, Develop & Sponsor, Drive Inclusion and Lean Forward.

Our Progress on Reducing the Gap

	2015	2021
Global executive diversity*	27%	**48%**
Global women executives	20%	**32%**
U.S. People of Color executives	13%	**27%**
U.S. People of Color professionals	18%	**24%**

* Global women or U.S. People of Color.

To ensure continued progress in these areas, we are holding ourselves accountable by increasing transparency through additional metrics and reporting. We added more disclosures to our ESG Report and connected executive incentive compensation to progress against our ESG goals. To supplement our existing team of Ethics & Compliance Officers, we established a unique I&D Champions Program featuring a global group of trained professionals who are available if employees have concerns about actions related to our I&D commitments.

To strengthen our diverse talent pipeline, we participated in recruiting events with the National Society of Black Engineers, where we serve on the Board of Corporate Affiliates, and with the Society of Hispanic Professional Engineers and the Society of Women Engineers. Additionally, we established several new scholarship programs at historically Black colleges and universities (HBCUs), including North Carolina Agricultural & Technical State University and Spelman College, and through a collaboration with the Atlanta University Center Consortium, the country's largest and oldest consortium of HBCUs.

Carrier remains dedicated to listening to our employees, reviewing their feedback and taking action to achieve continuous improvement. We conduct our *Pulse* global engagement survey multiple times a year. In 2021, we launched our first stand-alone Diversity, Inclusion & Belonging *Pulse* online global engagement survey and introduced an inclusion score to measure our progress in creating an environment for employees of all backgrounds to thrive at Carrier. Our inclusion score ranked above external benchmarks, an encouraging sign in our journey toward ensuring that our employees feel like they *_belong* at Carrier. Through our new "You Said. We Did." internal campaign, we highlight improvements made across the company in response to employee feedback.

We also create opportunities for open dialogue between employees and executives. As part of our ongoing commitment to the CEO Action for Diversity & Inclusion pledge, we held a "Day of Understanding" where Carrier executives and employees engaged in conversations about driving I&D into our company's DNA and creating a culture of allyship.

At Carrier, we invest in our people through employee development and continuous learning programs. Our ELEVATE: Women in Leadership development program, which engages women around the world in continued leadership learning and education, graduated its second cohort of participants, and our first cohort of professionals graduated from ELEVATE: Blacks in Leadership.

Carrier achieved a perfect score on the Human Rights Campaign Foundation's 2021 Corporate Equality Index and a **Best Place to Work for LGBTQ Equality** designation.

We significantly increased participation in our global Talent Possible programs that support leadership development at three critical career stages: early career, mid-career and senior leadership. Other new programs include a global mentorship program for all employees and a New People Manager Program for employees with less than two years of experience managing others. Our people manager program helps participants learn to embody and lead with *The Carrier Way* values, enabling themselves and their teams to be successful.

In partnership with our **Carrier Hispanics & Latinos Employee Engagement Resource group**, Carrier signed the Hispanic Promise, joining other Fortune 500 companies in the pledge to hire, retain and support the development of Hispanics in the workplace.

Our other Employee Resource Groups also led grassroots efforts to solve problems and enhance our position in the marketplace.

- **Carrier Black Alliance** donated books written by Black authors to elementary schools and visited schools to read to students.
- **Military & Veterans ERG** hosted discussions about leadership in adversity and about Carrier's Employee Assistance Program.
- **Global Pride ERG** organized flag-raising ceremonies at over 20 Carrier locations around the world in support of our LGBTQIA+ employees.
- **Women Empowerment at Carrier** held events in 22 countries to help accelerate women's leadership and empower women to address unique workplace challenges.
- **United Carrier Asian Network** launched as a new ERG.

HISPANICS_belong

BLACKS_belong

MILITARY & VETERANS_belong

LGBTQIA+_belong

WOMEN_belong

ASIANS_belong

Corporate Responsibility

Carrier is committed to making the world more healthy, safe, sustainable and intelligent for generations to come. As we innovate to solve for the planet's critical challenges, we remain focused on our responsibility to positively impact society by empowering our employees and enriching communities.

Our philanthropic giving aligns with our 2030 ESG goals. Focus areas include:

- Sustainability
- Safety and security
- Inclusion and diversity
- Science, technology, engineering and math
- Healthy buildings and healthy homes
- Hunger and food waste
- Disaster relief
- Vibrant communities

In 2021, Carrier supported more than 200 civic, cultural, economic and social welfare organizations around the world. We invested over $6 million in our communities through cash and in-kind donations, including over $1.2 million through the Carrier Employee Matching Gifts Program, a dollar-for-dollar charitable donation program.

During a staggering rise in COVID-19 cases in India, employees donated to relief efforts through a matching gifts campaign that helped send healthcare workers and equipment to communities in need.

Carrier donated OptiClean air scrubber units to the Syracuse City School District in New York to improve indoor air quality for students and staff. The portable units pull in air, scrub it using a HEPA filter and then exhaust cleaner air back into the classroom, delivering a more healthy, safe and productive learning environment.

We are empowering and developing future HVAC technicians through a new collaboration with the Building Talent Foundation. The programs promote HVAC careers to youth and underrepresented populations, align training with industry needs and build engagement through career advancement opportunities.

Our company has provided local Habitat for Humanity organizations with financial support, product donations from our Healthy Homes suite of indoor air quality solutions and countless employee volunteer hours. In 2021, Carrier made a $250,000 donation to Habitat's Home is the Key campaign to help families build safe, affordable homes.

We continue to support research that examines the benefits of healthy indoor environments. A new study on healthy buildings found that enhanced ventilation can improve the cognitive function and health of occupants. In addition, we supported research by the 21st Century School Fund, the International WELL Building Institute and the National Council on School Facilities that shined a light on the need for air quality and safety upgrades in schools.

Carrier is helping The Nature Conservancy make cities more resilient, healthy and equitable. As part of our ongoing three-year, $3 million commitment, Carrier employees participated in a beach cleanup. Volunteers collected trash to help beautify the area and protect wildlife, including sea turtles that use the preserve as a nesting beach.

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The financial information included herein should be read in conjunction with the financial statements and notes in our Annual Report on Form 10-K for calendar year 2021.

BUSINESS OVERVIEW

Business Summary

Carrier Global Corporation is a leading global provider of healthy, safe, sustainable and intelligent building and cold chain solutions. Our portfolio includes industry-leading brands such as Carrier, Kidde, Edwards, LenelS2, Carrier Transicold and Automated Logic that offer innovative HVAC, refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. We also provide a broad array of related building services, including audit, design, installation, system integration, repair, maintenance and monitoring. Our operations are classified into three segments: HVAC, Refrigeration and Fire & Security.

Our worldwide operations are affected by global and regional industrial, economic and political factors and trends. These include the mega-trends of urbanization, climate change and increasing requirements for food safety driven by the food needs of our growing global population and the rising standards of living in emerging markets. We believe that our business segments are well positioned to benefit from favorable secular trends, including these mega-trends and from the strength of our industry-leading brands and track record of innovation. In addition, we regularly review our markets to proactively identify trends and adapt our strategies accordingly.

Our business is also affected by changes in the general level of economic activity, such as changes in business and consumer spending, construction and shipping activity as well as short-term economic factors such as currency fluctuations, commodity price volatility and supply disruptions. However, we continue to invest in our business, take pricing actions to mitigate supply chain and inflationary pressures, develop new products and services in order to remain competitive in our markets and use risk management strategies to mitigate various exposures. We believe that we have industry-leading global brands, which form the foundation of our business strategy. Coupled with our focus on growth, innovation and operational efficiency, we expect to drive long-term future growth and increased value for our shareowners.

Recent Developments

Supply Chain Challenges

The ongoing global economic recovery from the COVID-19 pandemic has caused significant challenges for global supply chains resulting in inflationary cost pressures, component shortages and transportation delays. As a result, we have incurred incremental costs for commodities and components used in our products as well as component shortages and higher freight costs that have negatively impacted our sales and results of operations. We expect that these challenges will continue to have an impact on our business for the foreseeable future.

We continue to take proactive steps to limit the impact of these challenges and are working closely with our suppliers to ensure availability of products and implement other cost savings initiatives. In addition, we continue to invest in our operations and supply chain to improve its resilience with a focus on automation, dual sourcing of critical components and localized manufacturing when feasible. To date, there has been moderate disruption to the availability of our products, though it is possible that more significant disruptions could occur if these supply chain challenges continue.

Sale of Chubb Fire & Security Business

On January 3, 2022, we completed the sale of Chubb to APi pursuant to a stock purchase agreement for an enterprise value of $3.1 billion. Chubb, reported within our Fire & Security segment, delivers essential fire safety and security solutions from design and installation to monitoring, service and maintenance across more than 17 countries around the globe. As a result, the operations of Chubb are included in our 2021 consolidated results of operations. However, the assets and liabilities of Chubb are presented as held for sale in the accompanying Consolidated Balance Sheet as of December 31, 2021. The purchase price is subject to working capital and other adjustments as provided in the Chubb Sale Agreement. Consistent with our capital allocation strategy, the net proceeds of approximately $2.6 billion will be used to fund investments in organic and inorganic growth initiatives and capital returns to our shareowners as well as for general corporate purposes.

Separation from United Technologies Corporation

On April 3, 2020, UTC completed the Separation of Carrier into an independent publicly traded company. In connection with the Separation, we issued an aggregate principal balance of $11.0 billion of debt and transferred approximately $10.9 billion of cash to UTC on February 27, 2020 and March 27, 2020. In addition, we entered into several agreements with UTC and Otis that govern various aspects of the relationship among us, UTC and Otis following the Separation and the Distribution including the TSA (which expired on March 31, 2021), the TMA, an employee matters agreement and an intellectual property agreement. Income and expense under these agreements are not material. On April 1, 2020 and April 2, 2020, we received cash contributions totaling $590 million from UTC related to the Separation.

Our financial statements for periods prior to the Separation and the Distribution are prepared on a "carve-out" basis and include all amounts directly attributable to Carrier. Net cash transfers and other property transferred between UTC and us, including related party receivables and payables between us and other UTC affiliates, are presented as *Net transfers to UTC*. In addition, the financial statements include allocations of costs for administrative functions and services performed on our behalf by centralized groups within UTC. All allocations and estimates in the Consolidated Financial Statements are based on assumptions that management believes are reasonable. Our financial statements for the periods subsequent to April 3, 2020 are consolidated financial statements based on the reported results of Carrier as a stand-alone company. See Note 2 – Basis of Presentation in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

Impact of the COVID-19 Pandemic

In early 2020, the World Health Organization declared the outbreak of a respiratory disease known as COVID-19 as a global pandemic. In response, many countries implemented containment and mitigation measures to combat the outbreak, which severely restricted the level of economic activity and caused a significant contraction in the global economy. As a result, we temporarily closed or reduced production at manufacturing facilities across the globe to ensure employee safety and instructed non-essential employees to work from home. In addition, we took several preemptive actions during 2020 to manage liquidity as demand for our products decreased. Despite the adverse impacts of the pandemic on our results beginning in the first quarter of 2020, manufacturing operations resumed and several restorative actions were completed during 2020 including the reinstatement of annual merit-based salary increases and continued investment to support our strategic priorities.

We continue to focus our efforts on preserving the health and safety of our employees and customers as well as maintaining the continuity of our operations. In addition, we continue to actively monitor our liquidity position and working capital needs and believe that our overall capital resources and liquidity position are adequate. The preparation of financial statements requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period, which can have a significant effect on reported amounts. However, due to significant uncertainty surrounding the pandemic, including a resurgence in cases and the spread of COVID-19 variants, management's judgments could change. While our results of operations, cash flows and financial condition could be negatively impacted, the extent of any continuing impact cannot be estimated with certainty at this time.

RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting our consolidated results of operations, financial condition and liquidity for the year ended December 31, 2021 compared with December 31, 2020. This discussion should be read in conjunction with Item 8, the Consolidated Financial Statements and the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K. A detailed discussion of the year ended December 31, 2020 compared with December 31, 2019 is not included herein and can be found in the Management's Discussion and Analysis section in the Company's 2020 Annual Report on Form 10-K, filed with the SEC on February 9, 2021, under the heading "Results of Operations," which is incorporated herein by reference.

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

The following represents our consolidated *net sales* and operating results:

(IN MILLIONS)	2021	2020	Period Change	% Change
Net sales	**$ 20,613**	$ 17,456	$ 3,157	18%
Cost of products and services sold	**(14,633)**	(12,347)	(2,286)	19%
Gross margin	**5,980**	5,109	871	17%
Operating expenses	**(3,335)**	(2,026)	(1,309)	65%
Operating profit	**2,645**	3,083	(438)	(14)%
Non-operating income (expense), net	**(245)**	(228)	(17)	7%
Income from operations before income taxes	**2,400**	2,855	(455)	(16)%
Income tax expense	**(699)**	(849)	150	(18)%
Net income from operations	**1,701**	2,006	(305)	(15)%
Less: Non-controlling interest in subsidiaries' earnings from operations	**37**	24	13	54%
Net income attributable to common shareowners	**$ 1,664**	$ 1,982	$ (318)	(16)%

Net Sales

For the year ended December 31, 2021, *Net sales* was $20.6 billion, an 18% increase compared with 2020. The components of the year-over-year change were as follows:

	2021
Organic / Operational	**15%**
Foreign currency translation	**2%**
Acquisitions and divestitures, net	**1%**
Total % change	**18%**

For the year ended December 31, 2021, higher volumes and pricing improvements in each of our segments increased organic sales by 15% compared with 2020. The organic increase was primarily driven by our HVAC segment with strong demand in our North America residential and light commercial business and improved global end-markets in our Commercial HVAC business. Higher sales in our Refrigeration and Fire & Security segments were driven by improved global end-markets. Results for 2021 reflected a significant rebound in demand after initial weakness during the first half of 2020 due to the COVID-19 pandemic and current demand remains strong. However, supply chain and logistic constraints continue to be challenging, negatively impacting our sales and results of operations. For additional discussion on the segment results for 2021, see the section entitled "Segment Review."

Gross Margin

For the year ended December 31, 2021, gross margin was $6.0 billion, a 17% increase compared with the same period of 2020. The components were as follows:

(IN MILLIONS)	2021	2020
Net sales	**$ 20,613**	$ 17,456
Cost of products and services sold	**(14,633)**	(12,347)
Gross margin	**$ 5,980**	$ 5,109
Percentage of net sales	**29.0%**	29.3%

The increase in gross margin for the year ended December 31, 2021 was primarily driven by continued improvement in the global economic climate during the current period. Higher volumes and pricing improvements in each of our segments outpaced operational costs as we continued to focus on Carrier 700 cost containment actions. However, each of our segments was impacted by the rising cost for commodities and components used in our products, certain supply chain constraints and higher freight costs particularly in the second half of the year. As a result, gross margin as a percentage of *Net sales* decreased by 30 basis points compared with the same period of 2020.

Operating Expenses

For the year ended December 31, 2021, operating expenses, including *Equity method investment net earnings*, was $3.3 billion, a 65% increase compared with the same period of 2020. The components were as follows:

	For the Year Ended December 31,	
(IN MILLIONS)	2021	2020
Selling, general and administrative	**$ (3,120)**	$ (2,820)
Research and development	**(503)**	(419)
Equity method investment net earnings	**249**	207
Other income (expense), net	**39**	1,006
Operating expenses	**$ (3,335)**	$ (2,026)
Percentage of net sales	**16.2%**	11.6%

For the year ended December 31, 2021, *Selling, general and administrative* expenses were $3.1 billion, an 11% increase compared with the same period of 2020. At the onset of the COVID-19 pandemic, we initiated various cost containment initiatives in order to help mitigate the impacts on our business, which included reducing discretionary spending, employee furloughs and temporarily closing or limiting the presence of our workforce in our facilities. As a result, the increase in *Selling, general and administrative* expense in the current period reflects the gradual return to our operational spending levels prior to the COVID-19 pandemic. In addition, higher compensation and restructuring costs as well as transaction costs of $43 million associated with the divestiture of our Chubb business further contributed to the year-over-year increase. Costs associated with the Separation were $20 million for the year ended December 31, 2021 compared with $141 million for the same period of 2020.

Research and development costs relate to new product development and new technology innovation. Due to the variable nature of program development schedules, year-over-year spending levels can fluctuate. In addition, we continue to invest to prepare for future energy efficiency and refrigerant regulation changes and in digital controls technologies.

Investments over which we do not exercise control, but have significant influence, are accounted for using the equity method of accounting. For the year ended December 31, 2021, *Equity method investment net earnings* were $249 million, a 20% increase compared with the same period of 2020. The increase was primarily related to higher earnings in HVAC joint ventures in Asia, the Middle East and North America as end-markets improved compared with the same period of 2020 and the absence of a 2020 product performance matter at one of our HVAC joint ventures. These increases were partially offset by the reduction in earnings resulting from the sale of our investment in Beijer REF AB ("Beijer") in 2020.

Other income (expense), net primarily includes the impact of gains and losses related to the sale of interests in our equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than an entity's functional currency and hedging-related activities. The twelve months ended December 31, 2020 included a $1.1 billion gain on sale of our investment in Beijer. The gain was partially offset by a $71 million other-than-temporary impairment charge on a minority-owned joint venture, an $11 million charge resulting from a litigation matter and a $12 million unfavorable impact for a change in the estimate of certain long-term liabilities. In addition, higher gains on hedging activities were partially offset by deferred compensation costs in the current period.

Non-Operating Income (Expense), net

For the year ended December 31, 2021, Non-operating income (expense), net was $245 million, a 7% increase compared with the same period of 2020. The components were as follows:

	For the Year Ended December 31,	
(IN MILLIONS)	2021	2020
Non-service pension benefit	**$ 61**	$ 60
Interest expense	**$ (319)**	$ (298)
Interest income	**13**	10
Interest (expense) income, net	**(306)**	(288)
Non-operating income (expense), net	**$ (245)**	$ (228)

Non-operating income (expense), net includes the results from activities other than normal business operations such as interest expense, interest income and the non-service components of pension and post-retirement obligations. Interest expense is affected by the amount of debt outstanding and the interest rates on that debt. For the year ended December 31, 2021, interest expense was $319 million, a 7% increase compared with the same period of 2020. In connection with the Separation and the Distribution, we issued $11.0 billion of long-term debt in February 2020. As a result, interest expense for the year ended December 31, 2020 only included interest expense incurred on such debt after the issuance date. In addition, we issued $750 million of 2.70% long-term notes in June 2020. During the year ended December 31, 2021, we incurred a make-whole premium of $17 million and write-off of $2 million of unamortized deferred financing costs as a result of the redemption of our $500 million 1.923% Notes originally due in February 2023.

Income Taxes

	2021	2020
Effective tax rate	**29.1%**	29.7%

The effective tax rate for the year ended December 31, 2021 includes a net tax charge of $157 million primarily relating to the re-organization and disentanglement of certain Chubb subsidiaries executed in advance of the planned divestiture of Chubb, a $43 million deferred tax charge as a result of the tax rate increase from 19% to 25% in the United Kingdom, partially offset by a favorable tax adjustment of $70 million due to foreign tax credits generated and expected to be utilized in the current year and $21 million resulting from the re-organization of a German subsidiary.

The effective tax rate for the year ended December 31, 2020 reflects a $51 million charge related to a valuation allowance recorded against a United Kingdom tax loss and credit carry forward and a charge of $46 million resulting from our decision to no longer permanently reinvest certain pre-2018 unremitted non-U.S. earnings.

Segment Review

We have three operating segments:

- The HVAC segment provides products, controls, services and solutions to meet the heating, cooling and ventilation needs of residential and commercial customers while enhancing building performance, health, energy efficiency and sustainability.
- The Refrigeration segment includes transport refrigeration and monitoring products, services and digital solutions for trucks, trailers, shipping containers, intermodal applications, food retail and warehouse cooling, as well as commercial refrigeration products.
- The Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help protect people and property.

We determine our segments based on how our Chief Executive Officer, who is the Chief Operating Decision Maker ("CODM"), allocates resources, assesses performance and makes operational decisions. The CODM allocates resources and evaluates the financial performance of each of our segments based on *Net sales* and *Operating profit*. Adjustments to reconcile segment reporting to the consolidated results are included in Note 21 - Segment Financial Data.

Summary performance for each of our segments is as follows:

	Net Sales		Operating Profit		Operating Margin	
(IN MILLIONS)	**2021**	2020	**2021**	2020	**2021**	2020
HVAC	**$ 11,390**	$ 9,478	**$ 1,738**	$2,462	**15.3%**	26.0%
Refrigeration	**4,127**	3,333	**476**	357	**11.5%**	10.7%
Fire & Security	**5,515**	4,985	**662**	584	**12.0%**	11.7%
Total segment	**$ 21,032**	$17,796	**$ 2,876**	$3,403	**13.7%**	19.1%

HVAC Segment

For the year ended December 31, 2021, *Net sales* in our HVAC segment was $11.4 billion, a 20% increase compared with the same period of 2020. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	17%
Foreign currency translation	1%
Acquisitions and divestitures, net	2%
Total % change	20%

The organic increase in *Net sales* of 17% was driven by improved results across each of our HVAC segment's businesses. Increased sales in our North America residential and light commercial business (22%) were driven by new construction, the demand for our products by the ongoing stay-at-home workforce, higher distributor stocking levels and pricing improvements. Increased sales in our Commercial HVAC business (11%) benefited from the gradual improvement in the global economic environment as our end-markets continue to improve from the prior year impacts of the COVID-19 pandemic. Volume growth in Europe and Asia were the primary drivers of improved results during the period. Results for 2021 reflected a significant rebound in demand after initial weakness during the first half of 2020 due to the COVID-19 pandemic and current demand remains strong. However, supply chain and logistic constraints continue to be challenging, negatively impacting our sales and results of operations.

On June 1, 2021, the Commercial HVAC business completed the acquisition of Giwee. Giwee is a China-based manufacturer offering a portfolio of HVAC products including variable refrigerant flow, modular chillers and light commercial air conditioners. The results of Giwee have been included in our Consolidated Financial Statements since the date of acquisition. The transaction added 2% to *Net sales* for the year ended December 31, 2021. See Note 19 - Acquisitions in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

For the year ended December 31, 2021, *Operating profit* in our HVAC segment was $1.7 billion, a 29% decrease compared with the same period of 2020. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	15%
Foreign currency translation	1%
Acquisitions and divestitures, net	(2)%
Restructuring	(1)%
Other	(42)%
Total % change	(29)%

The operational profit increase of 15% was primarily attributable to higher sales volumes and higher earnings from equity method investments compared with the same period of 2020. In addition, productivity initiatives and favorable product mix further contributed to the segment's results. Pricing improvements offset higher costs for commodities and components used in our products as well as higher freight costs experienced during the year. Higher selling, general and administrative costs and research and development impacted operational profit as our businesses return to normal spending levels as compared with the same period of 2020.

The decrease in Other of 42% primarily reflects the absence of a $1.1 billion gain on the sale of our investment in Beijer in the prior year. In addition, the amounts reported in Other reflect the absence of a prior period non-cash, other-than-temporary impairment charge of $71 million on a minority-owned joint venture investment due to a reduction in sales and earnings that were driven by a deterioration in the oil and gas industry (the joint venture's primary market) and the impact of the COVID-19 pandemic.

Refrigeration Segment

For the year ended December 31, 2021, *Net sales* in our Refrigeration segment was $4.1 billion, a 24% increase compared with the same period of 2020. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	21%
Foreign currency translation	3%
Total % change	24%

The organic increase in *Net sales* of 21% was driven by improved results across each of our Refrigeration segment's businesses. Transport refrigeration sales (28%) benefited from the continued recovery associated with the cyclical decline that began in late 2019 as well as a rebound in the demand for global transportation and COVID-19 vaccine-related cargo monitoring products. Commercial refrigeration sales (9%) also increased due to a rebound in demand. Results for 2021 reflected a significant rebound in demand after initial weakness during the first half of 2020 due to the COVID-19 pandemic and current demand remains strong. However, supply chain and logistic constraints continue to be challenging, negatively impacting our sales and results of operations.

For the year ended December 31, 2021, *Operating profit* in our Refrigeration segment was $476 million, a 33% increase compared with the same period of 2020. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	32%
Foreign currency translation	7%
Restructuring	(4)%
Other	(2)%
Total % change	33%

The increase in operational profit of 32% was primarily attributed to higher sales volumes compared with the same period of 2020, which was heavily impacted by the COVID-19 pandemic. In addition, pricing improvements also contributed to the increase. These increases were partially offset by higher costs for commodities and components used in our products and higher freight costs. Higher selling, general and administrative costs and research and development activities further impacted operational profit as our businesses return to normal spending levels compared with the same period of 2020 in addition to incremental investments in product development and expanding our sales force.

Fire & Security Segment

For the year ended December 31, 2021, *Net sales* in our Fire & Security segment was $5.5 billion, an 11% increase compared with the same period of 2020. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	7%
Foreign currency translation	4%
Total % change	11%

The organic increase in *Net sales* of 7% was driven by improved results across each of our Fire & Security segment's businesses. Field service sales (6%) benefited from improved end-markets in regions that were previously impacted by COVID-19, including Europe and Asia. An increase in product sales (8%) was primarily driven by improvements in the Americas, Asia and Europe, which were impacted by shutdowns related to COVID-19 in the prior year. Results for 2021 reflected a significant rebound in demand after initial weakness during the first half of 2020 due to the COVID-19 pandemic and current demand remains strong. However, supply chain and logistic constraints continue to be challenging, negatively impacting our sales and results of operations.

For the year ended December 31, 2021, *Operating profit* in our Fire & Security segment was $662 million, a 13% increase compared with the same period of 2020. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	10%
Foreign currency translation	3%
Other	—%
Total % change	13%

The operational profit increase of 10% was primarily attributable to higher sales volumes, pricing improvements and favorable mix compared with the same period of 2020, which was heavily impacted by the COVID-19 pandemic. These operational increases were partially offset by higher costs for commodities and components used in our products and higher freight. In addition, higher selling, general and administrative costs and research and development further impacted operational profit as our businesses return to normal spending levels as compared with the same period of 2020 as well as continued investment in selling and engineering.

Other activity recorded in *Operating profit* includes transaction costs associated with the planned divestiture of our Chubb business and the absence of a favorable adjustment related to a product recall matter in the prior year, offset by lower depreciation and amortization, which was ceased on Chubb's assets that were held for sale in accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360").

LIQUIDITY AND FINANCIAL CONDITION

We assess liquidity in terms of our ability to generate adequate amounts of cash necessary to fund our current and future cash requirements to support our business and strategic initiatives. In doing so, we review and analyze our cash on hand, working capital, debt service requirements and capital expenditures. We rely on operating cash flows as our primary source of liquidity. In addition, we have access to other sources of capital to finance our strategic initiatives and fund growth.

We manage our worldwide cash requirements by reviewing available funds and the cost effectiveness with which those funds can be accessed if held by foreign subsidiaries. As of December 31, 2021, we had cash and cash equivalents of approximately $3.0 billion, of which approximately 38% was held by Carrier's foreign subsidiaries. On occasion, we are required to maintain cash deposits in connection with contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2021 and 2020, the amount of such restricted cash included in *Other current assets* on the accompanying Consolidated Balance Sheet was approximately $39 million and $4 million, respectively.

We maintain a $2.0 billion unsecured, unsubordinated commercial paper program which we can use for general corporate purposes, including the funding of working capital and potential acquisitions. As of December 31, 2021, there were no borrowings outstanding under the commercial paper program.

We maintain a $2.0 billion revolving credit agreement with various banks that matures on April 3, 2025, as amended (the "Revolving Credit Facility"), which supports our commercial paper borrowing program and cash requirements. This Revolving Credit Facility has a commitment fee of 0.125% that is charged on the unused commitments. Borrowings under the Revolving Credit Facility are available in U.S. Dollars, Euros and Pounds Sterling. Pounds Sterling bears interest at a variable interest rate based on the daily simple Sterling Overnight Index Average ("SONIA") plus 0.0326%, Euros bear interest at the Euro Interbank Offered Rate ("EURIBOR") and U.S. Dollar bears interest at LIBOR, in each case, plus a ratings-based margin, which was 125 basis points as of December 31, 2021. As of December 31, 2021, there were no borrowings on the Revolving Credit Facility.

We believe that our available cash and operating cash flows will be sufficient to meet our future operating cash needs. Our committed credit facilities and access to the debt and equity markets provide additional sources of short-term and long-term capital to fund current operations, dividends, share repurchases, debt maturities and future investment opportunities. Although we believe that the arrangements currently in place permit us to finance our operations on acceptable terms and conditions, our access to and the availability of financing on acceptable terms and conditions in the future will be impacted by many factors, including: (1) our credit ratings or absence of credit ratings; (2) the liquidity of the overall capital markets; and (3) the state of the economy, including the impact of the COVID-19 pandemic and inflation. There can be no assurance that we will be able to obtain additional financing on terms favorable to us, if at all.

The Revolving Credit Facility and the indentures for our long-term notes contain affirmative and negative covenants customary for financings of this type, that among other things, limit Carrier and our subsidiaries' ability to incur additional liens, to make certain fundamental changes and to enter into sale and leaseback transactions. On June 2, 2020, we entered into an amendment of the Revolving Credit Facility, under which certain terms of the facility were amended for a period beginning on June 2, 2020 and ending on December 30, 2021 (the "Covenant Modification"). We terminated the Covenant Modification effective as of August 27, 2021 in accordance with procedures for termination set forth in the Revolving Credit Facility, which returned the consolidated leverage ratio to the limit in effect prior to the Covenant Modification. As of December 31, 2021, we were compliant with all covenants under the agreements governing our outstanding indebtedness.

Financing for operational and strategic requirements, not satisfied by operating cash flows, is subject to the availability of external funds through short-term and long-term credit markets. The access to and cost of financing is dependent upon, among other factors, our credit ratings. The following table presents our credit ratings and outlook as of December 31, 2021:

RATING AGENCY	Long-term Rating (1)	Short-term Rating	Outlook (2)
S&P	BBB	A2	Stable
Moody's	Baa3	P3	Stable
Fitch Ratings	BBB-	F3	Stable

(1) The long-term rating for S&P was affirmed on May 14, 2021, and for Moody's on June 16, 2020. Fitch Ratings' long-term rating was issued on June 3, 2021.
(2) S&P revised its outlook to stable from negative on May 14, 2021.

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

	As of December 31,	
(IN MILLIONS)	**2021**	2020
Cash and cash equivalents	**$ 2,987**	$ 3,115
Total debt	**$ 9,696**	$ 10,227
Net debt (total debt less cash and cash equivalents)	**$ 6,709**	$ 7,112
Total equity	**$ 7,094**	$ 6,578
Total capitalization (total debt plus total equity)	**$16,790**	$ 16,805
Net capitalization (total debt plus total equity less cash and cash equivalents)	**$13,803**	$ 13,690
Total debt to total capitalization	**58%**	61%
Net debt to net capitalization	**49%**	52%

Borrowings and Lines of Credit

Our short-term obligations primarily consist of current maturities of long-term debt. Our long-term obligations primarily consist of long-term notes with maturity dates ranging between 2025 and 2050. Interest payments related to long-term notes are expected to approximate $273 million per year, reflecting an approximate weighted-average interest rate of 2.80%. Any borrowings from the Revolving Credit Facility are subject to variable interest rates. See Note 7 - Borrowings and Lines of Credit in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

Scheduled maturities of long-term debt, excluding amortization of discount, are as follows:

(IN MILLIONS)	
2022	$ 183
2023	$ 74
2024	$ 2
2025	$ 2,002
2026	$ 2
Thereafter	$ 7,504

Share Repurchase Program

During 2021, our Board of Directors approved a stock repurchase program authorizing the repurchase of up to $2.1 billion of Carrier's outstanding common stock. The repurchase program allows us to repurchase shares from time to time, subject to market conditions and at our discretion in the open market or through one or more other public or private transactions and subject to compliance with our obligations under the TMA and our Revolving Credit Facility. During the year ended December 31, 2021, we repurchased 10.4 million shares of our common stock for an aggregate purchase price of $529 million, which are held in *Treasury stock* as of December 31, 2021 in the accompanying Consolidated Balance Sheet. On January 4, 2022, we entered into an accelerated share repurchase agreement to repurchase $500 million of the Company's common stock to be completed in the first quarter of 2022.

Dividends

We paid dividends on our common stock of $0.48 per share during the year ended December 31, 2021, totaling $417 million. On December 8, 2021, the Board of Directors declared a dividend of $0.15 per share of common stock payable on February 10, 2022 to shareowners of record at the close of business on December 23, 2021.

Acquisitions

During the year ended December 31, 2021, we acquired consolidated and minority-owned businesses, including Giwee. The aggregate cash paid for acquisitions, net of cash acquired, totaled $366 million and was funded through cash on hand. See Note 19 - Acquisitions in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

Discussion of Cash Flows

	For the Years Ended December 31,	
(IN MILLIONS)	**2021**	2020
Cash provided by (used in):		
Operating activities	**$ 2,237**	$ 1,692
Investing activities	**(692)**	1,106
Financing activities	**(1,562)**	(681)
Effect of foreign exchange rate changes on cash and cash equivalents	**(16)**	45
Net increase (decrease) in cash and cash equivalents and restricted cash	**$ (33)**	$ 2,162

Cash flows from operating activities primarily represent inflows and outflows associated with our operations. Primary activities include net income from operations adjusted for non-cash transactions, working capital changes and changes in other assets and liabilities. We define working capital as the assets and liabilities, other than cash, generated through our primary operating activities. The year-over-year increase in net cash provided by operating activities was primarily driven by income generated by our operations after adjusting for non-cash transactions. In addition, lower working capital balances during the current period further added to the increase. Higher inventory levels, driven by continued strong demand and an increase of safety stock due to supply chain constraints were more than offset by higher outstanding accounts payable balances.

Cash flows from investing activities primarily represent inflows and outflows associated with long-term assets. Primary activities include capital expenditures, acquisitions and divestitures. During the year ended December 31, 2021, net cash used in investing activities was $692 million. The primary driver of the outflow related to the acquisition of several businesses and a minority-owned business, which totaled $366 million, net of cash acquired and $344 million of capital expenditures. During the year ended December 31, 2020, net cash provided by investing activities was $1.1 billion with the primary drivers of the inflow relating to the proceeds received from the sale of our investment in Beijer and the settlement of derivative contracts of $40 million. These inflows were partially offset by capital expenditures of $312 million.

Cash flows from financing activities primarily represent inflows and outflows associated with equity or borrowings. Primary activities include debt transactions, paying dividends to shareowners and the repurchase of our common stock. During the year ended December 31, 2021 net cash used in financing activities was $1.6 billion. The primary drivers of the outflow resulted from the repurchase of $527 million of our common stock, the redemption of our 1.923% Notes of $500 million and the payment of $417 million in dividends to our common shareowners. During the year ended December 31, 2020, net cash used by financing activities was $681 million with the primary drivers of the decrease relating to the prepayment of the Term Loan Credit Facility of $1.75 billion. This outflow was partially offset by the issuance of $750 million of long-term debt and a $590 million cash contribution from UTC in connection with the Separation.

Summary of Other Sources and Uses of Cash

We continue to actively manage and strengthen our business and product portfolio to meet the current and future needs of our customers. This is accomplished through research and development activities with a focus on new product development and new technology innovation as well as sustaining activities with a focus on improving existing products and reducing production costs. We also pursue potential acquisitions to complement existing products and services to enhance our product portfolio. In addition, we routinely conduct discussions, evaluate targets and enter into agreements regarding possible acquisitions, divestitures, joint ventures and equity investments to manage our business portfolio. As a result, we acquired consolidated and minority-owned businesses during the year ended December 31, 2021. The aggregate cash paid for acquisitions, net of cash acquired, totaled $366 million and was funded through cash on hand. In addition, on January 3, 2022, we completed the sale of Chubb to APi pursuant to a stock purchase agreement and received net proceeds of approximately $2.6 billion, subject to customary working capital and other adjustments as provided in the Chubb Sale Agreement.

Rapid changes in legislation, regulations and government policies, including with respect to regulations intended to combat climate change, affect our operations and business in the countries, regions and localities in which we operate and sell our products. We are committed to comply with these regulations and to environmental stewardship. As a result, we have set goals to invest over $2 billion by 2030 to develop healthy, safe, sustainable and intelligent buildings and cold chain solutions that incorporate sustainable design principles and reduce lifecycle impacts. In addition, to reach our goal to achieve carbon neutrality in our operations by 2030, we expect to incur capital expenditures for climate-related projects including upgrading our facilities, equipment and controls to optimize energy efficiency, transition our energy consumption from a dependency on fossil fuels to renewable energy and expanding the electrification of our fleet vehicles. See section entitled Environmental Goals under the headings "Other Matters Relating to Our Business as a Whole" for additional information.

We also have obligations related to environmental and asbestos matters, pension and post-retirement benefits and taxes. See Note 10 - Employee Benefit Plans, Note 17 - Income Taxes, and Note 23 - Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

CRITICAL ACCOUNTING ESTIMATES

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with those accounting principles requires management to use judgement in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets, liabilities, sales and expenses as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results could differ from management's estimates.

Goodwill and Indefinite-Lived Intangible Assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other* ("ASC 350"), goodwill and other indefinite-lived intangible assets are tested and reviewed annually for impairment or whenever there is a material change in events or circumstances that indicate that the fair value of the asset is more likely than not less than the carrying amount of the asset. We test our reporting units and indefinite-lived intangible assets for impairment annually as of the first day of our third quarter, or more frequently if events or circumstances occur.

ASC 350 provides entities with an option to perform a qualitative assessment (commonly referred to as "step zero") to determine whether a quantitative analysis for impairment is necessary. In performing step zero for our impairment test, we are required to make assumptions and judgments, including but not limited to the following: the evaluation of macroeconomic conditions as related to our business, industry and market trends, and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing step zero, we would perform a quantitative impairment analysis to estimate fair value.

For our 2021 impairment test, we elected to perform a qualitative step zero assessment for goodwill and indefinite-lived intangible assets. This qualitative assessment included the review of certain macroeconomic factors and entity-specific qualitative factors to determine if it was more likely than not that the fair values of our reporting units and indefinite-lived intangible assets were below carrying value. We considered macroeconomic factors including global economic growth, general macroeconomic trends for the markets in which our reporting units operate and where the intangible assets are utilized and the forecasted growth of the global industrial products industry. In addition to these macroeconomic factors, among other things, we considered the reporting units' current results and forecasts, changes in the nature of each business, any significant legal, regulatory, contractual, political or other business climate factors, changes in the industry and competitive environment, changes in the composition or carrying amount of net assets and any intention to sell or dispose of a reporting unit or cease the use of an indefinite-lived intangible assets. Based upon our qualitative analysis, we determined that our goodwill and indefinite-lived intangible assets were not impaired.

Revenue Recognition from Contracts with Customers

Revenue is recognized when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of our performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of our performance obligations are recognized over time as the customer simultaneously obtains control as we perform work under a contract, or if the product being produced for the customer has no alternative use and we have a contractual right to payment.

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. Some of our contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. We identify performance obligations at the inception of a contract and allocate the transaction price to each distinct performance obligation. Revenue is recognized 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 relative stand-alone selling price.

We primarily generate revenue from the sale of products to customers and recognize revenue at a point in time when control transfers to the customer. Transfer of control is generally based on the shipping terms of the contract. In addition, we recognize revenue on an over-time basis on installation and service contracts. For over-time performance obligations requiring the installation of equipment, revenue is recognized 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 include direct costs such as labor, materials and subcontractors' costs and, where applicable, indirect costs.

The transaction price allocated to performance obligations reflects our expectations about the consideration we will be entitled to receive from a customer. We include variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, we customarily offer our customers incentives to purchase products to ensure an adequate supply of our products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. We account for estimated incentive payments as a reduction in sales at the time a sale is recognized.

Income Taxes

We account for income taxes in accordance with ASC 740: Income Taxes ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. We recognize future tax benefits to the extent that realizing these benefits is considered in our judgment to be more likely than not. 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. We review the realizability of our deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required and will adjust our estimate if significant events so dictate. To the extent that the ultimate results differ from our original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

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 Consolidated Financial Statements.

Employee Benefit Plans

We provide a range of benefit plans to eligible current and former employees. We account for our benefits plans in accordance with ASC 715: *Compensation – Retirement Benefits* ("ASC 715"), which requires balance sheet recognition of the overfunded or underfunded status of pension plans. The determination of the amounts associated with these benefits is performed by actuaries and dependent on various actuarial assumptions including discount rates, expected return on plan assets, compensation increases, mortality and health care cost trends. Actual results may differ from the actuarial assumptions and are generally accumulated into *Accumulated other comprehensive income (loss)* and amortized into *Net income from operations* over future periods. We review our actuarial assumptions at each measurement date and make modifications to the assumptions based on current rates and trends, if appropriate.

A change in any of these assumptions would have an effect on net periodic pension and post-retirement benefit costs reported in the Consolidated Financial Statements. The following table summarizes the sensitivity of our pension plan liabilities and net periodic cost to a 25 basis point change in the discount rates for benefit obligations, interest cost and service cost as of December 31, 2021:

(IN MILLIONS)	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Projected benefit obligation	$(32)	$35
Net periodic pension (benefit) cost	$ (2)	$ 2

Net periodic pension (benefit) cost is also sensitive to changes in the expected return on plan assets. An increase or decrease of 25 basis points in the expected return on plan assets would have decreased or increased 2021 pension expense by approximately $1 million. See Note 10 – Employee Benefit Plans in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

Contingent Liabilities

We are involved in various litigation, claims and administrative proceedings, including those related to environmental and legal matters (including asbestos). In accordance with ASC 450, *Contingencies* ("ASC 450"), we record accruals for loss contingencies when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. These accruals are generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, we accrue the minimum amount. In addition, these estimates are reviewed periodically and adjusted to reflect additional information when it becomes available. We are unable to predict the final outcome of these matters based on the information currently available. However, we do not believe that the resolution of any of these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

As described in Note 23 – Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K, contractual, regulatory and other matters, including asbestos claims, may arise in the ordinary course of business that subject us to claims or litigation. We have recorded reserves in the consolidated financial statements related to these matters, which are developed using input derived from actuarial estimates and historical and anticipated experience depending on the nature of the reserve, and in certain instances in consultation with legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, we believe our estimated reserves are reasonable and do not believe the final determination of the liabilities with respect to these matters would have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition. See the "Risk Factors" section in this Annual Report on Form 10-K for additional information.

Recent Accounting Pronouncements

See Note 3 – Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for a discussion of recent accounting pronouncements and their effect on our financial statements.

Cautionary Note Concerning Factors That May Affect Future Results

This Annual Report on 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,” “scenario” and other words of similar meaning in connection with a discussion of future operating or financial performance or the Separation (as defined in PART I, ITEM I, BUSINESS, Separation from United Technologies Corporation). Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flows, results of operations, uses of cash, share repurchases, tax rates and other measures of financial performance or potential future plans, strategies or transactions of Carrier, the estimated costs associated with the Separation, Carrier’s plans with respect to our indebtedness and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, 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 markets in which Carrier and our businesses operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, the impact of weather conditions, pandemic health issues (including COVID-19, any variants and their effects, among other things, on production and on global supply, demand, and distribution as the outbreak continues and results in a prolonged period of travel, commercial and other restrictions and limitations), natural disasters and the financial condition of our customers and suppliers;
- challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services;
- future levels of indebtedness, capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and Carrier’s capital structure and credit ratings;
- the timing and scope of future repurchases of Carrier’s common stock, including market conditions and the level of other investing activities and uses of cash;
- delays and disruption in the delivery of materials and services from suppliers;
- cost reduction efforts and restructuring costs and savings and other consequences thereof;
- new business and investment opportunities;
- risks resulting from being a smaller less diversified company than prior to the Separation;
- the outcome of legal proceedings, investigations and other contingencies;
- the impact of pension plan assumptions on future cash contributions and earnings;
- 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 Carrier and our 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;
- the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which we and our businesses operate;
- the ability of Carrier to retain and hire key personnel;
- the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs;
- the expected benefits of the Separation;
- a determination by the U.S. Internal Revenue Service (“IRS”) and other tax authorities that the Distribution or certain related transactions should be treated as taxable transactions;
- risks associated with indebtedness, including that incurred as a result of financing transactions undertaken in connection with the Separation, as well as our ability to reduce indebtedness and the timing thereof;
- the risk that dis-synergy costs, costs of restructuring transactions and other costs incurred in connection with the Separation will exceed Carrier’s estimates; and
- the impact of the Separation on Carrier’s business and Carrier’s resources, systems, procedures and controls, diversion of management’s attention and the impact on relationships with customers, suppliers, employees and other business counterparties.

This Annual Report on 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 the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K under the heading “Note 23 – Commitments and Contingent Liabilities,” the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings

"Business Overview," "Results of Operations," "Liquidity and Financial Condition," and "Critical Accounting Estimates," and the section entitled "Risk Factors." This Annual Report on Form 10-K also includes important information as to these factors in the "Business" section under the headings "General," "Other Matters Relating to Our Business as a Whole," and in the "Legal Proceedings" section. The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the SEC.

This Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available free of charge through the Investors section of our Internet website (http://www.corporate.carrier.com) under the heading "SEC Filings" as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the United States Securities and Exchange Commission ("SEC"). In addition, the SEC maintains an Internet website (http://www.sec.gov) containing reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF CARRIER GLOBAL CORPORATION

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Carrier Global Corporation and its subsidiaries (the "Company") as of December 31, 2021 and 2020, 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, 2021, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 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, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

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 Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. 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 matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition from Contracts with Customers

As described in Note 13 to the consolidated financial statements, the Company recognized $20.6 billion of consolidated revenue for the year ended December 31, 2021. Some of the Company's contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. The Company recognizes revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefit from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally at the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers customers incentives to purchase products to ensure an adequate supply of its products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.

The principal considerations for our determination that performing procedures relating to revenue recognition from contracts with customers is a critical audit matter are the high degree of audit effort in performing procedures related to revenue recognized on the Company's point-in-time and over-time contracts with customers and in evaluating evidence related to management's determination of total estimated costs at completion for revenue recognized on an over-time basis.

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 on the Company's point-in-time and over-time contracts with customers, including controls over the determination of total estimated costs at completion for revenue recognized on an over-time basis. These procedures also included, among others (i) evaluating management's significant accounting policies related to revenue recognition; (ii) testing the appropriateness of the timing and amount of revenue recognized for a sample of point-in-time revenue transactions by obtaining and inspecting source documents, such as contracts with customers, purchase order information, shipping documents, cash receipts, and other documentation; and (iii) evaluating and testing management's process for determining the total estimated costs at completion for a sample of over-time revenue contracts, which included evaluating the estimated costs at completion used by management by considering factors that can affect the accuracy of those estimates. Evaluating the total costs at completion for revenue recognized on an over-time basis involved comparing the originally estimated costs and actual costs incurred, including identifying circumstances that may warrant a modification to the total estimated costs to complete.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
February 8, 2022

We have served as the Company's auditor since 2019.

Consolidated Statement of Operations

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	For the Year Ended December 31, 2021	2020	2019
Net sales			
Product sales	**$ 17,214**	$ 14,347	$ 15,360
Service sales	**3,399**	3,109	3,248
	20,613	17,456	18,608
Costs and expenses			
Cost of products sold	**(12,300)**	(10,185)	(10,890)
Cost of services sold	**(2,333)**	(2,162)	(2,299)
Research and development	**(503)**	(419)	(401)
Selling, general and administrative	**(3,120)**	(2,820)	(2,761)
	(18,256)	(15,586)	(16,351)
Equity method investment net earnings	**249**	207	236
Other income (expense), net	**39**	1,006	(2)
Operating profit	**2,645**	3,083	2,491
Non-service pension benefit	**61**	60	154
Interest (expense) income, net	**(306)**	(288)	27
Income from operations before income taxes	**2,400**	2,855	2,672
Income tax expense	**(699)**	(849)	(517)
Net income from operations	**1,701**	2,006	2,155
Less: Non-controlling interest in subsidiaries' earnings from operations	**37**	24	39
Net income attributable to common shareowners	**$ 1,664**	$ 1,982	$ 2,116
Earnings per share			
Basic	**$ 1.92**	$ 2.29	$ 2.44
Diluted	**$ 1.87**	$ 2.25	$ 2.44
Weighted-average number of shares outstanding			
Basic	**867.7**	866.5	866.2
Diluted	**890.3**	880.2	866.2

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income (Loss)

	For the Year Ended December 31,		
(IN MILLIONS)	**2021**	2020	2019
Net income from operations	**$1,701**	$2,006	$2,155
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments arising during period	**(322)**	604	48
Less: reclassification adjustments for gain on sale of an investment in a foreign entity recognized in Other income (expense), net	**8**	—	2
Foreign currency translation adjustments arising during period	**(314)**	604	50
Pension and post-retirement benefit plans:			
Net actuarial gain (loss) arising during period	**53**	(94)	(112)
Amortization of actuarial (gain) loss and prior service credit	**34**	24	11
Other	**—**	(35)	3
	87	(105)	(98)
Tax (expense) benefit	**(17)**	22	15
Pension and post-retirement benefit plans adjustments arising during the period	**70**	(83)	(83)
Other comprehensive income (loss), net of tax	**(244)**	521	(33)
Comprehensive income (loss)	**1,457**	2,527	2,122
Less: Comprehensive income (loss) attributable to non-controlling interest	**(37)**	(37)	(35)
Comprehensive income (loss) attributable to common shareowners	**$1,420**	$2,490	$2,087

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet

(IN MILLIONS, EXCEPT SHARE AMOUNTS)	As of December 31, 2021	2020
Assets		
Cash and cash equivalents	**$ 2,987**	$ 3,115
Accounts receivable, net	**2,403**	2,781
Contract assets, current	**503**	656
Inventories, net	**1,970**	1,629
Assets held for sale	**3,168**	—
Other assets, current	**376**	343
Total current assets	**11,407**	8,524
Future income tax benefits	**563**	449
Fixed assets, net	**1,826**	1,810
Operating lease right-of-use assets	**640**	788
Intangible assets, net	**509**	1,037
Goodwill	**9,349**	10,139
Pension and post-retirement assets	**43**	554
Equity method investments	**1,593**	1,513
Other assets	**242**	279
Total Assets	**$26,172**	$25,093
Liabilities and Equity		
Accounts payable	**$ 2,334**	$ 1,936
Accrued liabilities	**2,561**	2,471
Contract liabilities, current	**415**	512
Liabilities held for sale	**1,134**	—
Current portion of long-term debt	**183**	191
Total current liabilities	**6,627**	5,110
Long-term debt	**9,513**	10,036
Future pension and post-retirement obligations	**380**	524
Future income tax obligations	**354**	479
Operating lease liabilities	**527**	642
Other long-term liabilities	**1,677**	1,724
Total Liabilities	**19,078**	18,515
Commitments and contingent liabilities (Note 23)		
Equity		
Common stock, par value $0.01; 4,000,000,000 shares authorized; 873,064,219 and 867,829,119 shares issued; 863,039,097 and 867,829,119 outstanding as of December 31, 2021 and 2020, respectively	**9**	9
Treasury stock - 10,375,654 common shares	**(529)**	—
Additional paid-in capital	**5,411**	5,345
Retained earnings	**2,865**	1,643
Accumulated other comprehensive income (loss)	**(989)**	(745)
Non-controlling interest	**327**	326
Total Equity	**7,094**	6,578
Total Liabilities and Equity	**$26,172**	$25,093

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes In Equity

(IN MILLIONS)	UTC Net Investment	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Non-Controlling Interest	Total Equity
Balance as of January 1, 2019	$ 15,132	$ (1,215)	$ —	$ —	$ —	$ —	$ 352	$ 14,269
Net income	2,116	—	—	—	—	—	39	2,155
Other comprehensive income (loss), net of tax	—	(29)	—	—	—	—	(4)	(33)
Dividends attributable to non-controlling interest	—	—	—	—	—	—	(28)	(28)
Disposition of non-controlling interest	—	—	—	—	—	—	(26)	(26)
Net transfers to UTC	(1,902)	—	—	—	—	—	—	(1,902)
Adoption impact of ASU 2018-02	9	(9)	—	—	—	—	—	—
Balance as of December 31, 2019	$ 15,355	$ (1,253)	$ —	$ —	$ —	$ —	$ 333	$ 14,435
Net income	96	—	—	—	—	1,886	24	2,006
Other comprehensive income (loss), net of tax	—	508	—	—	—	—	13	521
Capital contribution to non-controlling interest	—	—	—	—	—	—	4	4
Dividends declared on common stock ($0.28 per share)	—	—	—	—	—	(243)	—	(243)
Shares issued under incentive plans, net	—	—	—	—	(15)	—	—	(15)
Stock-based compensation	—	—	—	—	77	—	—	77
Dividends attributable to non-controlling interest	—	—	—	—	—	—	(48)	(48)
Net transfers to UTC	(11,014)	—	—	—	—	—	—	(11,014)
Adoption impact of ASU 2016-13	(4)	—	—	—	—	—	—	(4)
Net transfers from UTC	859	—	—	—	—	—	—	859
Reclassification of UTC Net Investment to Common stock and Additional paid-in capital	(5,292)	—	9	—	5,283	—	—	—
Balance as of December 31, 2020	$ —	$ (745)	$ 9	$ —	$ 5,345	$ 1,643	$ 326	$ 6,578
Net income	**—**	**—**	**—**	**—**	**—**	**1,664**	**37**	**1,701**
Other comprehensive income (loss), net of tax	**—**	**(244)**	**—**	**—**	**—**	**—**	**—**	**(244)**
Dividends declared on common stock ($0.51 per share)	**—**	**—**	**—**	**—**	**—**	**(442)**	**—**	**(442)**
Shares issued under incentive plans, net	**—**	**—**	**—**	**—**	**(24)**	**—**	**—**	**(24)**
Stock-based compensation	**—**	**—**	**—**	**—**	**92**	**—**	**—**	**92**
Acquisition (sale) of non-controlling interest, net	**—**	**—**	**—**	**—**	**(2)**	**—**	**2**	**—**
Dividends attributable to non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**(38)**	**(38)**
Treasury stock purchases	**—**	**—**	**—**	**(529)**	**—**	**—**	**—**	**(529)**
Balance as of December 31, 2021	**$ —**	**$ (989)**	**$ 9**	**$ (529)**	**$ 5,411**	**$ 2,865**	**$ 327**	**$ 7,094**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(IN MILLIONS)	For the Year Ended December 31, 2021	2020	2019
Operating Activities			
Net income from operations	**$ 1,701**	$ 2,006	$ 2,155
Adjustments to reconcile net income from operations to net cash flows from operating activities			
Depreciation and amortization	**338**	336	335
Deferred income tax provision	**(74)**	97	(122)
Stock-based compensation cost	**92**	77	52
Equity method investment net earnings	**(249)**	(207)	(236)
Impairment charge on minority-owned joint venture investments	**2**	72	108
(Gain) loss on sale of investments and businesses	**2**	(1,123)	—
Changes in operating assets and liabilities			
Accounts receivable, net	**(97)**	49	(129)
Contract assets, current	**(47)**	(9)	23
Inventories, net	**(408)**	(240)	(2)
Other assets, current	**(11)**	3	62
Accounts payable and accrued liabilities	**829**	237	(296)
Contract liabilities, current	**51**	46	(18)
Defined benefit plan contributions	**(47)**	(41)	(36)
Distributions from equity method investments	**159**	169	158
Other operating activities, net	**(4)**	220	9
Net cash flows provided by (used in) operating activities	**2,237**	1,692	2,063
Investing Activities			
Capital expenditures	**(344)**	(312)	(243)
Proceeds on sale of investments	**7**	1,377	6
Investment in businesses, net of cash acquired	**(366)**	—	—
Settlement of derivative contracts, net	**4**	40	—
Other investing activities, net	**7**	1	(22)
Net cash flows provided by (used in) investing activities	**(692)**	1,106	(259)
Financing Activities			
(Decrease) increase in short-term borrowings, net	**13**	(23)	25
Issuance of long-term debt	**140**	11,784	107
Repayment of long-term debt	**(704)**	(1,911)	(138)
Repurchases of common stock	**(527)**	—	—
Dividends paid on common stock	**(417)**	(138)	—
Dividends paid to non-controlling interest	**(42)**	(48)	(28)
Net transfers to UTC	**—**	(10,359)	(1,954)
Other financing activities, net	**(25)**	14	6
Net cash flows provided by (used in) financing activities	**(1,562)**	(681)	(1,982)
Effect of foreign exchange rate changes on cash and cash equivalents	**(16)**	45	1
Net increase (decrease) in cash and cash equivalents and restricted cash, including cash classified in current assets held for sale	**(33)**	2,162	(177)
Less: Change in cash balances classified as assets held for sale	**60**	—	—
Net increase (decrease) in cash and cash equivalents and restricted cash	**(93)**	2,162	(177)
Cash, cash equivalents and restricted cash, beginning of period	**3,119**	957	1,134
Cash, cash equivalents and restricted cash, end of period	**3,026**	3,119	957
Less: restricted cash	**39**	4	5
Cash and cash equivalents, end of period	**$ 2,987**	$ 3,115	$ 952

The accompanying notes are an integral part of the Consolidated Financial Statements.

Note 1: Description Of The Business

Carrier Global Corporation is a leading global provider of healthy, safe, sustainable and intelligent building and cold chain solutions. The Company's portfolio includes industry-leading brands such as Carrier, Kidde, Edwards, LenelS2, Carrier Transicold and Automated Logic that offer innovative HVAC, refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. The Company also provides a broad array of related building services, including audit, design, installation, system integration, repair, maintenance and monitoring. The Company's operations are classified into three segments: HVAC, Refrigeration and Fire & Security.

The Separation

On April 3, 2020, United Technologies Corporation, since renamed Raytheon Technologies Corporation, completed the spin-off of the Company into an independent, publicly traded company through a pro rata distribution on a one-for-one basis of all of the outstanding shares of common stock of the Company 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 Distribution. In connection with the Separation, the Company issued an aggregate principal balance of $11.0 billion of debt and transferred approximately $10.9 billion of cash to UTC on February 27, 2020 and March 27, 2020. On April 1, 2020 and April 2, 2020, the Company received cash contributions totaling $590 million from UTC related to the Separation.

In connection with the Separation, the Company entered into several agreements with UTC and Otis that govern various aspects of the relationship among the Company, UTC and Otis following the Separation and the Distribution, including a TSA that expired on March 31, 2021, a TMA, an employee matters agreement and an intellectual property agreement that cover services such as information technology, tax, finance and human resources. In addition, the Company incurred separation-related costs including employee-related costs, costs to establish certain stand-alone functions, information technology systems, professional service fees and other costs associated with becoming an independent, publicly traded company.

Impact of the COVID-19 Pandemic

In early 2020, the World Health Organization declared the outbreak of a respiratory disease known as COVID-19 as a global pandemic. In response, many countries implemented containment and mitigation measures to combat the outbreak, which severely restricted the level of economic activity and caused a significant contraction in the global economy. As a result, the Company temporarily closed or reduced production at manufacturing facilities across the globe to ensure employee safety and instructed non-essential employees to work from home. In addition, the Company took several preemptive actions during 2020 to manage liquidity as demand for its products decreased. Despite the adverse impacts of the pandemic on the Company's results beginning in the first quarter of 2020, manufacturing operations resumed and several restorative actions were completed during 2020, including the reinstatement of annual merit-based salary increases and continued investment to support the Company's strategic priorities.

The Company continues to focus its efforts on preserving the health and safety of its employees and customers as well as maintaining the continuity of its operations. In addition, the Company continues to actively monitor its liquidity position and working capital needs and believes that its overall capital resources and liquidity position are adequate. The preparation of financial statements requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period, which can have a significant effect on reported amounts. However, due to significant uncertainty surrounding the pandemic, including a resurgence in cases and the spread of COVID-19 variants, management's judgments could change. While the Company's results of operations, cash flows and financial condition could be negatively impacted, the extent of any continuing impact cannot be estimated with certainty at this time.

Note 2: Basis Of Presentation

The accompanying Consolidated Financial Statements reflect the consolidated operations of the Company and have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") as defined by the FASB within the FASB Accounting Standards Codification. Inter-company accounts and transactions have been eliminated. Related party transactions between the Company and its equity method investees have not been eliminated. Certain immaterial amounts presented in prior periods have been reclassified to conform to the current period presentation.

The Consolidated Financial Statements include all majority-owned subsidiaries of the Company. A non-controlling interest in a subsidiary is considered an ownership interest in a majority-owned subsidiary that is not attributable to the parent. The Company includes *Non-controlling interest* as a component of *Total equity* in the Consolidated Balance Sheet and the *Non-controlling interest in subsidiaries' earnings from operations* are presented as an adjustment to *Net income from operations* used to arrive at *Net income attributable to common shareowners* in the Consolidated Statement of Operations. Partially-owned equity affiliates represent 20-50% ownership interests in investments where the Company demonstrates significant influence, but does not have a controlling financial interest. Partially-owned equity affiliates are accounted for under the equity method.

The Separation

The Company's financial statements for the periods prior to the Separation and the Distribution are prepared on a "carve-out" basis and include all amounts directly attributable to the Company. Net cash transfers and other property transferred between UTC and the Company, including related party receivables and payables between the Company and other UTC affiliates, are presented as Net transfers to UTC within *UTC Net Investment* on the Consolidated Financial Statements. In addition, the financial statements include allocations of costs for administrative functions and services performed on behalf of the Company by centralized groups within UTC. All allocations and estimates in the Consolidated Financial Statements are based on assumptions that management believes are reasonable. The allocated centralized costs for the years ended December 31, 2020 and 2019, were $43 million and $245 million, respectively, and are primarily included in *Selling, general and administrative* in the Consolidated Statement of Operations.

The Company's financial statements for the periods subsequent to April 3, 2020 are consolidated financial statements based on the reported results of Carrier as a stand-alone company. In connection with the Separation, the Company incurred separation-related costs of approximately $20 million, $141 million and $58 million for the years ended December 31, 2021, 2020 and 2019, respectively. These costs are primarily recorded in *Selling, general and administrative* in the Consolidated Statement of Operations and consist of employee-related costs, costs to establish certain stand-alone functions and information technology systems, professional service fees and other transaction-related costs resulting from Carrier's transition to becoming an independent, publicly traded company.

Held for Sale

On July 26, 2021, the Company entered into a stock purchase agreement to sell its Chubb business to APi. As a result, the assets and liabilities of Chubb have been presented as held for sale on the accompanying Consolidated Balance Sheet as of December 31, 2021 and recorded at the lower of their carrying value or fair value less estimated cost to sell. See Note 20 - Divestitures for additional information.

Note 3: Summary Of Significant Accounting Policies

A summary of significant accounting policies used in the preparation of the accompanying Consolidated Financial Statements is as follows:

Use of Estimates. The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates are based on several factors including the facts and circumstances available at the time the estimates are made, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Currency Translation. Assets and liabilities of non-U.S. subsidiaries, where the functional currency is not the U.S. dollar, have been translated at year-end exchange rates, and income and expense accounts have been translated using average exchange rates throughout the year. Adjustments resulting from the process of translating an entity's financial statements into the U.S. dollar have been recorded in the equity section of the Consolidated Balance Sheet within *Accumulated other comprehensive income (loss).*

Transactions that are denominated in a currency other than an entity's functional currency are subject to changes in exchange rates with the resulting gains and losses recorded in *Net income from operations.*

Cash and Cash Equivalents. Cash and cash equivalents include 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. On occasion, the Company is required to maintain restricted cash deposits with certain banks due to contractual or other legal obligations. Restricted cash of $39 million and $4 million is included in *Other assets, current* as of December 31, 2021 and 2020, respectively.

Accounts Receivable. Accounts receivable consist of billed amounts owed for products shipped to or services performed for customers. Amounts are recorded net of an allowance for expected credit losses which represents the best estimate of probable loss inherent in the Company's accounts receivable portfolio. The allowance is determined using a combination of factors including a reserve based on the aging of the outstanding accounts receivable portfolio and the Company's historical credit loss experience with its end markets, customer base and products. In addition, the Company considers knowledge of specific customers, current market conditions as well as reasonable and supportable forecasts of future events and economic conditions. As of December 31, 2021 and 2020, the allowance for expected credit losses was $88 million and $89 million, respectively. These estimates and assumptions are reviewed periodically with the effects of changes, if any, reflected in the Consolidated Statement of Operations in the period that they are determined.

Fixed Assets. Property, plant and equipment are stated at cost less accumulated depreciation. Assets placed in service are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Assets acquired in a business combination are recorded at fair value at the date of acquisition. Major expenditures for replacements and significant improvements that increase asset values and extend useful lives are capitalized. Repairs and maintenance expenditures that do not extend the useful life of an asset are charged to expense as incurred.

Per ASC 360, the Company assesses the recoverability of the carrying value of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset group to the future net undiscounted cash flows expected to be generated by the asset group. If the undiscounted cash flows are less than the carrying amount of the asset group, an impairment loss is recognized for the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

Equity Method Investments. Investments in which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method of accounting and are presented on the Consolidated Balance Sheet. Under this method of accounting, the Company's share of the net earnings or losses of the investee is presented within *Operating profit* on the Consolidated Statement of Operations since the activities of the investee are closely aligned with the operations of the Company. The Company evaluates its 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. Distributions received from equity method investees are presented in the Consolidated Statement of Cash Flows based on the cumulative earnings approach.

Goodwill and Intangible Assets. The Company records goodwill as the excess of the purchase price over the fair value of the net assets acquired in a business combination. In accordance with ASC 350, goodwill and other indefinite-lived intangibles are tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicate that the fair value of the asset is more likely than not less than the carrying amount of the asset.

Impairment of goodwill is assessed at the reporting unit level and begins with a qualitative assessment to determine if it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test under ASC 350. For those reporting units that bypass or fail the qualitative assessment, the test compares the carrying amount of the reporting unit to its estimated fair value. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. To the extent that the carrying amount of the reporting unit exceeds its estimated fair value, an impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

Intangible assets such as patents, service contracts, monitoring lines and customer relationships with finite useful lives are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. 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 may be used.

The weighted-average useful lives approximate the following (in years):

Customer relationships	1 to 30
Patents and trademarks	5 to 30
Monitoring lines	7 to 10
Service portfolio and other	1 to 23

The Company assesses the recoverability of the carrying amount of its intangible assets with finite useful lives whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset group to the future net undiscounted cash flows expected to be generated by the asset group. If the undiscounted cash flows are less than the carrying amount of the asset group, an impairment loss is recognized for the amount by which the carrying value of the asset group exceeds the fair value of the asset group.

Leases. The Company accounts for leases in accordance with ASC 842: *Leases*, which requires a lessee to record a right-of-use ("ROU") asset and a lease liability on the Consolidated Balance Sheet for all leases with terms longer than 12 months. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company generally uses its incremental borrowing rate, which is based on information available at the lease commencement date, to determine the present value of lease payments except when an implicit interest rate is readily determinable. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company has elected not to recognize ROU assets and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

Income Taxes. The Company accounts for income taxes in accordance with ASC 740. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company recognizes future tax benefits to the extent that realizing these benefits is considered in its judgment to be more likely than not. 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. The Company reviews the realizability of its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required and will adjust its estimate if significant events so dictate. To the extent that the ultimate results differ from the Company's original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records 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, the Company has 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 Consolidated Financial Statements.

Prior to the Separation, the Company's income tax provision was prepared following the separate return methodology. The separate return method applies ASC 740 to the financial statements of each member of a consolidated group as if the group members were separate taxpayers. As a result, certain operations of the Company were included in a consolidated return with other UTC entities. The calculation of the Company's income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. See Note 17 – Income Taxes for additional information.

Pension and Post-retirement Obligations. The Company provides a range of benefit plans to eligible current and former employees. The Company accounts for its benefit plans in accordance with ASC 715 which requires balance sheet recognition of the overfunded or underfunded status of pension and post-retirement benefit plans. Determining the amounts associated with these benefits are performed by actuaries and dependent on various actuarial assumptions including discount rates, expected return on plan assets, compensation increases, mortality and health care cost trends. Actual results may differ from the actuarial assumptions and are generally accumulated into *Accumulated other comprehensive income (loss)* and amortized into *Net income from operations* over future periods. The Company reviews its actuarial assumptions at each measurement date and makes modifications to the assumptions based on current rates and trends, if appropriate. See Note 10 – Employee Benefit Plans for additional information.

Asset Retirement Obligations. The Company records the fair value of legal obligations associated with the retirement of tangible long-lived assets in the period in which a liability is determined to exist, if a reasonable estimate of fair value can be made. Upon initial recognition of a liability, the Company capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased for changes in its present value and the capitalized cost is depreciated over the useful life of the related asset.

Research and Development. The Company conducts research and development activities with a focus on new product development and technology innovation. These costs are charged to expense as incurred. For the years ended December 31, 2021, 2020 and 2019, these costs amounted to $503 million, $419 million and $401 million, respectively.

Recent Pronouncements

The FASB ASC is the sole source of authoritative GAAP other than SEC issued rules and regulations that apply only to SEC registrants. The FASB issues Accounting Standards Updates ("ASU") to communicate changes to the codification. The Company considers the applicability and impact of all ASUs. ASUs not referenced below were assessed and determined to be either not applicable or are not expected to have a material impact on the Consolidated Financial Statements.

Recently Adopted Accounting Pronouncements and SEC Rules

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which updates the current guidance to require that an entity recognize and measure contract asset and contract liabilities acquired in a business combination consistent with those recorded by the acquiree immediately before the acquisition. The guidance eliminates the complexity of determining the fair value of contract liabilities and will likely increase the balance of contract liabilities acquired in a business combination with a corresponding increase in post-combination revenue recognized by the acquirer. The update is effective for fiscal years beginning after December 15, 2022 and interim periods therein, with early adoption permitted. In October 2021, the Company early adopted ASU 2021-08 and the adoption did not have a material impact on the Company's Consolidated Financial Statements.

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 allowed by Topic 740 including exceptions to the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or gain from other items, the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary and 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 were effective for years beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2019-12 in the first quarter of 2021 and the adoption did not have a material impact on the Company's Consolidated Financial Statements.

In May 2020, the SEC issued Final Rule Release No. 33-10786, which amends the financial statement requirements for acquisitions and dispositions of businesses and related pro forma financial information required under SEC Regulation S-X, Rule 3-05. The final rule modifies the significance test required in SEC Regulation S-X, Rule 1-02(w) by raising the significance threshold for reporting dispositions of a business from 10% to 20% and by modifying the calculation of the investment and income tests. In accordance with Rules 3-09 or 4-08(g), the revised income test will apply to the evaluation of equity method investments for significance. The Company adopted these modifications, which were effective for fiscal years beginning after December 31, 2020. The adoption of these amendments did not have a material impact on the Consolidated Financial Statements.

In November 2020, the SEC issued Final Rule Release No. 33-10980, which amends the requirements for providing selected quarterly financial data, contractual obligations and management discussion and analysis. These modifications were required after August 9, 2021. The Company applied the requirements of this release for this Annual Report on Form 10-K.

Note 4: Inventories, Net

Inventories are stated at the lower of cost or estimated realizable value. Cost is primarily determined based on the first-in, first-out inventory method ("FIFO") or average cost methods, which approximates current replacement cost. However, certain Carrier entities use the last-in, first-out inventory method ("LIFO").

Inventories, net consisted of the following:

(IN MILLIONS)	2021	2020
Raw materials	$ 559	$ 363
Work-in-process	197	143
Finished goods	1,214	1,123
Inventories, net	$1,970	$1,629

The Company performs periodic assessments utilizing customer demand, production requirements and historical usage rates to determine the existence of excess and obsolete inventory and records necessary provisions to reduce such inventories to estimated realizable value. Raw materials, work-in-process and finished goods are net of valuation reserves of $154 million and $183 million as of December 31, 2021 and 2020, respectively.

Certain entities use LIFO to determine the cost of inventory. If inventories that were valued using the LIFO method had been valued under the FIFO method, the net book value of the inventories would have been higher by $141 million and $118 million as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, approximately 31% and 33%, respectively, of all inventory utilized the LIFO method.

Note 5: Fixed Assets, Net

Fixed assets, net consisted of the following:

(IN MILLIONS)	Estimated Useful Lives (Years)	2021	2020
Land		$ 114	$ 109
Buildings and improvements	20 to 40	1,084	1,160
Machinery, tools and equipment	3 to 25	2,093	2,138
Rental assets	3 to 12	381	416
Other, including assets under construction		304	261
Fixed assets, gross		3,976	4,084
Accumulated depreciation		(2,150)	(2,274)
Fixed assets, net		$ 1,826	$ 1,810

Depreciation expense was $238 million, $234 million and $219 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Note 6: Goodwill And Intangible Assets

The Company records goodwill as the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicates that the fair value of the reporting unit may be less than its carrying amount.

The changes in the carrying amount of goodwill were as follows:

(IN MILLIONS)	HVAC	Refrigeration	Fire & Security	Total
Balance as of December 31, 2019	$ 5,351	$ 1,228	$ 3,305	$ 9,884
Foreign currency translation	138	23	94	255
Balance as of December 31, 2020	$ 5,489	$ 1,251	$ 3,399	$10,139
Goodwill resulting from business combinations (1)	261	(1)	60	320
Reclassified to held for sale (2)	—	—	(940)	(940)
Foreign currency translation	(92)	(22)	(56)	(170)
Balance as of December 31, 2021	$5,658	$1,228	$2,463	$ 9,349

(1) See Note 19 - Acquisitions for additional information.
(2) See Note 20 - Divestitures for additional information.

Indefinite-lived intangible assets are tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicates that the fair value of the asset may be less than its carrying amount. All other intangible assets with finite useful lives are amortized over their estimated useful lives.

Identifiable intangible assets consisted of the following:

	2021			2020		
(IN MILLIONS)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Amortized:						
Customer relationships	**$ 945**	**$ (699)**	**$ 246**	$1,558	$(1,285)	$ 273
Patents and trademarks	**232**	**(182)**	**50**	301	(222)	79
Monitoring lines	**—**	**—**	**—**	71	(59)	12
Service portfolios and other	**688**	**(539)**	**149**	644	(542)	102
	1,865	**(1,420)**	**445**	2,574	(2,108)	466
Unamortized:						
Trademarks and other	**64**	**—**	**64**	571	—	571
Intangible assets, net	**$1,929**	**$(1,420)**	**$509**	$3,145	$(2,108)	$1,037

Amortization of intangible assets was $98 million, $102 million and $116 million for the years ended December 31, 2021, 2020 and 2019, respectively.

The estimated future amortization of intangible assets is as follows:

(IN MILLIONS)	2022	2023	2024	2025	2026
Future amortization	$80	$75	$69	$59	$47

Annual Impairment Assessment

The Company tested its goodwill and indefinite-lived intangible assets for impairment as part of its annual assessment. For each test, the Company qualitatively assessed all relevant events or circumstances that could impact the estimate of fair value. Based upon this assessment, the Company determined that it was more likely than not that goodwill and indefinite-lived intangible assets were not impaired.

Note 7: Borrowings And Lines Of Credit

Long-term debt consisted of the following:

(IN MILLIONS)	2021	2020
1.923% Notes due February 15, 2023	**$ —**[(1)]	$ 500
2.242% Notes due February 15, 2025	**2,000**	2,000
2.493% Notes due February 15, 2027	**1,250**	1,250
2.722% Notes due February 15, 2030	**2,000**	2,000
2.700% Notes due February 15, 2031	**750**	750
3.377% Notes due April 5, 2040	**1,500**	1,500
3.577% Notes due April 5, 2050	**2,000**	2,000
Total long-term notes	**9,500**	10,000
Other (including project financing obligations and finance leases)	**267**	308
Discounts and debt issuance costs	**(71)**	(81)
Total debt	**9,696**	10,227
Less: current portion of long-term debt	**183**	191
Long-term debt, net of current portion	**$9,513**	$10,036

(1) In February 2021, the Company prepaid the 1.923% Notes due in February 2023 and incurred a $17 million make-whole premium upon prepayment and wrote-off $2 million of the remaining unamortized deferred financing costs.

Revolving Credit Facility

On February 10, 2020, the Company entered into a revolving credit agreement with various banks permitting aggregate borrowings of up to $2.0 billion pursuant to an unsecured, unsubordinated revolving credit facility that matures on April 3, 2025 (the "Revolving Credit Facility"). The Revolving Credit Facility supports the Company's commercial paper program and cash requirements of the Company. A commitment fee of 0.125% is charged on unused commitments. Borrowings under the Revolving Credit Facility are available in U.S. Dollars, Euros and Pounds Sterling. Pounds Sterling bears interest at a variable interest rate based on daily simple SONIA plus 0.0326%, Euros bears an interest rate using EURIBOR and U.S. Dollar bears an interest rate at LIBOR plus a ratings-based margin, which was 125 basis points as of December 31, 2021. As of December 31, 2021, there were no borrowings on the Revolving Credit Facility.

Commercial Paper Program

As of December 31, 2021, the Company had a $2.0 billion unsecured, unsubordinated commercial paper program, which can be used for general corporate purposes, including the funding of working capital and potential acquisitions. As of December 31, 2021, there were no borrowings outstanding under the commercial paper program.

Project Financing Arrangements

The Company is involved in several long-term construction contracts in which it arranges project financing with certain customers. As a result, the Company issued $124 million and $135 million of debt during the year ended December 31, 2021 and 2020, respectively. Long-term debt repayments associated with these financing arrangements for the years ended December 31, 2021 and 2020 were $181 million and $161 million, respectively.

Debt Covenants

The Revolving Credit Facility and the indenture for the long-term notes contain affirmative and negative covenants customary for financings of this type which, among other things, limit the Company's ability to incur additional liens, to make certain fundamental changes and to enter into sale and leaseback transactions. On June 2, 2020, the Company entered into an amendment to the Revolving Credit Facility, under which certain terms of the facility were amended for a period beginning on June 2, 2020 and ending on December 30, 2021 (the "Covenant Modification"). The Company terminated the Covenant Modification effective as of August 27, 2021 in accordance with procedures for termination set forth in the revolving credit agreement, which returned the consolidated leverage ratio covenant to the limit in effect prior to the Covenant Modification. As of December 31, 2021, the Company was in compliance with the covenants under the agreements governing its outstanding indebtedness.

Schedule of Long-term Debt Maturities

Scheduled maturities of long-term debt, excluding amortization of discount, are as follows:

(IN MILLIONS)	
2022	$ 183
2023	$ 74
2024	$ 2
2025	$2,002
2026	$ 2
Thereafter	$7,504

As of December 31, 2021, the average maturity of the Company's long-term notes is approximately 12 years and the weighted-average interest rate on its total borrowings is approximately 2.8%.

Interest expense associated with long-term debt for the years ended December 31, 2021 and 2020 was $319 million and $298 million, respectively. Interest expense for the year ended December 31, 2021 includes amortization of debt issuance costs of $10 million, a make whole-premium related to the prepayment of the 1.923% Notes of $17 million and a write-off of debt issuance costs of $2 million. Interest expense for the year ended December 31, 2020 includes amortization of debt issuance costs of $9 million and a write-off of debt issuance costs of $5 million.

Note 8: Fair Value Measurements

ASC 820, *Fair Value Measurement* ("ASC 820"), defines fair value as the price that would be received if an asset is sold or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors, including foreign currency and commodity price risk. These exposures are managed through operational strategies and the use of undesignated hedging contracts. The Company's derivative assets and liabilities are measured at fair value on a recurring basis using internal models based on observable market inputs, such as forward, interest, contract and discount rates with changes in fair value reported directly in earnings.

The following tables provide the valuation hierarchy classification of assets and liabilities that are recorded at fair value and measured on a recurring basis in the Company's Consolidated Balance Sheet:

(IN MILLIONS)	**Total**	Level 1	Level 2	Level 3
December 31, 2021				
Fair value measurement:				
Derivative assets (1)	**$ 8**	**$ —**	**$ 8**	**$ —**
Derivative liabilities (2)	**$(35)**	**$ —**	**$(35)**	**$ —**
December 31, 2020				
Fair value measurement:				
Derivative assets (1)	$ 17	$ —	$ 17	$ —
Derivative liabilities (2)	$ (5)	$ —	$ (5)	$ —

(1) Included in *Other assets, current* on the accompanying Consolidated Balance Sheet.
(2) Included in *Accrued liabilities* on the accompanying Consolidated Balance Sheet.

The following table provides the carrying amounts and fair values of the Company's long-term notes that are not recorded at fair value in the Consolidated Balance Sheet:

	2021		2020	
(IN MILLIONS)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Total long-term notes [(1)]	**$9,500**	**$9,842**	$10,000	$10,811

(1) Excludes debt discount and issuance costs.

The fair value of the Company's long-term debt is measured based on observable market inputs which are considered Level 1 within the fair value hierarchy. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair value due to the short-term nature of these accounts and would be classified as Level 1 in the fair value hierarchy. The Company's financing leases and project financing obligations, included in *Long-term debt* approximate fair value and are classified as Level 3 in the fair value hierarchy. For the years ended December 31, 2021 and 2020 there were no transfers in or out of levels 1, 2 or 3.

Note 9: Leases

The Company enters into operating and finance leases for the use of real estate space, vehicles, information technology equipment and certain other equipment. At contract inception, the Company determines a lease exists if the arrangement conveys the right to control an identified asset for a period of time in exchange for consideration. Control is considered to exist when the lessee has the right to obtain substantially all of the economic benefits from the use of an identified asset as well as the right to direct the use of that asset. If a contract is considered to be a lease, the Company recognizes a lease liability based on the present value of the future lease payments with an offsetting entry to recognize a ROU asset.

Operating lease ROU assets and liabilities are reflected on the Consolidated Balance Sheet as follows:

(IN MILLIONS)	**2021**	2020
Operating lease right-of-use assets	**$ 640**	$ 788
Accrued liabilities	**$ (130)**	$ (161)
Operating lease liabilities	**(527)**	(642)
Total operating lease liabilities	**$ (657)**	$ (803)
Weighted-Average Remaining Lease Term (in years)	**7.8**	7.7
Weighted-Average Discount Rate	**3.0%**	3.4%

The operating lease ROU assets include any lease payments related to initial direct costs and prepayments and excludes lease incentives. The Company's leases generally have remaining lease terms of 1 to 23 years, some of which include options to extend. For the majority of its leases with options to extend, those options are up to 5 years with the ability to terminate the lease within 1 to 5 years of inception. The exercise of lease renewal options is at the Company's sole discretion and its lease ROU assets and liabilities reflect only the options the Company is reasonably certain that it will exercise.

Supplemental cash flow and lease expense information related to operating leases were as follows:

(IN MILLIONS)	**2021**	2020	2019
Operating cash flows for measurement of operating lease liabilities	**$197**	$213	$201
Operating lease ROU assets obtained in exchange for operating lease obligations	**$180**	$169	$136
Operating lease expense	**$200**	$197	$206

Operating lease expense is recognized on a straight-line basis over the lease term. Where applicable, the Company accounts for each separate lease component of a contract and its associated non-lease component as a single lease component.

Undiscounted maturities of operating lease liabilities, including options to extend lease terms that are reasonably certain of being exercised, as of December 31, 2021 are as follows:

(IN MILLIONS)	
2022	$141
2023	123
2024	106
2025	87
2026	67
Thereafter	218
Total undiscounted lease payments	742
Less: imputed interest	(85)
Total discounted lease payments	$657

NOTE 10: Employee Benefit Plans

The Company sponsors both funded and unfunded domestic and international defined benefit pension and defined contribution plans. In addition, the Company contributes to various domestic and international multi-employer defined benefit pension plans.

Pension Plans

Qualified domestic pension plan benefits covering collectively bargained U.S. employees comprise approximately 34% of the projected benefit obligation. This noncontributory defined benefit plan provides benefits on a flat dollar formula based on location and is closed to new entrants. The non-U.S. plans comprise approximately 66% of the projected benefit obligation; certain of these plans provide participants with one-time payments upon separation of employment rather than a retirement annuity. These plans provide benefits based on a plan specific benefit formula. Non-qualified domestic pension plans provide supplementary retirement benefits to certain employees and are not a material component of the projected benefit obligation.

The following table details information regarding the Company's pension plans:

(IN MILLIONS)	**2021**	2020
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ 3,224**	$2,885
Service cost	**27**	29
Interest cost	**37**	52
Actuarial (gain) loss [(1)]	**(112)**	239
Benefits paid	**(106)**	(116)
Curtailment, settlements and special termination benefits	**(54)**	(16)
Other, including expenses paid	**(48)**	151
Liabilities held for sale [(2)]	**(2,062)**	—
Benefit obligation at end of year	**$ 906**	$3,224
Change in Plan Assets		
Fair value at beginning of year	**$ 3,294**	$2,953
Actual return on plan assets	**67**	285
Company contributions	**47**	41
Benefits paid	**(106)**	(116)
Settlements	**(54)**	(15)
Other, including expenses paid	**(34)**	146
Assets held for sale [(2)]	**(2,623)**	—
Fair value of assets end of year	**$ 591**	$3,294
Funded status of plans	**$ (315)**	$ 70
Amounts included in the balance sheet:		
Other non-current assets	**$ 43**	$ 542
Accrued compensation and benefits	**(10)**	(10)
Post-employment and other benefit liabilities	**(348)**	(462)
Net amount recognized	**$ (315)**	$ 70

(1) Reflects the impact of foreign exchange translation, primarily for plans in the United Kingdom, Canada and Germany.
(2) See Note 20 - Divestitures for additional information.

The key contributor to the movement in the funded position was the reclassification of plans included in the sale of Chubb to held for sale. The plans to be retained by the Company experienced an improvement in the net deficit position due to better than expected asset performance globally, favorable exchange rate movements and an increase in the discount rate used to measure the benefit obligations of the plans. Discount rates in all applicable territories and countries increased over the measurement period as a result of increases in corporate bond yields.

The pretax amounts recognized in *Accumulated other comprehensive (income) loss* are:

(IN MILLIONS)	Prior Service Cost (Benefit)	Net Actuarial (Gain) Loss	Total
As of December 31, 2020	$ 13	$ 689	$ 702
Current year changes recorded in AOCI	4	(34)	(30)
Amortization reclassified to earnings	(2)	(32)	(34)
Settlement/curtailment reclassified to earnings	—	(12)	(12)
Currency translation and other	—	(16)	(16)
As of December 31, 2021	**$ 15**	**$ 595**	**$ 610**

Information for pension plans with accumulated benefit obligations in excess of plan assets:

(IN MILLIONS)	**2021**	2020
Projected benefit obligation	**$ 405**	$622
Accumulated benefit obligation	**$ 374**	$579
Fair value of plan assets	**$ 47**	$156

Information for pension plans with projected benefit obligations in excess of plan assets:

(IN MILLIONS)	**2021**	2020
Projected benefit obligation	**$ 405**	$ 666
Accumulated benefit obligation	**$ 374**	$ 615
Fair value of plan assets	**$ 47**	$ 194

The components of net periodic pension benefits for the defined benefit pension plans are as follows:

(IN MILLIONS)	**2021**	2020	2019
Service cost	**$ 27**	$ 29	$ 31
Interest cost	**37**	52	67
Expected return on plan assets	**(145)**	(140)	(154)
Amortization of prior service cost	**2**	2	2
Recognized actuarial net loss	**32**	22	9
Net settlement, curtailment and special termination benefit loss	**13**	4	4
Net periodic pension benefit	**$ (34)**	$ (31)	$ (41)

The accumulated benefit obligation for all defined benefit plans was $0.9 billion and $3.2 billion as of December 31, 2021 and 2020, respectively.

Major assumptions used in determining the benefit obligation and net cost for pension plans are presented in the following table as weighted-averages:

	Benefit Obligation		Net Costs		
	2021	2020	**2021**	2020	2019[(2)]
Discount rate					
Projected benefit obligation	**2.1%**	1.4%	**1.4%**	2.0%	2.8%
Interest cost [(1)]	**—%**	—%	**1.2%**	1.8%	2.7%
Service cost [(1)]	**—%**	—%	**2.1%**	1.8%	3.2%
Salary scale	**3.1%**	2.8%	**2.8%**	3.3%	3.0%
Expected return on plan assets	**—%**	—%	**4.6%**	4.9%	5.6%

(1) The 2021 and 2020 discount rates used to measure the service cost and interest cost applies to the significant plans of the Company. The projected benefit obligation discount rate is used for the service cost and interest cost measurements for non-significant plans.
(2) Assumptions prior to 2020 include assumptions used for the UTC plan which included Carrier employees.

The weighted-average discount rates used to measure pension benefit obligations and net costs are set by reference to specific analyses using each plan's specific cash flows and high-quality bond indices to assess reasonableness. For those significant plans, the Company utilizes a full yield curve approach in the estimation of the service cost and interest cost components by applying the specific spot rates along the yield curve used in determination of the benefit obligation to the relevant projected cash flows.

In determining the expected return on plan assets, the Company considered the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. Return projections are assessed for reasonableness using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

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 target a mix of approximately 50% of growth seeking assets and 50% of income generating and hedging assets using a wide diversification of asset types, fund strategies and investment managers. The growth seeking allocation consists of global public equities in developed and emerging countries and alternative-asset class strategies. Within the income generating assets, the fixed income portfolio primarily consists of government and broadly diversified high quality corporate bonds.

The plans seek to reduce interest rate risk and 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 income generating and hedging assets typically increase as funded status improves. The hedging programs incorporate a range of assets and investment tools, each with various interest rate sensitivities. As a result of the improved funded status of the plans, due to favorable asset returns and funding of the plans, the income generating and hedging assets increased in recent years.

The fair values of pension plan assets by asset category are as follows:

(IN MILLIONS)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling	Total
Asset Category					
Public Equities:					
Global Equities	**$ —**	**$ 29**	**$ —**	**$ —**	**$ 29**
Global Equity Funds at net asset value (1)	**—**	**—**	**—**	**208**	**208**
Fixed Income Securities:					
Governments	**—**	**26**	**—**	**—**	**26**
Corporate Bonds	**—**	**103**	**—**	**—**	**103**
Fixed Income Securities (2)	**—**	**—**	**—**	**189**	**189**
Real Estate (3)	**—**	**9**	**—**	**—**	**9**
Other (4)(5)	**—**	**5**	**—**	**—**	**5**
Cash & Cash Equivalents (2)(6)	**—**	**7**	**—**	**3**	**10**
Subtotal	**$ —**	**$ 179**	**$ —**	**$ 400**	**$ 579**
Other assets and liabilities (7)					**12**
Total as of December 31, 2021 (8)					**$ 591**

(IN MILLIONS)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling	Total
Asset Category					
Public Equities:					
Global Equities (1)(2)	$ —	$ 52	$ —	$ 65	$ 117
Global Equity Funds at net asset value (1)	—	—	—	733	733
Fixed Income Securities:					
Governments	—	1,270	—	—	1,270
Corporate Bonds	—	121	—	41	162
Fixed Income Securities (2)	—	—	—	923	923
Real Estate (3)(2)	—	2	—	11	13
Other (4)(2)(5)	—	(422)	—	407	(15)
Cash & Cash Equivalents (2)(6)	—	32	—	22	54
Subtotal	$ —	$ 1,055	$ —	$ 2,202	$ 3,257
Other Assets and Liabilities (7)					37
Total as of December 31, 2020					$ 3,294

(1) Represents commingled funds that invest primarily in common stocks.
(2) 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 plan assets.
(3) Represents investments in real estate, including commingled funds and directly held properties.
(4) Represents insurance contracts and global balanced risk commingled funds consisting mainly of equity, bonds and some commodities.
(5) Includes fixed income repurchase agreements entered into for purposes of pension asset and liability matching.
(6) Represents short-term commercial paper, bonds and other cash or cash-like instruments.
(7) Represents trust receivables and payables that are not leveled.
(8) Chubb plan assets for 2021, totaling $2.6 billion are not included within this table, as the business has been reclassified as held for sale.

Derivatives in the plan are primarily used to manage risk and gain asset class exposure while still maintaining liquidity. Derivative instruments mainly consist of fixed income repurchase agreements, interest rate swaps, total return swaps and currency forward contracts.

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, whereby observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit ratings. 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, including broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

For the years ended December 31, 2021, 2020 and 2019, the Company made $47 million, $41 million and $36 million, respectively, of cash contributions to its defined benefit pension plans. The Company expects to make total contributions of approximately $3 million to its defined benefit pension plans in 2022. Contributions do not reflect benefits to be paid directly from corporate assets. Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: $25 million in 2022, $28 million in 2023, $29 million in 2024, $32 million in 2025, $34 million in 2026 and $197 million from 2027 through 2030.

Multiemployer Benefit Plans

The Company contributes to various domestic and foreign multiemployer defined benefit pension plans. The risks of participating in these multiemployer plans are different from those of single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. The Company's contributions to these plans for the years ended December 31, 2021 and 2020 was $14 million and $15 million, respectively.

Employee Savings Plans

The Company sponsors various employee savings plans. Certain employees of Carrier participate in these plans. Carrier's contributions to employer sponsored defined contribution plans were $115 million, $103 million and $88 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Note 11: Product Warranties

In the ordinary course of business, the Company provides standard warranty coverage on its products. Provisions for these amounts are established at the time of sale and estimated primarily based on product warranty terms and historical claims experience. In addition, the Company incurs discretionary costs to service its products in connection with specific product performance issues. Provisions for these amounts are established when they are known and estimable. The Company assesses the adequacy of its initial provisions and will make adjustments as necessary based on known or anticipated claims or as new information becomes available that suggests it is probable that future costs will be different than estimated amounts. Amounts associated with these provisions are classified as *Accrued liabilities* or *Other long-term liabilities* based on their anticipated settlement date.

The changes is the carrying amount of warranty related provisions are as follows:

(IN MILLIONS)	**2021**	2020
Balance as of January 1,	**$ 514**	$ 488
Warranties, performance guarantees issued and changes in estimated liability	**172**	167
Settlements made	**(165)**	(146)
Other	**3**	5
Balance as of December 31,	**$ 524**	$ 514

Note 12: Equity

Share Repurchase Program

In July 2021, the Company's Board of Directors authorized a $1.75 billion increase to the Company's existing $350 million stock repurchase program. The program allows the Company to repurchase its outstanding common stock from time to time subject to market conditions and at the Company's discretion in the open market or through one or more other public or private transactions and subject to compliance with the Company's obligations under the TMA. The Company records repurchases under the cost method whereby the entire cost of the acquired stock is recorded as *Treasury stock* as a reduction to equity. The reissuance of treasury stock uses the first-in, first-out method of accounting.

The Company repurchased 10.4 million shares of common stock for an aggregate purchase price of $529 million for the year ended December 31, 2021, which are held in *Treasury stock* as of December 31, 2021 as reflected on its Consolidated Balance Sheet.

Accumulated Other Comprehensive Income (Loss)

A summary of the changes in each component of *Accumulated other comprehensive income (loss)* is as follows:

(IN MILLIONS)	Foreign Currency Translation	Defined Benefit Pension and Post-retirement Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2019	$ (834)	$ (381)	$ (1,215)
Other comprehensive income (loss) before reclassifications, net	52	(109)	(57)
Amounts reclassified, pre-tax	2	11	13
Tax benefit reclassified	—	15	15
ASU 2018-02 adoption impact	—	(9)	(9)
Balance as of December 31, 2019	$ (780)	$ (473)	$ (1,253)
Other comprehensive income (loss) before reclassifications, net	589	2	591
Amounts reclassified, pre-tax	—	(105)	(105)
Tax benefit reclassified	—	22	22
Balance as of December 31, 2020	$ (191)	$ (554)	$ (745)
Other comprehensive income (loss) before reclassifications, net	(322)	53	(269)
Amounts reclassified, pre-tax	8	34	42
Tax benefit reclassified	—	(17)	(17)
Balance as of December 31, 2021	**$ (505)**	**$ (484)**	**$ (989)**

Note 13: Revenue Recognition

The Company accounts for revenue in accordance with ASC 606: *Revenue from Contracts with Customers.* Revenue is recognized when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment.

Performance Obligations

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. Some of the Company's contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to each distinct performance obligation. Revenue is recognized when or as the performance obligation is satisfied. When there are multiple performance obligations within a contract, the Company allocates the transaction price to each performance obligation based on its relative stand-alone selling price.

The Company primarily generates revenue from the sale of products to customers and recognizes revenue at a point in time when control transfers to the customer. Transfer of control is generally based on the shipping terms of the contract. In addition, the Company recognizes revenue on an over-time basis on installation and service contracts. For over-time performance obligations requiring the installation of equipment, revenue is recognized 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 include direct costs such as labor, materials and subcontractors' costs and where applicable, indirect costs.

Segment sales disaggregated by product and service are as follows:

(IN MILLIONS)	**2021**	2020	2019
Sales Type			
Product	**$ 9,985**	$ 8,165	$ 8,279
Service	**1,405**	1,313	1,433
HVAC sales	**11,390**	9,478	9,712
Product	**3,653**	2,927	3,405
Service	**474**	406	387
Refrigeration sales	**4,127**	3,333	3,792
Product	**3,985**	3,585	4,072
Service	**1,530**	1,400	1,428
Fire & Security sales	**5,515**	4,985	5,500
Total segment sales	**21,032**	17,796	19,004
Eliminations and other	**(419)**	(340)	(396)
Consolidated	**$20,613**	$17,456	$18,608

The transaction price allocated to performance obligations reflects the Company's expectations about the consideration it will be entitled to receive from a customer. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.

Contract Balances

Total contract assets and liabilities consisted of the following:

(IN MILLIONS)	**2021**	2020
Contract assets, current	**$ 503**	$ 656
Contract assets, non-current (included within *Other assets*)	**70**	98
Total contract assets	**573**	754
Contract liabilities, current	**(415)**	(512)
Contract liabilities, non-current (included within *Other long-term liabilities*)	**(165)**	(165)
Total contract liabilities	**(580)**	(677)
Net contract assets (liabilities)	**$ (7)**	$ 77

The timing of revenue recognition, billings and cash collections results in contract assets and contract liabilities. Contract assets relate to the conditional right to consideration for any completed performance under a contract when costs are incurred in excess of billings under the percentage-of-completion methodology. Contract liabilities relate to payments received in advance of performance under the contract or when the Company has a right to consideration that is conditioned upon transfer of a good or service to the customer. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract.

The Company recognized revenue of $408 million for the year ended December 31, 2021 that was related to contract liabilities as of January 1, 2021. The Company expects a majority of its contract liabilities at the end of the period to be recognized as revenue over the next 12 months. There were no individually significant customers with sales exceeding 10% of total sales for the years ended December 31, 2021, 2020 and 2019.

Note 14: Stock-Based Compensation

The Company accounts for stock-based compensation plans in accordance with ASC 718, *Compensation - Stock Compensation,* which requires a fair-value based method for measuring the value of stock-based compensation. Fair value is measured at the date of grant and is generally not adjusted for subsequent changes. The Company's stock-based compensation plans include programs for stock appreciation rights, restricted stock and performance share units.

Stock Options and Appreciation Rights

Eligible participants may receive stock options or stock appreciation rights as part of the Company's long-term incentive program. The fair value of each instrument is determined as of the date of grant using a binomial lattice model and expensed on a straight-line basis over the required service period, which is generally a three-year vesting period. However, in the event of retirement, awards held for at least one year may vest and become exercisable (if applicable), subject to certain terms and conditions.

The following table summarizes fair value information for stock options and stock appreciation rights:

	2021(1)	2020(1)	2019(2)
Stock options and stock appreciation rights weighted-average fair value per award	**$ 10.13**	$ 4.67	$ 21.02
Assumptions:			
Volatility	**31.6% to 34.1%**	32.1% to 35.6%	18.8% to 19.7%
Expected term (in years)	**6.6**	7.0	6.5 to 6.6
Expected dividend yield	**1.5%**	1.4% to 2.0%	2.4%
Range of risk-free rates	**0.7% to 1.4%**	0.1% to 1.0%	2.3% to 2.7%

(1) Carrier has limited historical trading data and used peer group data to estimate expected volatility for the 2021 and 2020 awards.
(2) The assumptions for 2019 were determined by UTC based on UTC's stock price performance.

The Company used historical employee data, including data prior to the Separation and the Distribution, to estimate expected term. The expected dividend yield is consistent with management's expectations. The risk-free rate is based on the term structure of interest rates at the time the awards were granted.

Changes in stock options and stock appreciation rights outstanding subsequent to the Separation and Distribution were as follows:

	Shares Subject to Option (in thousands)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted- Average Remaining Life (in years)
As of April 3, 2020	36,015	$ 19.90		
Granted	3,921	$ 17.57		
Exercised	(2,620)	$ 15.81		
Cancelled	(584)	$ 22.31		
As of December 31, 2020	36,732	$ 19.91		
Granted	3,194	$ 38.92		
Exercised	(5,934)	$ 17.59		
Cancelled	(1,551)	$ 23.98		
Outstanding as of December 31, 2021	**32,441**	**$ 22.02**	**$1,046**	**6.3**
Exercisable as of December 31, 2021	**14,613**	**$ 18.96**	**$ 516**	**4.3**

Restricted Stock Units

Eligible participants may receive restricted stock units ("RSU") as part of the Company's long-term incentive program. The fair value of restricted stock units are based on the closing market price of the Company's common stock on the date of grant and expensed on a straight-line basis over the required service period (which is generally the three-year vesting period). However, in the event of retirement, awards held for at least one year may vest and become exercisable (if applicable), subject to certain terms and conditions. Dividends accrue during the vesting period and are paid in shares of the Company's common stock.

Changes in restricted stock units subsequent to the Separation and Distribution were as follows:

	RSUs (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of April 3, 2020	5,622	$ 21.37
Granted	523	$ 21.43
Vested	(483)	$ 19.74
Cancelled	(88)	$ 23.29
Outstanding and unvested as of December 31, 2020	5,574	$ 21.57
Granted	286	$ 46.49
Vested	(2,168)	$ 21.45
Cancelled	(122)	$ 25.39
Outstanding and unvested as of December 31, 2021	**3,570**	**$ 23.33**

Performance Share Units

The Company has a performance share program for key employees whereby awards are provided in the form of performance share units ("PSU") based on performance against pre-established objectives. The annual target level is expressed as shares of the Company's common stock based on the fair value of its stock on the date of grant. Awards are earned over a three-year performance period based equally on a performance condition, measured by the compound annual growth rate of the Company's earnings per share and on a market condition, measured by the Company's relative total shareowner return compared to the total shareowner return of a subset of industrial companies in the S&P 500 Index. The fair value of the market condition is estimated using a Monte Carlo simulation approach. The fair value of the PSU awards are expensed over the required service period, which is generally a three-year vesting period. In the event of retirement, performance share units held for at least one year remain eligible to vest based on actual performance relative to pre-established metrics. Dividends do not accrue on the performance share units during the performance period.

Changes in PSUs subsequent to the Separation and Distribution were as follows:

	PSUs (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of April 3, 2020	68	$ 21.23
Granted	728	$ 18.23
Forfeited	(24)	$ 19.25
Outstanding and unvested as of December 31, 2020	772	$ 18.46
Granted	821	$ 41.48
Vested	(20)	$ 23.72
Forfeited	(152)	$ 27.28
Outstanding and unvested as of December 31, 2021	**1,421**	**$30.75**

Compensation Expense

Stock-based compensation expense, net of estimated forfeitures, is included in *Cost of products sold* , *Selling, general and administrative and Research and development,* in the accompanying Consolidated Statement of Operations.

Stock-based compensation cost by award type are as follows:

(IN MILLIONS)	2021	2020[1]	2019[1]
Equity compensation costs - equity settled	$ 92	$77	$ 52
Equity compensation costs - cash settled [2]	19	11	6
Total stock-based compensation cost	**$ 111**	$88	$ 58
Income tax benefit	**$ 13**	$ 9	$ 11

(1) The stock-based compensation cost for 2020 and 2019 include amounts allocated to Carrier by UTC related to its direct employees.

(2) The cash settled awards are classified as liability awards and are measured at fair value at each balance sheet date.

Prior to the Separation and the Distribution, the Company participated in UTC's long-term incentive plans, which authorized various types of market and performance-based incentive awards. Stock-based compensation expense was allocated to the Company from UTC based upon direct employee headcount. In connection with the Separation and the Distribution, all awards were converted to Carrier stock-based awards with unvested awards converted to preserve the aggregate intrinsic value immediately before and after the Separation.

As of December 31, 2021 and 2020, there were $77 million and $91 million of unrecognized stock-based compensation costs related to non-vested awards granted under the plan, respectively, which will be recognized ratably over the awards weighted-average vesting period of 2 years.

Note 15: Restructuring Costs

The Company incurs costs associated with restructuring initiatives intended to improve operating performance, profitability and working capital levels. Actions associated with these initiatives may include improving productivity, workforce reductions and the consolidation of facilities.

The Company recorded net pre-tax restructuring costs for new and ongoing restructuring actions as follows:

(IN MILLIONS)	2021	2020	2019
HVAC	$ 33	$ 7	$ 56
Refrigeration	25	12	14
Fire & Security	26	28	53
Total Segment	**84**	47	123
General corporate expenses	5	2	3
Total restructuring costs	**$ 89**	$49	$126
Cost of sales	$ 28	$20	$ 36
Selling, general and administrative	60	29	90
Other income (expense), net	1	—	—
Total restructuring costs	**$ 89**	$49	$126

The following table summarizes the reserves and charges related to the restructuring reserve:

(IN MILLIONS)	2021	2020
Balance as of January 1,	$ 49	$ 66
Net pre-tax restructuring costs	89	49
Utilization, foreign exchange and other	(76)	(66)
Reclassified to held for sale	(8)	—
Balance as of December 31,	**$ 54**	$ 49

During the year ended December 31, 2021, charges associated with restructuring initiatives related to cost reduction efforts. Amounts recognized primarily related to severance due to workforce reductions and exit costs due to the consolidation of field operations. As of December 31, 2021, the Company had $54 million accrued for costs associated with its announced restructuring initiatives, all of which is expected to be paid within one year.

Note 16: Other Income (Expense), Net

Other income (expense), net consisted of the following:

(IN MILLIONS)	2021	2020	2019
Transaction gains [1]	$ —	$1,123	$ —
Impairment charge on minority-owned joint venture investments[1]	(2)	(72)	(108)
Other	41	(45)	106
Other income (expense), net	**$39**	$1,006	$ (2)

(1) See Note 22 - Related Parties for additional information.

Other income (expense), net primarily includes the impact of gains and losses related to the sale of interests in equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than the entity's functional currency and hedging-related activities.

Note 17: Income Taxes

Income Before Income Taxes

The sources of *Income from operations before income taxes* are as follows:

(IN MILLIONS)	2021	2020	2019
United States	**$ 1,528**	$ 915	$ 1,460
Foreign	**872**	1,940	1,212
Total	**$ 2,400**	$ 2,855	$ 2,672

Provision for Income Taxes

The income tax expense (benefit) consisted of the following components:

(IN MILLIONS)	2021	2020	2019
Current:			
United States:			
Federal	**$ 336**	$ 434	$ 262
State	**83**	74	72
Foreign	**354**	244	305
	773	752	639
Future:			
United States:			
Federal	**(125)**	13	(14)
State	**(14)**	6	(2)
Foreign	**65**	78	(106)
	(74)	97	(122)
Income tax expense	**$ 699**	$ 849	$ 517

Reconciliation of Effective Income Tax Rate

The differences between the effective income tax rate and the statutory U.S. federal income tax rate are as follows:

	2021	2020	2019
Statutory U.S. federal income tax rate	**21.0%**	21.0%	21.0%
State income tax	**1.9**	1.7	2.5
Tax on international activities	**7.2**	4.2	3.3
Separation impact	**—**	3.4	(0.7)
Tax audit settlements	**—**	—	(5.6)
Other	**(1.0)**	(0.6)	(1.1)
Effective income tax rate	**29.1%**	29.7%	19.4%

The effective tax rate for the year ended December 31, 2021 includes a net tax charge of $157 million primarily relating to the re-organization and disentanglement of certain Chubb subsidiaries executed in advance of the planned divestiture of Chubb, a $43 million deferred tax charge as a result of the tax rate increase from 19% to 25% in the United Kingdom, partially offset by a favorable tax adjustment of $70 million due to foreign tax credits generated and expected to be utilized in the current year and $21 million resulting from the re-organization of a German subsidiary.

The effective tax rate for the year ended December 31, 2020 reflects a $51 million charge related to a valuation allowance recorded against a United Kingdom tax loss and credit carryforward and a charge of $46 million resulting from the Company's decision to no longer permanently reinvest certain pre-2018 unremitted non-U.S. earnings. These items were impacted by the Separation and are included in "Separation impact" in the previous table.

The effective tax rate for the year ended December 31, 2019 reflects a net tax benefit of $149 million as a result of the filing by a subsidiary of the Company to participate in an amnesty program offered by the Italian Tax Authority and the conclusion of an audit by the IRS for UTC's 2014, 2015 and 2016 tax years.

Deferred Tax Assets and Liabilities

Future income taxes represent the tax effects of transactions, which are reported in different periods for tax and GAAP purposes. These amounts consist of the tax effects of differences between tax and GAAP that are expected to be reversed in the future 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.

The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables as of December 31, 2021 and 2020 are as follows:

(IN MILLIONS)	2021	2020
Future income tax benefits:		
Insurance and employee benefits	**$ 198**	$ 109
Other assets basis differences	**166**	152
Other liabilities basis differences	**512**	487
Tax loss carryforward	**175**	258
Tax credit carryforward	**24**	63
Valuation allowances	**(90)**	(231)
Future income tax benefit	**$ 985**	$ 838
Future income tax payables:		
Goodwill and intangible assets	**$ (270)**	$ (411)
Other asset basis differences	**(307)**	(336)
Future income tax payables	**$ (577)**	$ (747)

Valuation allowances have been established primarily for tax credit carryforwards, tax loss carryforwards and certain foreign temporary differences to reduce future income tax benefits to expected realizable amounts. As of December 31, 2021, future income tax benefits and future income tax payables exclude a net liability of $266 million classified as held for sale. See Note 20 - Divestitures for additional information.

Changes to valuation allowances consisted of the following:

(IN MILLIONS)	
Balance as of January 1, 2019	$ 107
Additions charged to income tax expense	41
Reduction credited to income tax expense	(16)
Other adjustments	(4)
Balance as of December 31, 2019	$ 128
Additions charged to income tax expense [(1)]	112
Reduction credited to income tax expense	(13)
Other adjustments	4
Balance as of December 31, 2020	$ 231
Additions charged to income tax expense	32
Reduction credited to income tax expense	(22)
Other adjustments	(41)
Reclassified to held for sale	(110)
Balance as of December 31, 2021	**$ 90**

(1) Includes $89 million relating to "Separation impact" discussed in section "Reconciliation of Effective Income Tax Rate."

Tax Credit and Loss Carryforwards

As of December 31, 2021, tax credit carryforwards and tax loss carryforwards, excluding amounts associated with Chubb entities, were as follows:

(IN MILLIONS)	Tax Loss Carryforwards	Tax Credit Carryforwards
Expiration period:		
2022-2026	$100	$ 7
2027-2031	58	5
2032-2041	32	4
Indefinite	599	8
Total	$789	$ 24

The Company assesses the realizability of its deferred tax assets on a quarterly basis through an analysis of potential sources of future taxable income, including prior year taxable income available to absorb a carryback of tax losses, reversals of existing taxable temporary differences, tax planning strategies and forecasts of taxable income. The Company considers all negative and positive evidence, including the weight of the evidence, to determine if valuation allowances against deferred tax assets are required. The Company maintains valuation allowances against certain deferred tax assets, primarily in non-U.S. jurisdictions.

Unrecognized Tax Benefits

As of December 31, 2021, the Company had unrecognized tax benefits of $251 million, all of which, if recognized, would impact its effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and related interest expense is as follows:

(IN MILLIONS)	2021	2020	2019
Balance at beginning of period	**$ 162**	$ 166	$ 316
Additions for tax positions related to the current year	**86**	22	30
Additions for tax positions of prior years [(1)]	**24**	14	14
Reductions for tax positions of prior years [(2)]	**(1)**	(40)	(19)
Settlements	**(18)**	—	(175)
Reclassified as held for sale	**(2)**	—	—
Balance at end of period	**$ 251**	$ 162	$ 166
Gross interest expense related to unrecognized tax benefits	**$ 8**	$ 6	$ 8
Total accrued interest balance at end of period	**$ 35**	$ 25	$ 25

(1) Includes $14 million related to acquisitions during the year ended December 31, 2021.
(2) Includes an adjustment of $37 million recorded in UTC Net investment for the year ended December 31, 2020 for tax positions of prior years.

The Company conducts business globally and, as a result, the Company and its subsidiaries file income tax returns in the U.S. federal, various state and foreign jurisdictions. In certain jurisdictions, the Company's operations were included in UTC's combined tax returns for the periods through the Separation and the Distribution. The IRS commenced an audit of UTC's tax years 2017 and 2018 in the second quarter of 2020. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including the U.S., Australia, Belgium, Canada, China, Czech Republic, France, Germany, Hong Kong, India, Italy, Mexico, the Netherlands, Singapore and the United Kingdom. The Company is no longer subject to U.S. federal income tax examination for years prior to 2017 and, with few exceptions, is no longer subject to U.S. state and local and foreign income tax examinations for tax years before 2012.

During the second quarter of 2019, a subsidiary of the Company that was engaged in litigation before the Italian Supreme Court filed to participate in the Italian amnesty program. In addition, during the second quarter of 2019, the IRS completed its review of UTC's 2014, 2015 and 2016 tax years and certain U.S. state income tax exams concluded. As a result of the amnesty filing in Italy and the conclusion of the IRS and U.S. state audits, the Company recognized a non-cash gain of approximately $166 million, including pre-tax interest of approximately $16 million.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. It is reasonably possible that a net decrease in unrecognized tax benefits from $10 million to $65 million may occur within 12 months as a result of additional worldwide uncertain tax positions, the revaluation of uncertain tax positions arising from examinations, appeals, court decisions or the closure of tax statutes.

As a result of the Tax Cuts and Jobs Act ("TCJA"), 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, the Company has recorded the taxes associated with the future remittance of these earnings. In addition, the Company no longer intends to permanently reinvest the book and tax basis difference including the undistributed earnings of the Company's Chubb business due to its divestiture. For the remainder of the Company's undistributed international earnings, unless tax effective to repatriate, the Company intends to continue to permanently reinvest these earnings. As of December 31, 2021 such undistributed earnings were approximately $6.0 billion, excluding other comprehensive income amounts. It is not practicable to estimate the amount of tax that might be payable on the remaining amounts. In addition, the TCJA subjects the Company to a tax on global intangible low-taxed income ("GILTI"). GILTI is a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations which the Company has elected to account for as a period cost.

Note 18: Earnings Per Share

Earnings per share is computed by dividing *Net income attributable to common shareowners* by the weighted-average number of shares of common stock outstanding during the period (excluding treasury stock). Diluted earnings per share is computed by giving effect to all potentially dilutive stock awards that are outstanding. The computation of diluted earnings per share excludes the effect of the potential exercise of stock-based awards, including stock appreciation rights and stock options, when the effect of the potential exercise would be anti-dilutive.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	2021	2020	2019
Net income attributable to common shareowners	**$1,664**	$1,982	$ 2,116
Basic weighted-average number of shares outstanding	**867.7**	866.5	866.2
Stock awards and equity units (share equivalent)	**22.6**	13.7	—
Diluted weighted-average number of shares outstanding	**890.3**	880.2	866.2
Antidilutive shares excluded from computation of diluted earnings per share	**0.1**	0.2(1)	—
Earnings Per Share			
Basic	**$ 1.92**	$ 2.29	$ 2.44
Diluted	**$ 1.87**	$ 2.25	$ 2.44

(1) The weighted-average number of common shares outstanding for basic and diluted earnings per share for the year ended December 31, 2020 was based on the weighted-average number of common shares outstanding for the period beginning after the Distribution Date.

On the Distribution Date, 866,158,910 shares of the Company's common stock, par value $0.01 per share, were distributed to UTC shareowners of record as of March 19, 2020. This share amount is utilized for the calculation of basic and diluted earnings per share for all periods presented prior to the Separation and the Distribution and such shares are treated as issued and outstanding for purposes of calculating historical earnings per share. It is assumed that there are no dilutive equity instruments for periods prior to the Separation and Distribution because there were no Carrier stock-based awards outstanding prior to the Separation and the Distribution.

Note 19: Acquisitions

During the year ended December 31, 2021, the Company acquired consolidated and minority-owned businesses. The aggregate cash paid, net of cash acquired, totaled $366 million and was funded through cash on hand. Acquisitions are recorded using the acquisition method of accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). As a result, the aggregate purchase price has been allocated to assets acquired and liabilities assumed based on the estimate of fair market value of such assets and liabilities at the date of acquisition. Intangible assets associated with these transactions totaled $146 million and primarily related to customer relationships, technology assets and a non-compete agreement. The excess purchase price over the estimated fair value of net assets acquired was recognized as goodwill and totaled $320 million.

Acquisition of Guangdong Giwee Group Co.

On June 1, 2021, the Company acquired a 70% controlling stake in Guangdong Giwee Group Co. and its subsidiaries ("Giwee") and subsequently acquired the remaining 30% ownership in Giwee on September 7, 2021. Giwee is a China-based manufacturer offering a portfolio of HVAC products including variable refrigerant flow, modular chillers and light commercial air conditioners. The results of Giwee are reported within the HVAC segment as of the date of acquisition. The Company has not included pro forma financial information required under ASC 805 as the pro forma impact was not deemed significant.

The excess of the purchase price over the estimated fair value of the net assets acquired was recognized as goodwill and totaled $182 million, which is not deductible for tax purposes. Accounts receivable and current liabilities were stated at their historical carrying value, which approximates fair value given the short-term nature of these assets and liabilities. The estimate of fair value for inventory and property, plant and equipment was based on an assessment of the acquired assets' condition as well as an evaluation of the current market value of such assets.

The Company recorded intangible assets which consisted of the following:

(IN MILLIONS)	Estimated Useful Life (in years)	Intangible Assets Acquired
Customer relationships	14	$ 52
Technology	10	34
Non-compete agreement	5	8
Total intangible assets acquired		$ 94

The valuation of intangible assets was determined using an income approach methodology including the multi-period excess earnings method and the relief from royalty method. Key assumptions used in estimating future cash flows included projected revenue growth rates, customer attrition rates and royalty rates. The projected future cash flows are discounted to present value using an appropriate discount rate. As of December 31, 2021, the Company has finalized the process of allocating the purchase price and valuing the acquired assets and liabilities for the Giwee acquisition.

Note 20: Divestitures

On July 26, 2021, the Company entered into a stock purchase agreement to sell its Chubb business to APi. Chubb, reported within the Company's Fire & Security segment, delivers essential fire safety and security solutions from design and installation to monitoring, service and maintenance across more than 17 countries around the globe.

The assets and liabilities of Chubb have been reclassified as held for sale in the accompanying Consolidated Balance Sheet as of December 31, 2021 and recorded at the lower of their carrying value or fair value less estimated cost to sell. In addition, depreciation and amortization was ceased in accordance with ASC 360. Based on the carrying amount of Chubb's net assets, foreign currency translation rates and other assumptions as of December 31, 2021, the Company expects to recover the carrying value of the disposal group upon completion of the transaction.

The components of Chubb's assets and liabilities recorded as held for sale were as follows:

(IN MILLIONS)	2021
Cash and cash equivalents	$ 60
Accounts receivable, net	445
Inventories, net	73
Contract assets, current	184
Other assets, current	27
Fixed assets, net	67
Intangible assets, net	545
Goodwill	940
Operating lease right-of-use assets	193
Pension and post-retirement assets	614
Other assets	20
Total assets held for sale	**$ 3,168**
Accounts payable	$ (190)
Accrued liabilities	(248)
Contract liabilities, current	(162)
Future pension and post-retirement obligations	(69)
Future income tax obligations	(273)
Operating lease liabilities	(175)
Other long-term liabilities	(17)
Total liabilities held for sale	**$(1,134)**

On January 3, 2022, the Company completed the sale of Chubb for an enterprise value of $3.1 billion, subject to working capital and other adjustments as provided in the Chubb Sale Agreement. Consistent with the Company's capital allocation strategy, the net proceeds of approximately $2.6 billion will be used to fund investments in organic and inorganic growth initiatives and capital returns to its shareowners as well as for general corporate purposes.

Note 21: Segment Financial Data

The Company conducts its operations through three reportable operating segments: HVAC, Refrigeration and Fire & Security. In accordance with ASC 280 - *Segment Reporting*, the Company's segments maintain separate financial information for which results of operations are evaluated on a regular basis by the Company's CODM in deciding how to allocate resources and in assessing performance. Inter-company sales between segments are immaterial.

- The HVAC segment provides products, controls, services and solutions to meet the heating, cooling and ventilation needs of residential and commercial customers while enhancing building performance, health, energy efficiency and sustainability. Products include air conditioners, heating systems, controls and aftermarket components as well as aftermarket repair and maintenance services and building automation solutions. Products and solutions are sold directly to building contractors and owners and indirectly through joint ventures, independent sales representatives, distributors, wholesalers, dealers and retail outlets.
- The Refrigeration segment provides a healthier, safer, more sustainable and more intelligent cold chain through the reliable transport and preservation of food, medicine and other perishable cargo. Refrigeration and monitoring products services and digital solutions strengthen the connected cold chain and are designed for trucks, trailers, shipping containers, intermodal applications, food retail and warehouse monitoring. Commercial refrigeration solutions include refrigerated cabinets, freezers, systems and controls incorporating next-generation technologies to preserve freshness, ensure safety and enhance the appearance of retail food and beverage. Products and services are sold directly to transportation companies and retail stores and indirectly through joint ventures, independent sales representatives, distributors, wholesalers and dealers.
- The Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help protect people and property. Products include fire, flame, gas, smoke and carbon monoxide detection, portable fire extinguishers, fire suppression systems, intruder alarms, access control systems and video management systems and electronic controls. Other fire and security offerings include audit, design, installation and system integration as well as aftermarket maintenance and repair and monitoring services. Products and solutions are sold directly to end customers as well as through manufacturers' representatives, distributors, dealers, value-added resellers and retail distribution.

Segment information are as follows:

	Net Sales			Operating Profit		
(IN MILLIONS)	**2021**	2020	2019	**2021**	2020	2019
HVAC	**$11,390**	$ 9,478	$ 9,712	**$1,738**	$2,462	$1,563
Refrigeration	**4,127**	3,333	3,792	**476**	357	532
Fire & Security	**5,515**	4,985	5,500	**662**	584	708
Total segment	**21,032**	17,796	19,004	**2,876**	3,403	2,803
Eliminations and other	**(419)**	(340)	(396)	**(96)**	(184)	(156)
General corporate expenses	**—**	—	—	**(135)**	(136)	(156)
Consolidated	**$20,613**	$17,456	$18,608	**$2,645**	$3,083	$2,491

Total assets are not presented for each segment as they are not presented to or reviewed by the CODM. Segment assets in the following table represent *Accounts receivable, net* , *Contract assets, current* and *Inventories, net*. These assets are regularly reviewed by management and are therefore reported in the following table as segment assets. All other remaining assets and liabilities for all periods presented are managed on a company-wide basis.

	Segment Assets		Capital Expenditures			Depreciation & Amortization		
(IN MILLIONS)	**2021**	2020	**2021**	2020	2019	**2021**	2020	2019
HVAC	**$ 2,375**	$ 2,150	**$225**	$188	$150	**$186**	$163	$160
Refrigeration	**1,285**	1,125	**39**	26	30	**36**	39	34
Fire & Security	**1,203**	1,788	**49**	51	50	**83**	108	123
Total Segment	**4,863**	5,063	**313**	265	230	**305**	310	317
Eliminations and other	**13**	3	**31**	47	13	**33**	26	18
Consolidated	**$ 4,876**	$ 5,066	**$344**	$312	$243	**$338**	$336	$335
Cash and cash equivalents	**2,987**	3,115						
Other assets, current	**376**	343						
Assets held for sale	**3,168**	—						
Total current assets	**$ 11,407**	$ 8,524						

Geographic External Sales

Geographic external sales and operating profits are attributed to the geographic regions based on their location of origin. With the exception of the U.S. as presented in the following table, there were no individually significant countries with sales exceeding 10% of total sales for the years ended December 31, 2021, 2020 and 2019.

	External Sales			Long-Lived Assets	
(IN MILLIONS)	**2021**	2020	2019	**2021**	2020
United States Operations	**$10,492**	$ 9,105	$ 9,594	**$ 772**	$ 782
International Operations					
Europe	**5,776**	4,935	5,327	**476**	490
Asia Pacific	**3,464**	2,655	2,813	**279**	249
Other	**881**	761	874	**299**	289
Consolidated	**$20,613**	$17,456	$18,608	**$1,826**	$1,810

Note 22: Related Parties

Equity Method Investments

The Company sells products to and purchases products from unconsolidated entities accounted for under the equity method, and therefore, these entities are considered to be related parties. The Company has 30 directly owned unconsolidated domestic and foreign affiliates as of December 31, 2021 and 2020, respectively, of which 99% of such investments are in its HVAC segment. Amounts attributable to equity method investees are as follows:

(IN MILLIONS)	**2021**	2020	2019
Sales to equity method investees included in *Product sales*	**$ 2,258**	$ 1,758	$ 1,807
Purchases from equity method investees included in *Cost of products sold*	**$ 357**	$ 292	$ 368

The Company had receivables from and payables to equity method investees as follows:

(IN MILLIONS)	**2021**	2020
Receivables from equity method investees included in *Accounts receivable, net*	**$150**	$161
Payables to equity method investees included in *Accounts payable*	**$ 51**	$ 38

The Company periodically reviews the carrying value of its equity method investments to determine if there has been an other-than-temporary decline in fair value. In 2020, the Company determined that indicators of impairment existed for a minority owned joint venture investment and performed a valuation of this investment using a discounted cash flow method. The Company determined that the loss in value was other-than-temporary due to a reduction in sales and earnings that were primarily driven by a deterioration in the oil and gas industry (the joint venture's primary market) and by the impact of the COVID-19 pandemic. As a result, the Company recorded a non-cash, other-than-temporary impairment charge of $71 million on this investment in 2020, which is included in *Other income (expense), net* on the accompanying Consolidated Statement of Operations. In 2019, the Company determined that indicators of impairment existed for a minority owned joint venture investment and performed a valuation of this investment using a discounted cash flow method. The Company determined that the loss in value was other-than-temporary. As a result, the Company recorded a non-cash, other-than-temporary impairment charge of $108 million on this investment in 2019, which is included in *Other income (expense), net* on the accompanying Consolidated Statement of Operations.

In September 2020, the Company sold 9.25 million B shares of Beijer for SEK290 ($32.38) per share equal to approximately 7.9% of the outstanding B shares in Beijer, through an accelerated equity offering. The Company received proceeds of approximately $300 million and recognized a pre-tax gain on the sale of $252 million, which is included in *Other income (expense), net* on the Consolidated Statement of Operations. Subsequently, in December 2020, the Company sold all of its remaining A and B shares of Beijer for SEK245 ($29.03) per share. The Company received proceeds of approximately $1.1 billion and recognized a pre-tax gain on the sale of $871 million, which is included in *Other income (expense), net* on the Consolidated Statement of Operations. Prior to the sale of the Company's remaining shares, Beijer was reported as an equity method investment.

Summarized Financial Information. Pursuant to Rule 3-10 and Rule 4-08(g) of Regulation S-X under the Securities Act, the Company is required to present summarized financial information of the combined accounts of its non-consolidated joint ventures accounted for by the equity method. Summarized unaudited financial information for equity method investments is as follows:

(IN MILLIONS)	**2021**	2020
Current assets	**$ 4,275**	$ 3,671
Non-current assets	**2,140**	2,035
Total assets	**6,415**	5,706
Current liabilities	**(2,596)**	(2,223)
Non-current liabilities	**(329)**	(298)
Total liabilities	**(2,925)**	(2,521)
Total net equity of investees	**$ 3,490**	$ 3,185

(IN MILLIONS)	**2021**	2020	2019
Net sales	**$ 9,471**	$ 9,299	$ 9,622
Gross profit	**$ 1,907**	$ 1,722	$ 1,741
Income from continuing operations	**$ 650**	$ 544	$ 578
Net income	**$ 650**	$ 544	$ 578

Note 23: Commitments and Contingent Liabilities

The Company is involved in various litigation, claims and administrative proceedings, including those related to environmental and legal matters (including asbestos). In accordance with ASC 450, the Company records accruals for loss contingencies when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. These accruals are generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, the Company accrues the minimum amount. In addition, these estimates are reviewed periodically and adjusted to reflect additional information when it becomes available. The Company is unable to predict the final outcome of the following matters based on the information currently available, except as otherwise noted. However, the Company does not believe that the resolution of any of these matters will have a material adverse effect upon the Company's competitive position, results of operations, cash flows or financial condition.

Environmental Matters

The Company's operations are subject to environmental regulation by various authorities. The Company has accrued for the costs of environmental remediation activities, including but not limited to, investigatory, remediation, operating and maintenance costs and performance guarantees. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to individual sites, including the technology required to remediate, current laws and regulations and prior remediation experience.

As of December 31, 2021 and 2020, the outstanding liability for environmental obligations are as follows:

(IN MILLIONS)	**2021**	2020
Environmental reserves included in *Accrued liabilities*	**$ 29**	$ 26
Environmental reserves included in *Other long-term liabilities*	**191**	213
Total environmental reserves	**$220**	$239

For sites with multiple responsible parties, the Company considers its likely proportionate share of the anticipated remediation costs and the ability of other parties to fulfill their obligations in establishing a provision for those costs. Accrued environmental liabilities are not reduced by potential insurance reimbursements and are undiscounted.

Asbestos Matters

The Company has been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos allegedly integrated into certain Carrier products or business premises. While the Company has never manufactured asbestos and no longer incorporates it into any currently-manufactured products, certain products that the Company no longer manufactures contained components incorporating asbestos. A substantial majority of these asbestos-related claims have been dismissed without payment or have been covered in full or in part by insurance or other forms of indemnity. Additional cases were litigated and settled without any insurance reimbursement. The amounts involved in asbestos-related claims were not material individually or in the aggregate in any period.

The Company had asbestos liabilities and related insurance recoveries as follows:

(IN MILLIONS)	**2021**	2020
Asbestos liabilities included in *Accrued liabilities*	**$ 17**	$ 17
Asbestos liabilities included in *Other long-term liabilities*	**220**	228
Total asbestos liabilities	**$237**	$245
Asbestos-related recoveries included in *Other assets, current*	**$ 5**	$ 6
Asbestos-related recoveries included in *Other assets*	**93**	97
Total asbestos-related recoveries	**$ 98**	$103

The amounts recorded for asbestos-related liabilities are based on currently available information and assumptions that the Company believes are reasonable and are made with input from outside actuarial experts. In connection with the recognition of liabilities for asbestos-related matters, the Company records asbestos-related insurance recoveries that are deemed probable. These amounts are undiscounted and exclude the Company's legal fees to defend the asbestos claims, which are expensed as incurred. As of December 31, 2021, the estimated range of liability to resolve all pending and unasserted potential future asbestos claims through 2059 is approximately $237 million to $258 million.

UTC Equity Awards Conversion Litigation

On August 12, 2020, several former employees of UTC or its subsidiaries filed a putative class action complaint (the "Complaint") in the United States District Court for the District of Connecticut against RTX, Carrier, Otis, 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 RTX, Carrier and Otis equity awards following the Separation and the Distribution. Defendants moved to dismiss the Complaint. Plaintiffs amended their Complaint on September 13, 2021 (the "Amended Complaint"). The Amended Complaint, now with RTX, Carrier and Otis as the only defendants, asserts that the defendants are liable for breach of certain equity compensation plans and for breach of the implied covenant of good faith and fair dealing. The Amended Complaint also seeks specific performance. Carrier believes that the claims against the Company are without merit. Defendants moved to dismiss the Amended Complaint on October 13, 2021.

Aqueous Film Forming Foam Litigation

As of December 31, 2021, the Company has been named as a defendant in over 1,800 lawsuits filed by individuals in or removed to the federal courts of the United States alleging that the historic use of AFFF caused personal injuries and/or property damage. The Company has also been named as a defendant in over 160 lawsuits filed by several U.S. states, municipalities and water utilities in or removed to U.S. federal courts alleging that the historic use of AFFF caused contamination of property and water supplies. In December 2018, the U.S. Judicial Panel on Multidistrict Litigation transferred and consolidated all AFFF cases pending in the U.S. federal courts against the Company and others to the MDL Court for MDL Proceedings. The individual plaintiffs in the MDL Proceedings generally seek damages for alleged personal injuries, medical monitoring and diminution in property value and injunctive relief to remediate alleged contamination of water supplies. The U.S. state, municipal and water utility plaintiffs in the MDL Proceedings generally seek damages and costs related to the remediation of public property and water supplies.

AFFF is a firefighting foam, developed beginning in the late 1960s pursuant to U.S. military specification, used to extinguish certain types of hydrocarbon-fueled fires primarily at military bases and airports. AFFF was manufactured by several companies, including National Foam and Angus Fire. UTC first entered the AFFF business with the acquisition of National Foam and Angus Fire in 2005 as part of the acquisition of Kidde. In 2013, Kidde divested the National Foam and Angus Fire businesses to a third party. The Company acquired Kidde as part of its separation from UTC in April 2020. During the eight year period of its operation by Kidde, National Foam manufactured AFFF for sale to government (including the U.S. federal government) and non-government customers in the U.S. at a single facility located in West Chester, Pennsylvania (“Pennsylvania Site”). During the same period, Angus Fire manufactured AFFF for sale outside the United States at a single facility located in Bentham, England.

The key components of AFFF that contribute to its fire-extinguishing capabilities are known as fluorosurfactants. National Foam and Angus Fire did not manufacture fluorosurfactants but instead purchased these substances from unrelated third parties. Plaintiffs in the MDL Proceedings allege that the fluorosurfactants used by various manufacturers in producing AFFF contained, or over time degraded into, compounds known as PFOS and/or PFOA. Plaintiffs further allege that, as a result of the use of AFFF, PFOS and PFOA were released into the environment and, in some instances, ultimately reached drinking water supplies.

Plaintiffs in the MDL Proceedings allege that PFOS and PFOA contamination has resulted from the use of AFFF containing fluorosurfactants manufactured using a process known as ECF. They also allege that PFOA contamination has resulted from the use of AFFF containing fluorosurfactants manufactured using a different process, known as telomerization. Plaintiffs further allege that 3M was the only AFFF manufacturer that used fluorosurfactants relying on the ECF process and that all other foam manufacturers (including National Foam and Angus Fire) relied solely on fluorosurfactants produced via telomerization. Compounds containing PFOS and PFOA (as well as many other per- and polyfluoroalkyl substances known collectively as “PFAS”) have also been used for decades by many third parties in a number of different industries to manufacture carpets, clothing, fabrics, cookware, food packaging, personal care products, cleaning products, paints, varnishes and other consumer and industrial products.

Plaintiffs in the MDL Proceedings have named multiple defendants, including four suppliers of chemicals and raw materials used to manufacture fluorosurfactants, four fluorosurfactant manufacturers, two toll manufacturers of fluorosurfactants and seven current (including National Foam and Angus Fire) and former (including the Company) AFFF manufacturers.

General liability discovery in the MDL Proceedings continues. Preliminary stage discovery in ten “bellwether” water provider cases was concluded and three of these cases were selected for tier two site-specific discovery. That discovery is ongoing. The MDL Court has established a briefing schedule with respect to certain aspects of the government contractor defense, potentially applicable to AFFF sold to or used by the U.S. government or other customers requiring product manufactured to meet military specification, such that all briefs were filed at the end of January 2022 with a hearing to follow.

Outside of the MDL Proceedings, the Company and other defendants are also party to six lawsuits in U.S. state courts brought by oil refining companies alleging product liability claims related to legacy sales of AFFF and seeking damages for the costs to replace the product and for property damage. In addition, the Company and other defendants are party to two actions related to the Pennsylvania Site in which the plaintiff water utility company seeks remediation costs related to the alleged contamination of the local water supply.

The Company believes that it has meritorious defenses to the claims in the MDL Proceedings and the other AFFF lawsuits. Based on the 2013 agreement for the sale of National Foam and Angus Fire, the Company is pursuing indemnification against these claims from the purchaser and current owner of National Foam and Angus Fire. The Company is also pursuing insurance coverage for these claims. At this time, however, given the numerous factual, scientific and legal issues to be resolved relating to these claims, the Company is unable to assess the probability of liability or to reasonably estimate the damages, if any, to be allocated to the Company, if one or more plaintiffs were to prevail in these cases, and there can be no assurance that any such future exposure will not be material in any period.

Income Taxes

Under the TMA, the Company is responsible to UTC for its share of the TCJA transition tax associated with foreign undistributed earnings as of December 31, 2017. As a result, a liability of $417 million is included within the accompanying Consolidated Balance Sheet within *Other Long-Term Liabilities* as of December 31, 2021. This obligation is expected to be settled in annual installments ending in April 2026 with the next installment of $34 million due in 2023. The Company believes that the likelihood of incurring losses materially in excess of this amount is remote.

Self-Insurance

The Company maintains self-insurance for a number of risks, including but not limited to, workers’ compensation, general liability, automobile liability, property and employee-related healthcare benefits. It has obtained insurance coverage for amounts exceeding individual and aggregate loss limits. The Company accrues for known future claims and incurred but not reported losses.

The Company's self-insurance liabilities were as follows:

(IN MILLIONS)	2021	2020
Self-insurance liabilities included in *Accrued liabilities*	**$ 154**	$ 164
Self-insurance liabilities included in *Other long-term liabilities*	**72**	85
Total self-insurance liabilities	**$ 226**	$ 249

The Company incurred expenses related to self-insured risks of $155 million, $145 million and $177 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Other Matters

The Company has other commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising in the ordinary course of business. The Company accrues for contingencies generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, the Company accrues the minimum amount.

In the ordinary course of business, the Company is also routinely a defendant in, party to or otherwise subject to many pending and threatened legal actions, claims, disputes and proceedings. These matters are often based on alleged violations of contract, product liability, warranty, regulatory, environmental, health and safety, employment, intellectual property, tax and other laws. In some of these proceedings, claims for substantial monetary damages are asserted against the Company and could result in fines, penalties, compensatory or treble damages or non-monetary relief. The Company does not believe that these matters will have a material adverse effect upon its competitive position, results of operations, cash flows or financial condition.

Note 24: Supplemental Cash Flow Information

Supplemental cash flow information was as follows:

(IN MILLIONS)	2021	2020	2019
Interest paid, net of amounts capitalized	**$ 317**	$196	$ 28
Interest paid - related party	**$ —**	$ —	$ 55
Income taxes paid for - related party	**$ —**	$ —	$475
Income taxes paid, net of refunds	**$ 675**	$819	$284
Non-cash financing activity:			
Common stock dividends payable	**$ 130**	$108	$ —

Note 25: Subsequent Events

Share Repurchase Program

On January 4, 2022, the Company announced that it has entered into an accelerated share repurchase agreement to repurchase $500 million of the Company's common stock pursuant to the Company's existing share repurchase program. The final settlement of the accelerated share repurchase is expected to be completed in the first quarter of 2022.

Toshiba Carrier Corporation Acquisition Agreement

On February 6, 2022, the Company entered into a binding agreement to acquire a majority ownership stake in Toshiba Carrier Corporation ("TCC") for approximately $900 million. TCC, a variable refrigerant flow ("VRF") and light commercial HVAC joint venture between Carrier and Toshiba Corporation, designs and manufactures flexible, energy-efficient and high-performance VRF and light commercial HVAC systems as well as commercial products, compressors and heat pumps. The acquisition will include all of TCC's advanced research and development centers and global manufacturing operations, product pipeline and the long-term use of Toshiba's iconic brand. The transaction is expected to close before the end of the third quarter of 2022, subject to customary closing conditions, including regulatory approvals. Upon closing, Toshiba Corporation will retain a 5% ownership in TCC.

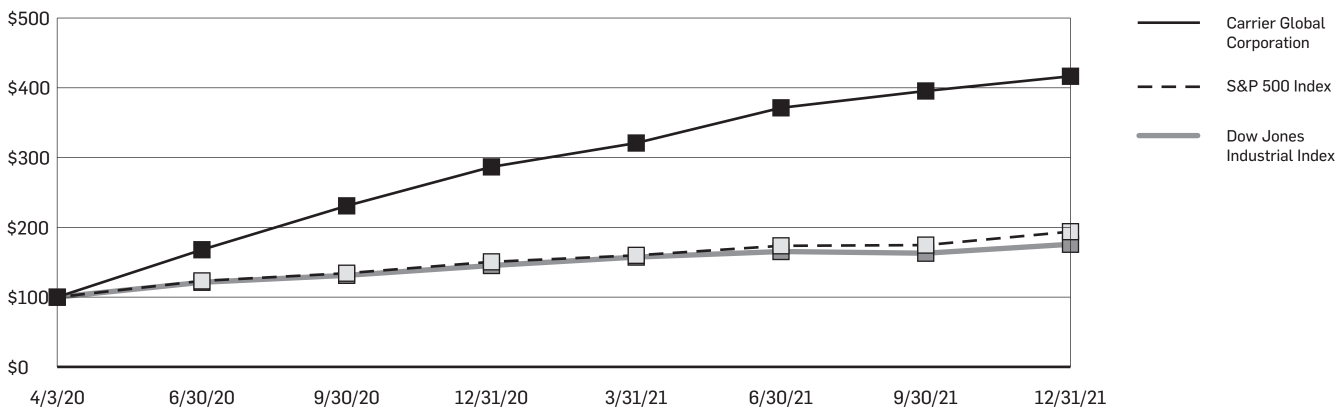
Comparison of Cumulative Total Return

PERFORMANCE GRAPH

The following information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

On April 3, 2020, UTC completed the Separation of Carrier into a stand-alone company. As a result of the Separation and the Distribution, Carrier became an independent public company. The following graph presents the cumulative total shareowner return from the Distribution Date through December 31, 2021 for our common stock, as compared with the S&P 500 Index and the Dow Jones Industrial Average.

Our common stock is a component of the S&P 500 Index. These figures assume that all dividends paid over the period were reinvested and that the starting value of each index and the investment in Carrier common stock was $100 on April 3, 2020.



The cumulative total returns on Carrier common stock and each index as of each April 3, 2020 through December 31, 2021 plotted in the above graph are as follows:

COMPANY / INDEX	April 3, 2020	June 30, 2020	Sept. 30, 2020	Dec. 31, 2020	**March 31, 2021**	**June 30, 2021**	**Sept. 30, 2021**	**Dec. 31, 2021**
Carrier Global Corporation	$100.00	$167.93	$230.82	$286.66	**$320.86**	**$371.32**	**$395.46**	**$416.55**
S&P 500 Index	$100.00	$123.27	$134.28	$150.59	**$159.89**	**$173.56**	**$174.57**	**$193.82**
Dow Jones Industrials Index	$100.00	$121.27	$131.23	$145.31	**$157.36**	**$165.35**	**$162.93**	**$175.75**

Reconciliation of Non-GAAP Measures to Corresponding GAAP Measures

Net Income, Earnings Per Share, and Effective Tax Rate

	(Unaudited)					
	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
(DOLLARS IN MILLIONS - INCOME (EXPENSE), EXCEPT PER SHARE AMOUNTS	**Reported**	**Adjustments**	**Adjusted**	Reported	Adjustments	Adjusted
Net sales	**$ 20,613**	**$ —**	**$ 20,613**	$17,456	$ —	$17,456
Operating profit	**$ 2,645**	**159[a]**	**$ 2,804**	$ 3,083	(851)[a]	$ 2,232
Operating margin	***12.8%***		***13.6%***	*17.7%*		*12.8%*
Income from operations before income taxes	**$ 2,400**	**178[a,b]**	**$ 2,578**	$ 2,855	(846)[a,b]	$ 2,009
Income tax expense	**$ (699)**	**171[c]**	**$ (528)**	$ (849)	326[c]	$ (523)
Income tax rate	***29.1%***		***20.5%***	*29.7%*		*26.0%*
Net income attributable to common shareowners	**$ 1,664**	**$ 349**	**$ 2,013**	$ 1,982	$ (520)	$ 1,462
Summary of Adjustments:						
Restructuring costs		**$ 89[a]**			$ 49[a]	
Separation costs		**20[a]**			141[a]	
Acquisition and other related costs		**7[a]**			—	
Chubb transaction costs		**43[a]**			—	
Gain on Sale of Joint Venture		**—**			(1,123)[a]	
Impairment of equity method investment		**—**			71[a]	
Litigation charge		**—**			11[a]	
Debt prepayment costs		**19[b]**			—	
Debt issuance costs		**—**			5[b]	
Other		**—**			—	
Total adjustments		**$ 178**			$ (846)	
Tax effect on adjustments above		**$ (29)**			$ 217	
Tax specific adjustments		**200**			109	
Total tax adjustments		**$ 171[c]**			$ 326[c]	
Shares outstanding - Diluted	**890.3**		**890.3**	880.2		880.2
Earnings per share - Diluted	**$ 1.87**		**$ 2.26**	$ 2.25		$ 1.66

Reconciliation of Segment Results to Adjusted Segment Results

(IN MILLIONS)	HVAC	Refrigeration	Fire & Security	General Corporate Expenses and Eliminations and Other	Carrier
	(Unaudited) For the Year Ended December 31, 2021				
Net sales	$11,390	$ 4,127	$ 5,515	$ (419)	$20,613
Segment operating profit	$ 1,738	$ 476	$ 662	$ (231)	$ 2,645
Adjustments to segment operating profit:					
Restructuring costs	(33)	(25)	(26)	(5)	(89)
Acquisition and other related costs	(5)	—	—	(2)	(7)
Chubb transaction costs	—	—	(42)	(1)	(43)
Separation costs	—	—	—	(20)	(20)
Total Adjustments to operating profit	(38)	(25)	(68)	(28)	(159)
Adjusted operating profit	$ 1,776	$ 501	$ 730	$ (203)	$ 2,804
Adjusted operating margin	15.6%	12.1%	13.2%		13.6%

(IN MILLIONS)	HVAC	Refrigeration	Fire & Security	General Corporate Expenses and Eliminations and Other	Carrier
	(Unaudited) For the Year Ended December 31, 2020				
Net sales	$ 9,478	$ 3,333	$ 4,985	$ (340)	$ 17,456
Segment operating profit	$ 2,462	$ 357	$ 584	$ (320)	$ 3,083
Adjustments to segment operating profit:					
Restructuring costs	(7)	(12)	(28)	(2)	(49)
Impairment charge on minority owned joint venture investment	(71)	—	—	—	(71)
Gain on sale of interest in joint venture	1,123	—	—	—	1,123
Charge resulting from litigation matter	(11)	—	—	—	(11)
Separation costs	(2)	(6)	(16)	(117)	(141)
Total Adjustments to operating profit	1,032	(18)	(44)	(119)	851
Adjusted operating profit	$ 1,430	$ 375	$ 628	$ (201)	$ 2,232
Adjusted operating margin	15.1%	11.3%	12.6%		12.8%

Reconciliation of Net Cash Flows From Operating Activities to Free Cash Flow

(IN MILLIONS)	(Unaudited) For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Net cash flows provided by operating activities	**$ 2,237**	$1,692
Less: Capital expenditures	**344**	312
Free cash flow	**$ 1,893**	$1,380

Reconciliation of Net Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

(IN MILLIONS)	(Unaudited) For the Twelve Months Ended December 31, 2021[1]	For the Twelve Months Ended December 31, 2020	For the Three Months Ended March 31, 2020[2]
Long-term debt	**$ 9,513**	$10,036	$ 11,029
Current portion of long-term debt	**183**	191	218
Less: Cash and cash equivalents	**2,987**	3,115	768
Net debt	**$ 6,709**	$ 7,112	$ 10,479
Net income attributable to common shareowners	**$ 1,664**	$ 1,982	
Plus:			
Interest expense	**319**	298	
Income tax expense	**699**	849	
Depreciation and amortization	**338**	336	
EBITDA	**$ 3,020**	$ 3,465	
Adjustments:			
Total non-recurring and non-operational adjustments, excluding interest and tax adjustments	**159**	(851)	
Non-service pension benefit	**(61)**	(60)	
Non-controlling interest in subsidiaries' earnings from operations	**37**	24	
Adjusted EBITDA	**$ 3,155**	$ 2,578	
Net debt to adjusted EBITDA	**2.1**	2.8	

(1) On January 3, 2022, Carrier received net proceeds of $2.6 billion from the Chubb divestiture, reducing out net debt to approximately $4.1 billion upon the close of the transaction.
(2) On April 1, 2020, Carrier received cash contributions totaling $590 million from UTC related to the Separation, resulting in net debt of approximately $9.9 billion as of April 3, 2020.

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Timothy White *
President, Refrigeration

* Executive Officer

Shareowner Information

Corporate Office
Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, FL 33418
561.365.2000
www.corporate.carrier.com

This report is made available to shareowners in advance of the annual meeting of shareowners scheduled to be held at 8 a.m. Eastern Time on April 14, 2022, in a virtual-only format to protect the health of our shareowners, directors and employees during the COVID-19 pandemic. The proxy statement will be made available to shareowners on or about March 1, 2022, and will provide additional information about voting and participating in the meeting.

Stock Listing
New York Stock Exchange (ticker symbol “CARR”)

Transfer Agent and Registrar
Computershare Trust Company, N.A., is the transfer agent, registrar and dividend disbursing agent for Carrier’s common stock. Questions and communications from registered shareowners should be directed to:

Computershare Trust Company, N.A.
462 South 4th Street
Suite 1600
Louisville, KY 40202
866.507.8028
781.575.3345 (outside U.S.)
www.computershare.com/investor

Electronic Access or Delivery of Shareowner Communications
Registered shareowners can help conserve natural resources and reduce printing and mailing costs incurred by Carrier by signing up for electronic communications, including annual meeting materials, stock plan statements and tax documents, at: *www.computershare-na.com/green*.

Beneficial shareowners may be able to request electronic access or delivery by contacting their broker or bank, or Broadridge Financial Solutions at: *www.investordelivery.com*.

2021 Annual Report on Form 10-K
Copies of the Carrier Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission can be accessed and downloaded via our website at: *https://ir.carrier.com/financials/sec-filings*.

Copies also can be obtained, without charge, from:

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13995 Pasteur Boulevard
Palm Beach Gardens, FL 33418
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Investor Relations
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Among the
Best Places to Work for LGBTQ Equality
Human Rights Campaign Foundation Corporate Equality Index, 2021

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