

Risk Factors Comparison 2025-02-03 to 2024-02-05 Form: 10-K

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Our business, operating results, financial condition, and liquidity can be impacted by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. **INDUSTRY RISKS** Our business may be adversely affected by changes in global economic, capital market, and political conditions. Our business, operating results, financial condition, and liquidity may be adversely affected by changes in global economic conditions, international relations, and geopolitical events and actions, including inflation, credit market conditions, levels of consumer and business confidence, commodity (including energy) prices and supply, trade policies **(including tariffs)**, exchange rates, ~~changing policy positions or priorities~~, levels of government spending and deficits, the threat environment, political conditions, and actual or anticipated default on sovereign debt. ~~The current global supply chain challenges and inflationary pressures have negatively affected, and we expect will continue to negatively affect~~, our performance **and** ~~as well as~~ the performance of our suppliers and subcontractors. ~~High inflation~~ **Inflation has** levels have increased material and component prices, labor rates, and supplier costs. In addition, due to the nature of our government and commercial aerospace businesses, and their respective customer and supplier contracts, we may be unable to increase our contract value or pricing to offset cost increases, in particular on our fixed price contracts. Our operating profits and margins under our contracts could be adversely affected by these factors. ~~Similarly~~ **In addition, high** interest ~~rate~~ **rates can** increases ~~increase the cost of borrowing~~ **have created financial market volatility and could further negatively impact financial markets, lead to an economic downturn or recession,** and tighten the availability of, ~~and increase the cost of,~~ capital for the Company, which could have an adverse effect on our operating results, financial condition, and liquidity. Tightening of credit in financial markets also could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations, could result in a decrease in, or cancellation of, orders for our products and services, could impact the ability of our customers to make payments, and could increase the risk of supplier financial distress. **Moreover, volatility in interest rates and financial markets can lead to economic uncertainty, an economic downturn or recession and impact the demand for our products and services as well as impact our supply chain.** Our global business is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, air travel, the financial strength **and performance of airframers,** airlines and business jet operators, and government procurement. In addition, geopolitical risks could affect government priorities, budgets, and policies, such as U. S. approvals of our foreign defense sales as well as sanctions, **imposition of tariffs,** and other trade- restrictive activities, which could impact sales of defense and other products and services. Changes in U. S. government defense spending could negatively impact our financial position, results of operations, liquidity, and overall business. U. S. government sales constitute a significant portion of our consolidated sales. Our U. S. government revenues largely result from contracts awarded under various U. S. government programs, primarily defense-related programs with the U. S. Department of Defense (DoD), and a broad range of programs with ~~the U. S. Intelligence Community and~~ other departments and agencies. Changes in U. S. government defense spending for various reasons, including as a result of potential changes in policy or budgetary positions or priorities, could negatively impact our results of operations, financial condition, and liquidity. Our programs are subject to U. S. government policies, budget decisions, and appropriation processes, which are driven by numerous factors including U. S. domestic and broader geopolitical events, macroeconomic conditions, and the ability of the U. S. government to enact relevant legislation, such as appropriations bills. In recent years, U. S. government appropriations have been affected by larger U. S. government budgetary issues and related legislation, and the U. S. government has been unable to complete its budget process before the end of its fiscal year, resulting in both governmental shutdowns and continuing resolutions (~~CRs~~) providing only enough funds for U. S. government agencies to continue operating at prior- year levels. The U. S. government is currently operating under a **CR continuing resolution** to keep the government funded while Congress works to enact full year fiscal year ~~2024~~ **2025** (~~FY24~~ **FY25**) appropriation bills. ~~While we expect~~ **It is currently uncertain whether** Congress **will be able to enact** complete the full year ~~FY24~~ **FY25** appropriations ~~appropriation bills and before the current CR expire,~~ **if such bills are passed, the spending levels and priorities for defense and other areas. If** Congress is unable to complete the ~~FY24~~ **FY25** appropriation bills, (or pass another **CR continuing resolution**), then the U. S. government would shut down, during which **time** federal agencies would cease all non- essential functions. Our business, program performance, and results of operations could be impacted by the resulting disruptions to federal government offices, workers, and operations, including risks relating to the funding of certain programs, stop work orders, as well as delays in contract awards, new program starts, payments for work performed, and other actions. We also may experience similar impacts in the event of an extended period of continuing resolutions. Generally, the significance of these impacts will primarily be based on the length of the continuing resolution or shutdown. Furthermore, under the Fiscal Responsibility Act of 2023, which imposes limits on discretionary spending for defense and non- defense programs in exchange for the lifting of the debt ceiling in June 2023, if Congress fails to enact all appropriation bills by April 30, ~~2024~~ **2025**, then the budget caps will be reduced and corresponding automatic reductions to agency budget accounts will be enforced through sequestration. As a result, U. S. government defense spending levels are subject to a wide range of outcomes and are difficult to predict beyond the near- term due to numerous factors, including the external threat environment, future governmental priorities, and the state of governmental finances. Significant changes in U. S. government defense spending or changes in U. S. government priorities, policies, and requirements could have a material adverse effect on our results of operations, financial condition, and liquidity. We face risks relating to our U. S. government contracts and programs, including the mix of our U. S.

government contracts and programs, our performance, and our ability to control costs. The termination of one or more of our U. S. government contracts, or the occurrence of performance delays, cost overruns (due to inflation or otherwise), product failures, shortages in materials, components, or labor, contract definitization delays, or other failures to perform to customer expectations and contract requirements, could negatively impact our reputation and competitive position, results of operations, financial condition, and liquidity. U. S. government contracts **with prime contractors** generally permit the government to terminate the contract, in whole or in part, without prior notice, at the U. S. government's convenience or for default based on performance. If one of our contracts is terminated for convenience, we would generally be entitled to payments for our allowable costs incurred, termination costs, and would receive some allowance for profit on the work performed. If one of our contracts is terminated for default, we would generally be entitled to payments for work accepted by the U. S. government. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts and orders. In addition, we are a subcontractor on some programs, and the U. S. government could terminate the prime contract for convenience or otherwise, without regard to our performance as a subcontractor. We may not be able to offset lost revenues resulting from contract termination. Moreover, because the funding of U. S. government programs is subject to congressional appropriations made on a fiscal year basis even for multi- year programs, programs are often only partially funded initially and may not continue to be funded in future years. Appropriation bills may be delayed, which may result in delays to funding, the collection of receivables, and our contract performance due to lack of authorized funds to procure related products and services. The timing of contract definitization can be affected by factors specific to the U. S. government, including staffing limitations. Under certain circumstances, we may use our own funds to meet our customer's desired delivery dates or other requirements, but we may not be reimbursed. Further, if appropriations for one of our programs become unavailable, reduced, or delayed, the U. S. government may terminate for convenience our contract or subcontract under that program. In addition, our U. S. government contracts typically involve the development, application, and manufacture of advanced defense and technology systems and products aimed at achieving challenging goals. As a result of untested or unproven technologies, or modified requirements or specifications, we may experience technological and other performance difficulties (including delays, setbacks, cost overruns, or product failures), our attention or resources may be diverted from other projects, and our future sales opportunities may be impacted. Additionally, as our customers demand more mature and proven solutions, we may be required to invest in development prior to contract award with no guarantee of award. **Our profitability could be negatively affected based on the mix of our U. S. government contracts and programs and the costs incurred of performing the work, especially if we are unable to control costs or if our initial cost estimates are incorrect, particularly under fixed- price development contracts**. Our U. S. government contracts are typically either fixed- priced contracts or cost reimbursement contracts. Fixed- price contracts are predominantly either firm fixed- price (FFP) contracts or fixed- price incentive (FPI) contracts. Under FFP contracts, we receive a fixed price irrespective of the actual costs we incur, and we therefore carry the burden of any cost overruns. Under FPI contracts, we generally share with the U. S. government savings for cost underruns less than target costs and expenses for cost overruns exceeding target costs up to a negotiated ceiling price. We carry the entire burden of cost overruns exceeding the ceiling price amount under FPI contracts, which may result in a cumulative adjustment in the period our estimates change. Under cost reimbursable contracts, we are reimbursed for allowable costs and are typically paid a fixed or performance- based fee, but we are generally not reimbursed for unauthorized costs exceeding a cost ceiling amount or costs not allowable under the contract or applicable regulations. Excess costs on cost reimbursable contracts could also result in lower profit rates. We may incur unexpected costs for various reasons, including technical and manufacturing challenges, schedule delays, **shortages in the timeliness and availability of** materials, components, or labor, **the inaccuracy of initial contract cost estimates**, internal and subcontractor performance, **or** product quality issues, inability to achieve the benefits of our **expected** cost reduction, digital transformation, manufacturing, operating, and other strategic initiatives, inflation, **inability to pass on tariff costs**, and changing laws or regulations, natural disasters, and public health crises. **If we are unable to control costs or if our initial cost estimates are incorrect, our profitability could be negatively affected, particularly under fixed- price development contracts**. We may also experience cost underruns which would reduce contract value and related expected revenues, and we may be unable to expand the contract scope or secure additional work to offset the resulting lost revenues. While contracts for development programs with complex design and technical challenges are often cost reimbursable, they can be FFP or FPI, which can significantly increase our risk of a potential negative profit adjustment, as development contracts by nature involve elements that have not been undertaken before and, thus, are highly subject to future unexpected cost growth. In addition, other contracts in backlog are for the transition from development to production, which includes starting and stabilizing a manufacturing and test line while the final design is still being validated. Moreover, over the past several years, the DoD has increased its use of Other Transaction Authority (OTA) agreements, under which it awards certain prototypes, research, and production contracts without all of the procurement requirements that typically apply to DoD contracts, including justification of sole source awards. OTAs may use fixed- price contracting during all phases of the contract, or mandated contract cost sharing. They may also require non- traditional subcontractor participation and impose other requirements that differ from our other DoD contracts. Our business may be negatively impacted if we are unable to bid for OTA work and / or perform on our OTA agreements, including any applicable non- traditional requirements. In addition, in order to support U. S. government priorities, we may begin performance **on prior to completing contract negotiations for** an undefinitized contract action with a not- to- exceed price **before completing contract negotiations on the terms, specifications, or price between the parties. The U. S. government has the ability to unilaterally definitize contracts, which would obligate us to perform under terms and conditions imposed by the U. S. government, affecting our ability to negotiate mutually agreeable contract terms**. Uncertainties in final contract price, specifications and terms, or loss of negotiating leverage associated with particularly long delays in contract definitization may negatively affect our profitability. Our U. S. government contracts also require us to comply with extensive and evolving procurement **laws**, rules and regulations and subject us to potential U. S. government

surveillance, audits, investigations, and disputes. We are also involved in programs that are classified by the U. S. government, which have security requirements that place limits on our ability to discuss our performance on these programs, including any risks, disputes, and claims. Our international business is subject to economic, regulatory, competition, and other risks. Our international sales and operations are subject to risks associated with political and economic factors, regulatory requirements, competition, and other risks. A significant portion of our sales are international, including U. S. export sales. Our non- U. S. operations transactions may be denominated in local currencies. Foreign currency exchange rate fluctuations (including their impact on supplier prices) may negatively affect demand for our products and our reported profits, as well as our operating margins. The majority of our commercial aerospace sales are in U. S. Dollars, while the majority of their non- U. S. operating costs are incurred in the applicable local currency. Pratt & Whitney Canada is especially susceptible to fluctuations in exchange rates for this reason. In addition, because our financial statements are denominated in U. S. Dollars, currency fluctuations may cause translation gains or losses for non- U. S. operating unit financial statements. Our international sales and operations are also subject to risks associated with local government laws, regulations, and policies, including with respect to investments, taxation, exchange controls, capital controls, employment regulations, and repatriation of earnings, and tariffs. Differing legal systems, customs, and contract laws and regulations pose additional risk. International transactions may include contractual terms that differ from those of similar contracts in the U. S. or that may be interpreted differently in foreign countries. In addition, in certain foreign countries, we engage foreign non- employee representatives and consultants for international sales and teaming with international subcontractors, partners, and suppliers for international programs. While we have robust policies and controls in place, these engagements expose us to various challenges including risks associated with the Foreign Corrupt Practices Act (FCPA) and local antibribery laws and regulations. From time to time, we have disputes with such representatives regarding claimed commissions and other matters which can result in litigation or arbitration. In addition, we face risks related to the unintended or unauthorized use of our products. Our international business faces substantial competition from both U. S. companies and foreign companies. In some instances, foreign companies may be owned by foreign governments or may receive loans, marketing subsidies, and other assistance from their governments that may not be available to U. S. companies or our foreign subsidiaries. In addition, foreign companies may be subject to fewer restrictions on technology transfer than U. S. companies. Our international contracts, particularly for sales of defense products and services, may include offset obligations or industrial cooperation obligations requiring specific local purchases, manufacturing agreements, technology transfer agreements, financial support obligations, or other local investments, sometimes in the form of in- country industrial participation (ICIP) agreements. Approvals of offset or ICIP thresholds and requirements may be subjective and time- consuming and may delay contract awards. Certain customers' demands are increasing for greater offset or ICIP commitment levels, higher- value content, including the transfer of technologies and capabilities, and local production and economic development. In addition, our ability to satisfy customer demands relating to the transfer of technologies and capabilities under ICIP arrangements and other international contracts may be limited by U. S. government export controls. As a result of the above factors, we could experience financial penalties and award and funding delays on international programs, our profitability on these programs could be negatively affected, and we could incur losses on these programs that could negatively impact our results of operations, financial condition, and liquidity. Geopolitical factors and changes in policies and regulations could adversely affect our business. Our international sales and operations are sensitive to changes in foreign national priorities, foreign government budgets, and regional and local political and economic factors, including wars and armed conflicts, political or civil unrest, volatility in energy prices or supply, inflation, interest rates, changes in threat environments and political relations, and geopolitical uncertainties, and changes in U. S. foreign policy. Our international sales and operations are also sensitive to changes in U. S. or foreign government laws, regulations, and policies, including those related to tariffs, sanctions, embargoes, export and import controls, other trade restrictions, and trade agreements. Events such as increased trade restrictions, retaliatory trade policies, or regime change can affect demand for our products and services, the competitive position of our products, our supply chain, and our ability to manufacture or sell products in certain countries. Further, operations in emerging market countries are subject to additional risks, including volatility in rates of economic growth, government instability, cultural differences (such as employment and business practices), the imposition of exchange and capital controls, and risks associated with exporting components manufactured in those countries for incorporation into finished products completed in other countries. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. In addition, given the role of our defense businesses in the support of the national security interests of the U. S. and its allies, we are subject to risks and uncertainties relating to policies of the U. S. and its allies, as well as other countries, including those that are or become regarded as potential adversaries or threats. We engage in both direct commercial sales, which generally require U. S. government licenses and approvals, as well as foreign military sales, which are government- to- government transactions initiated by, and carried out at the direction of, the U. S. government. Changes in budgets and spending levels, policies, or priorities, which are subject to geopolitical risks and threats, may impact our defense businesses, including the timing of and delays in U. S. government licenses and approvals for sales, the risk of sanctions or other restrictions, as well as potential human rights issues associated with the use of our defense products. These risks and uncertainties may directly or indirectly impact our commercial businesses as well. ~~In Of note, in February 2023, China announced sanctions against Raytheon Missiles & Defense (RMD) (a former RTX Corporation (RTX) business segment, which became part of Raytheon as a result of the July 1, 2023 RTX segment realignment), and previously announced it may take measures against RTX, in connection with certain foreign military sales to Taiwan. The Chinese sanctions against RMD included a fine equal to twice the value of the arms that RMD sold to Taiwan since September 2020. Since that time In addition, in September 2022, China has announced additional indicated that it decided to sanction sanctions our Chairman against the Raytheon business and a Collins Aerospace (Collins) joint venture~~ Chief Executive Officer, Gregory Hayes, in connection with another foreign military sale to Taiwan involving

~~RTX products and services.~~ If China were to ~~enforce sanctions,~~ impose additional **sanctions, enforce announced** sanctions, or take other regulatory action against RTX, our suppliers, affiliates, or partners, it could potentially disrupt our business operations. ~~The Any~~ impact of ~~the these announced sanctions~~ or other potential sanctions, or other actions by China, is uncertain. Our businesses have sold, and are expected to sell in the future, additional defense products to Taiwan from time to time in alignment with ~~our~~ U. S. government policy, and we are unable to determine the potential impact, if any, of any future sanctions or other actions by China in response to these sales. Moreover, the Chinese government has generally expanded its ability to restrict China- related import, export and investment activities, which may have an adverse impact on our ability to conduct business or sell our commercial aerospace products in China. In addition, in response to Russia's invasion of Ukraine, the U. S. government and the governments of various jurisdictions in which we operate ~~—~~ have imposed broad economic sanctions and export controls targeting specific industries, entities, and individuals in Russia. The Russian government has implemented similar counter- sanctions and export controls targeting specific industries, entities, and individuals in the U. S. and other jurisdictions in which we operate, including certain members of the Company's management team and Board of Directors. These government measures, among other limitations, restrict transactions involving various Russian banks and financial institutions and impose enhanced export controls limiting transfers of various goods, software, and technologies to and from Russia, including broadened export controls specifically targeting the aerospace sector. These measures have adversely affected and could continue to adversely affect the Company and / or our supply chain, business partners, or customers. We continue to closely monitor ~~developments in the war between Israel and Hamas that began on October 7, 2023, including~~ potential impacts to RTX's business, customers, suppliers, employees, and operations in Israel, the Middle East, and **the region at elsewhere.** ~~At this time, impacts to RTX are large minimal~~ **due to the war in Gaza, including a recently- announced ceasefire, the related escalation of conflict and instability in the region, and the regime change in Syria.** RTX's commercial manufacturing facilities in Israel remain open and operational and have continued exporting products and importing critical items and raw materials. ~~RTX's The war has also not impacted our~~ defense programs' ability to receive components from Israel. ~~For some products~~ **has not been impacted in any material respect, there although we could be experience** future delivery delays ~~because of~~ **certain products if the ongoing war ceasefire does not hold, or if further escalations arise.** ~~The~~ **overall impacts to RTX from this situation have been minimal; however, given the volatile nature of the situation,** ~~the~~ potential impacts to RTX are subject to change ~~given the volatile nature of the situation.~~ Our financial performance is dependent on the condition of the aerospace industry. Our commercial aerospace businesses constitute a substantial portion of our financial results, and the performance of those businesses is directly tied to economic conditions in the commercial aerospace industry, which is cyclical in nature. Capital spending and demand for aircraft engines, aerospace products, and component aftermarket parts and services is limited to commercial airlines, lessors, other aircraft operators, and aircraft manufacturers that are influenced by a wide variety of factors, including current and predicted traffic levels, load factors, aircraft fuel prices, labor issues, airline consolidation, bankruptcies and restructuring activities, competition, the retirement of older aircraft, corporate profitability and financial health, cost reduction efforts, tightening of credit in financial markets and the availability of aircraft leasing and financing alternatives, remaining performance obligations levels, the satisfaction of certification or other regulatory requirements for aircraft in various jurisdictions, regulatory changes, terrorism and related safety concerns, **political stability,** and general economic conditions. Any of these factors affecting the industry could reduce the sales and margins of our aerospace businesses. In addition, because we have significant business with Airbus and Boeing, our aerospace businesses could be adversely affected by challenges faced by these or other individual customers. Other factors, including future terrorist actions, aviation safety concerns, ~~pandemic public~~ health issues, or major natural disasters, could also dramatically reduce the demand for commercial air travel, which could negatively impact the sales and margins of our aerospace businesses. Additionally, because a substantial portion of product deliveries to commercial aerospace customers are scheduled for delivery in the future, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. At times, our aerospace businesses also enter into ~~FFP firm fixed-price~~ or cost- share development contracts with customers, which may require us to bear cost overruns related to unforeseen technical and design challenges that arise during the development and early production stages of ~~the a~~ program. Spare parts sales and aftermarket services, particularly under long- term aftermarket contracts are also affected by similar factors, including usage, pricing, technological improvements, regulatory changes, and the retirement of older aircraft. Furthermore, because of the lengthy research and development cycle involved in bringing products in these business segments to market, we cannot predict the economic conditions that will exist when any new product is ready to enter into service. A reduction in spending in the commercial aviation industry could have a significant effect on the demand for our products, which could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. We design, manufacture, and service products that incorporate advanced technologies; the introduction of new products and technologies involves risks, and we may not realize the degree or timing of benefits initially anticipated. The design, development, production, sale, and support of innovative commercial aerospace and defense systems and products involves advanced technologies. We invest substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products, and services aimed at meeting the ever- evolving product, program, and service needs of our customers. Our ability to realize the anticipated benefits of our investments depends on a variety of factors, including **the competitiveness of our offerings' performance relative to our peers;** meeting development, production, certification, and regulatory approval schedules; receiving regulatory approvals; execution of internal and external performance plans; achieving cost and production efficiencies; availability and quality of supplier- and internally- produced parts and materials; availability of supplier and internal facility capacity to perform maintenance, repair, and overhaul services; availability of test equipment; development of complex software; hiring and training of qualified personnel; identification of emerging technological trends for our target end- customers; the level of customer interest in new technologies and products; **requirements to provide disclosure and company intellectual property rights for**

certain government procurement programs; and customer acceptance of our products and technologies ; and the level of competition as described below. For example we are investing in artificial intelligence, among other advanced technologies, and we our business may be adversely affected if we are unable to successfully integrate the technology into our internal business processes and products and services in a timely, cost- effective, compliant, and responsible manner. The methods and processes we use to develop, deploy or keep pace otherwise use artificial intelligence systems may be found to not be in compliance with this rapidly changing technology evolving regulatory standards thereby preventing or frustrating our use of the systems or creating liability for us. These methods and processes may further perform in unexpected ways or be misused, jeopardizing RTX' s intellectual property or potentially resulting in unexpected loss or misappropriation of intellectual property. Improper use of artificial intelligence could also lead to data breaches, undetected cyber- attacks, regulatory action, and reputational risks . In addition, our customers manufacture or acquire end products and systems that incorporate certain of our products. These end products and systems may also incorporate additional technologies manufactured by third parties and involve additional risks and uncertainties. As a result, the performance and industry acceptance of these larger systems and end products could affect the level of customer interest in, and acceptance of, our products in the marketplace. In addition, many of our products must adhere to strict regulatory and market- driven safety and performance standards in a variety of jurisdictions. The evolving nature of these standards, along with the long duration of development, production, and aftermarket support programs, creates uncertainty regarding program profitability, particularly with our aircraft engine products. Development efforts divert resources from other potential investments in our businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings alternative investments . In addition, the industries for our products or products that incorporate our technologies may not develop or grow as we anticipate. We, or our customers, suppliers, or subcontractors, may encounter difficulties in developing and producing new products and services, and may not realize the degree or timing of benefits initially anticipated or may otherwise suffer significant adverse financial consequences. Due to the design complexity of our products, or those of our customers or third party manufacturers that incorporate our products into theirs or our customers' products, we may experience delays in completing the development and introduction of new products, or we may experience the suspension of production after these products enter into service due to safety concerns. Delays and / or suspension of production could result in increased development costs or deflect resources from other projects. If we fail in our development projects or if our new products or technologies fail to achieve customer acceptance or competitors develop more capable technologies or offerings, we may be unsuccessful in obtaining new contracts or winning all or a portion of next generation programs, including in key areas such as advanced sensing solutions, next- generation aircraft engine technologies, advanced avionics solutions and hypersonics. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. In particular, Pratt & Whitney' s Geared Turbofan (GTF) family of engines incorporates advanced technologies. The level of orders received for the GTF Geared Turbofan family of engines, coupled with a requirement to achieve mature production levels in a very short time frame, have require required significant growth in our manufacturing and supply chain capacity. In addition, in July 2023 Pratt & Whitney determined that a rare condition in powder metal used to manufacture certain engine parts requires accelerated inspection of the PW1100G- JM (PW1100) Geared Turbofan (GTF) fleet, which powers the A320neo family of aircraft , resulting . This issue has resulted in increased engine removals and inspections, shop visits, aircraft on ground levels, costs to the Company, and other negative impacts described in more detail below. If any of our production or maintenance, repair, and overhaul ramp- up efforts are delayed, if suppliers cannot timely deliver or perform to our standards, if any other engine models are found to be materially impacted by the powder metal issue, and / or if we identify or experience other issues , including durability issues, with in-service engines in the GTF Geared Turbofan family of engines (or other engines), whether for manufacturing reasons or otherwise, we may not meet customer requirements, which could result in material additional costs, including liquidated damages or other liabilities. Competition may reduce our revenues and margins and limit our future opportunities. We operate in highly competitive industries and our competitors may have more extensive or more specialized engineering, manufacturing, servicing, and marketing , and servicing capabilities than we do. Our contracts are typically awarded on a competitive basis. Our bids are based in part upon the cost to provide the products and services. If we fail to accurately estimate these costs, the profitability of our contracts may be adversely affected. In addition, we may face customer- directed cost reduction targets that could have a material adverse effect on the profitability of our contracts if these targets are not achieved when required. We have also experienced highly competitive pricing, in which a bidder may anticipate making a substantial investment in a program in order to win the work. Moreover, bid protests from unsuccessful bidders on new program awards are frequent with respect to DoD awards in particular. Generally, a bid protest will delay the start of contract activities, delay earnings, and could result in the award decision being overturned and require a re- bid of the contract. We have also experienced highly competitive pricing, in which a bidder may anticipate making a substantial investment in a program in order to win the work. Highly competitive activity within the commercial aerospace industry has included substantial discounts and other financial incentives, performance and operating cost guarantees, and participation in financing arrangements, in order to secure both new engine business and the aftermarket revenues associated with these products . If our competitors can offer lower cost services or products, or provide services or products more quickly, at equivalent or in some cases even reduced capabilities, we may lose business opportunities, which could adversely affect our future results. Competitors may also be willing to accept more risk or lower profitability in competing for contracts than we are . Further, our competitors, including our customers, may develop competing technologies which gain industry acceptance in advance of, or instead of, our products, or meet particular in- demand technological needs before us or with technology that is superior to our existing or new technologies. This competition could cause our existing technologies and offerings to become obsolete or otherwise decrease demand for our offerings. In addition, the possibility exists that competitors or customers will develop aftermarket services and

parts for our products that attract customers and adversely impact our return on investment on **new-original equipment manufacturer** products. We also anticipate companies continuing to enhance their competitive position against our defense businesses as a result of continued domestic and cross-border defense industry consolidation and the expansion of competitors' capabilities throughout the supply chain through vertical integration. We are also facing **heightened-increased** competition domestically and internationally from foreign and multinational firms. Additionally, some customers, including the DoD, are increasingly turning to commercial contractors, rather than traditional defense contractors, for space ~~related technologies~~ and **data science** for information technology and other support work. Moreover, and we are also seeing increased **activity from other non-traditional defense contractors and startups**. For example, the U. S. government **may award large competitive contracts to other suppliers to maintain a broad industrial base**. In addition, U. S. government procurement policies and procedures and the application thereof are regularly changing. Moreover, our potential international contract awards, particularly for sales ~~foreign sponsorship of competitors on~~ defense products and services, may be limited by our ability to agree to offset obligations or industrial cooperation obligations or enter into ICIP agreements, as discussed above. For example, an increase in the use of contract structures that shift risk to the contractor (such as fixed-price development programs **contracts and incentive-based fee arrangements**), use of novel award fee criteria (such as the evaluation of **environmental factors**), evaluation of a bidder's willingness to provide detailed competitively sensitive intellectual property (such as detailed RTX design, manufacturing and process information that would risk loss of competitively sensitive information), or requirements to transfer technology to domestic sources in connection with offset obligations, could adversely affect our profit rates, ability to preserve differentiated product offerings, maintain lower tier suppliers, or make it more difficult to win new contracts. If we are unable to continue to compete successfully against our current or future competitors in our core businesses, we may experience declines in revenues and industry segment share which could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity.

OPERATIONAL RISKS Our business and financial performance may be adversely affected by cyber-attacks on information technology (IT) infrastructure and products, as well as changes in cybersecurity regulations. Our business may be impacted by disruptions to our own or third-party information technology (IT) infrastructure, and which could result from, among other-- **the causes, cyberattacks on or failures of such infrastructure or compromises to its physical security**. The products and services that we provide our customers are also at risk of being adversely affected by cyber-attacks, including attempts to infiltrate them or sabotage or disable their use. Like other companies, we regularly experience cyber-based attacks. Cybersecurity threats are continuously evolving and **may have an impact** include, but are not limited to, both attacks on our IT infrastructure and attacks on the IT infrastructure of our customers, suppliers, subcontractors, and other third parties with whom we do business routinely, both on premises and in the cloud, attempting to gain unauthorized access to our confidential, proprietary, or otherwise protected information, classified information, or **personal data or other** information relating to our employees, customers, and other third parties, or to disrupt our systems or the systems of third parties. Cybersecurity threats also include attacks targeting the security, confidentiality, integrity, and / or availability of the hardware, software, and information installed, stored, or transmitted in our products, including after the purchase of those products and when they are incorporated into third-party products, facilities, or infrastructure. We are also exposed to the risk of insider threat attacks. Any such attacks could disrupt our systems or those of third parties (including mission **and safety** critical systems), impact business operations, result in unauthorized release of confidential, proprietary, or otherwise protected information, and corrupt our data or that of third parties. The threats we face are continuous and evolving, and vary in degree of severity and sophistication. These threats include advanced persistent threats from highly organized adversaries, including but not limited to cyber criminals, nation states, and so-called hacktivists, particularly those adverse to the security interests of the U. S. and its allies, which target us and other defense contractors. These types of threats are related to the geopolitical environment and have, therefore, grown in number due to recent geopolitical conflicts. In addition, as a result of the rapid pace of technological change, we and our customers, suppliers, subcontractors, and other third parties with whom we conduct business continue to rely on legacy systems and software, which can be more vulnerable to cyber threats and attacks. Moreover, we, like other companies, are seeing an unprecedented number of previously unknown vulnerabilities, for which there are no known mitigations, being revealed by new attacks. Further, the sophistication, availability, and use of artificial intelligence by threat actors present an increased level of risk. Due to the evolving threat landscape, we have experienced and expect to continue to experience more frequent and increasingly advanced cyber-attacks. In addition, changes in domestic and international cybersecurity-related laws and regulations have expanded cybersecurity-related compliance requirements, and cybersecurity regulatory enforcement activity has grown. We expect the regulatory environment to continue to evolve, and ~~staying apace with~~ these regulatory changes could increase our operational and compliance expenditures and those of our suppliers, and lead to new or additional **IT information technology** and product development expenses. We also face reputational, litigation, and financial risks in relation to potential required disclosures and increased risk of enforcement. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services, and operations from potential cybersecurity threats, as well as to comply with evolving regulations. However, given the unpredictability, nature, and scope of cyber-attacks, it is possible that we are unable to defend against all cyber-attacks, that potential vulnerabilities could go undetected and persist in the environment for an extended period, or that we may otherwise be unable to mitigate customer losses and other potential consequences of these attacks. In addition, some products and services that we provide to customers, particularly those related to public security, may raise potential liabilities related to privacy and intellectual property. In some cases, we must rely on the safeguards put in place by our customers, suppliers, subcontractors, and other third parties to protect against and report cyber threats and attacks. We could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations, or ability to provide products and services to our customers, the compromise of confidential information, intellectual property or otherwise protected

information, misappropriation, destruction, or corruption of data, security breaches, other manipulation or improper use of our or third- party systems, networks, or products, financial losses from remedial actions, loss of business, or potential liability, penalties, fines, and / or damage to our reputation. Any of these could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted. Further, our insurance coverage, which may exclude losses from war or cyber operations, may not be adequate to cover all related costs and we may not otherwise be fully indemnified for them. We are dependent on a global supply chain and subject to risks related to the availability of materials and the performance of our suppliers; in recent years we have experienced supply chain disruptions that resulted in delays and increased costs and adversely affected our performance. Our performance requires a variety of raw materials, supplier- provided parts, components, sub- systems, and contract manufacturing services, and we rely on U. S. and non- U. S. suppliers (including third- party manufacturing suppliers, subcontractors, and service providers) and commodity markets for these materials and services. In some instances, we depend upon a single source of supply, manufacturing, services support, or assembly, or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. Emerging laws and increasing regulatory requirements aimed at global supply chains may impact our ability to access certain materials and components, and otherwise adversely affect our business, and we may not only be held responsible for our compliance, but for that of our suppliers. In addition, our defense businesses are subject to specific procurement requirements that limit the types of materials they use. Our defense businesses also must require suppliers to comply with various DoD requirements, any of which requirements may further limit the suppliers and subcontractors they may utilize. Identifying and qualifying second- or third- source suppliers can be difficult, time- consuming, and may result in increased costs. In 2023-recent years, global supply chain disruptions have impacted our ability to procure raw materials, microelectronics, and certain commodities. These disruptions were driven by supply chain market constraints and macroeconomic conditions, including inflation and labor market shortages. Current geopolitical conditions, including conflicts and other causes of strained intercountry relations, as well as sanctions and other trade restrictive activities, are have contributing contributed to these issues. In addition, the current high inflation-inflationary levels have environment has increased material and component prices, labor rates, and supplier costs, and negatively impacted costs put pressure on our margins. Credit market conditions, including higher interest rates and the availability of credit, have impacted some of our suppliers and subcontractors as well. As a result of these procurement issues, the production flow in our factories has been negatively impacted, which has, in turn, hindered our ability to perform on our commitments to customers and negatively affected our results of operations, financial condition, and liquidity. Our supply costs have increased due to the above factors. In addition, we are largely dependent upon foreign sources for certain raw materials, such as cobalt, tantalum, chromium, rhenium, nickel, and titanium, and we rely on foreign suppliers as single- source suppliers of some components. Some raw materials and components have been in the past sourced from areas now under sanctions, such as Russia, or are currently sourced from areas which are at risk of sanctions or other trade restrictive actions, such as China. The timing of the impacts of these supply chain risks and issues and our ability to mitigate them are uncertain and difficult to predict. However, we expect the current supply chain, inflation, and price issues, and their negative impacts on our business, to continue into 2024. In particular, we expect to experience prolonged delays for certain critical component parts and sub- systems. Furthermore, the existing supply chain issues could be compounded by other events, such as an economic downturn; changes in trade policies, such as tariffs; supplier capacity constraints for other reasons; supplier quality issues (for example, defects or fraudulent parts); supplier closing, bankruptcy, or financial difficulties; price increases for various reasons; and worsening shortages of raw materials or commodities, including as a result of war or other geopolitical actions, natural disaster (including the effects of climate change), health pandemic or other business continuity events, or transport and distribution issues, any of which could further negatively impact our ability to meet our commitments to customers or increase our operating costs and therefore incrementally affect our results of operations, financial condition, and liquidity. Due to the nature of our products and services, a product safety failure, quality issue, or other failure affecting our or our customers' or suppliers' products or systems could seriously harm our business. Our products and services are highly sophisticated and specialized, involve complex advanced technologies, are often integrated with third- party products and services, and are utilized for specific purposes that require precision, reliability, and durability. Many of our products and services include both hardware and software that involve industrial machinery and intricate aviation and defense systems, including commercial and military jet engines, power and control systems, and other aircraft parts, air and missile defense systems, and military sensors and command and control systems. Technical, mechanical, quality, electronic, and other failures may occur from time to time, whether as a result of manufacturing or design defect, operational process, or production issue attributable to us, our customers, suppliers, partners, third party integrators, or others. Product design changes and updates could also have associated cost and schedule impacts. In addition, our products could fail as a result of cyber- attacks, such as those that seize control and result in misuse or unintended use of our products, or other intentional acts. The impact of a catastrophic product or system failure or similar event affecting our or our customers' or suppliers' products or services could be significant, and could result in injuries or death, property damage, loss of strategic capabilities, loss of intellectual property, loss of reputation, and other significant negative effects. A product or system failure, or perceived failure, could lead to negative publicity, a diversion of management attention, and damage to our reputation that could reduce demand for our products and services. It could also result in product recalls and product liability and warranty claims (including claims related to the safety or reliability of our products) and related expenses, other service, repair, and maintenance costs, labor and material costs, customer support costs, significant damages, and other costs, including fines and other remedies, and regulatory and environmental liabilities. We may also incur increased costs, delayed payments, reputational harm, or lost equipment or services revenue in connection with a significant issue with a third party' s product with which our products are integrated. Further, our insurance coverage may not be adequate to cover all related costs and we may not otherwise be fully indemnified for them. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, financial

condition, or liquidity. In particular, **in 2023** as previously disclosed, Pratt & Whitney has determined that a rare condition in powder metal used to manufacture certain engine parts requires accelerated inspection of the PW1100 GTF fleet, which powers the A320neo family of aircraft. This determination and corresponding fleet actions have **resulted in, and are expected to continue to result in, an elevated level of aircraft on ground for the A320neo family of aircraft and significantly** ~~increased both the incremental number of shop visits necessary to perform inspections on PW1100 GTF engines through that will need to be removed and the end incremental number of 2026 shop visits necessary to perform the inspections as compared to estimates prior to this determination. Actual and future estimated aircraft on ground levels for the A320neo family of aircraft have therefore increased.~~ As a result, we have and will continue to incur significant customer support and mitigation costs and significant labor, material, and related costs. This matter has caused reputational harm and has negatively impacted, and will continue to impact, our results of operations and financial condition. The **expected** financial impact of the powder metal issue is based on historical experience and is subject to various assumptions and judgments, including, without limitation, the number and expected timing of shop visits, inspection results and scope of work to be performed, turnaround time, availability of parts, available capacity at overhaul facilities, and outcomes of negotiations with impacted customers, and these assumptions are subject to variability. Potential changes to these assumptions could have a material effect on the Company's results of operations for the periods in which it is recognized. In addition, other engine models within Pratt & Whitney's fleet contain parts manufactured with affected powder metal. The negative impacts ~~to our company~~ arising from the Powder Metal ~~matter~~ **Matter** could increase if any other engine models are found to be materially impacted by this rare condition. We depend on the recruitment and retention of qualified personnel, and our failure to attract, train, and retain such personnel could seriously harm our business. Due to the specialized nature of our business, our future performance is highly dependent upon the continued services of our key technical personnel and executive officers, and the hiring, development, and retention of qualified technical, engineering, manufacturing, marketing, sales, and management personnel for our operations. Our defense business in particular requires qualified personnel with security clearances due to our classified programs. **As portions** ~~Moreover, a significant percentage of our current workforce continue to is nearing or eligible for retirement and~~ ~~retire~~ ~~and~~ ~~. To the extent that~~ we lose experienced personnel in the future, it is critical that we develop other employees, hire new qualified personnel, and successfully manage the transfer of **critical skillsets and industry** knowledge **within our workforce**. We have experienced, and continue to experience, challenges hiring highly qualified personnel including engineers, skilled laborers, and security clearance holders. We expect these difficulties to continue in the future. In addition, the cost of labor remains high. Some candidates and new personnel may have job-related expectations that differ from our current workforce and are inconsistent with our corporate culture. With respect to existing personnel, some may become required to receive various security clearances and substantial training in order to work on certain programs or perform certain tasks. Necessary security clearances may be delayed, which may impact our ability to perform on our U. S. government contracts. We also may not be successful in training or developing qualified personnel with the requisite relevant skills or security clearances. Moreover, some of our employees are covered by collective bargaining agreements. Historically, we have been able to renegotiate expiring agreements without experiencing significant disruptions to business operations. However, the U. S. labor environment has experienced shifts, and if we have additional challenges renegotiating agreements or if our employees pursue new collective representation, then we could experience additional costs and / or be subject to work stoppages. Any of the above factors could seriously harm our business. Moreover, we believe that a critical element of our ability to successfully attract, train, and retain qualified personnel is our corporate culture, which we believe fosters innovation, collaboration, **diversity, equity, and inclusion**, and a focus on execution, all in an environment of high ethical standards. Our global operations may present challenges in maintaining these important aspects of our corporate culture, and a failure to maintain our corporate culture could negatively impact us. Further, we rely on our key personnel to lead with integrity and to meet our high ethical standards that promote excellent performance ~~and cultivate diversity, equity, and inclusion~~. To the extent any of our key personnel were to behave in a way that is inconsistent with our values, including with respect to product safety or quality, legal or regulatory compliance, financial reporting, or people management, we could experience a materially adverse impact to our reputation and our operating results. In addition, failure or perceived failure to meet ~~increasing~~ stakeholder expectations on environmental, social, and governance (ESG) matters could harm our reputation and impact demand for our products and services. Exports and imports of certain of our products are subject to various export control, sanctions, and import regulations and may require authorization from regulatory agencies of the U. S. or other countries. We must comply with various laws and regulations relating to the export and import of products, services, and technology from and into the U. S. and other countries having jurisdiction over our operations. In the U. S., these laws and regulations include, among others, the Export Administration Regulations (EAR) administered by the U. S. Department of Commerce, the International Traffic in Arms Regulations (ITAR) **and Arms Export Control Act (AECA) provisions** administered by the U. S. Department of State (**DOS**), embargoes and sanctions regulations administered by the U. S. Department of the Treasury, and import regulations administered by the U. S. Department of Homeland Security and the U. S. Department of Justice (**DOJ**). Certain of our products, services, and technologies have military or strategic applications and are on the U. S. Munitions List of the ITAR, the Commerce Control List of the EAR, or are otherwise subject to the EAR and / or the U. S. Munitions Import List, and we are required to obtain licenses and authorizations from the appropriate U. S. government agencies before exporting these products out of the U. S. or importing these products into the U. S. U. S. foreign policy or the foreign policy of other licensing jurisdictions may affect the licensing process or otherwise prevent us from engaging in business dealings with certain individuals, entities, or countries. **From time to time, we identify, investigate, remediate and voluntarily disclose violations or potential violations of the ITAR and EAR.** Any failure by us, our customers, or our suppliers to comply with ~~these~~ ~~the above- referenced~~ laws and regulations, **arising out of our voluntary disclosures or otherwise**, could result in civil or criminal penalties, fines, seizure of our products, adverse publicity, restrictions on our ability to engage in export or import transactions, or the suspension or debarment from doing

business with the U. S. government. Moreover, any changes in export control, sanctions, or import regulations may further restrict the export or import of our products or services, and the possibility of such changes requires constant monitoring to ensure we remain compliant. Our ability to obtain required licenses and authorizations on a timely basis, or at all, is subject to risks and uncertainties, including changing laws, regulations, or foreign policies, delays in Congressional action, or geopolitical and other factors. If we are not successful in obtaining or maintaining the necessary licenses or authorizations in a timely manner, our sales relating to those approvals may be prevented or delayed, and revenue and profit previously recognized may be reversed. Any restrictions on the export or import of our products or product lines could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. **In addition, as previously disclosed, on August 29, 2024, the Company entered into a Consent Agreement (CA) with the DOS to resolve alleged civil violations of the AECA and the ITAR. The CA, which has a three- year term, requires the Company to implement remedial compliance measures and to conduct an external audit of the Company's ITAR compliance program. The CA also requires appointment of an external, independent Special Compliance Officer (SCO). The Company appointed its SCO on September 27, 2024. If we are unable to satisfy the requirements of the CA within three years as determined by the DOS, we may face a continuation of the CA, additional fines, or other adverse impacts. In addition, during the term of the CA, the CA's transaction- related requirements may impact our ability to execute potential future divestitures within expected timeframes or consistent with expected valuation metrics, which could delay or impair our ability to achieve the expected benefits from our strategic plan, or otherwise harm our competitive position, results of operations, financial condition, or liquidity.** Our business and financial performance may be adversely affected by threats to our physical security and other events outside our control. We could encounter threats to our physical security, including our facilities and personnel, and threats from workplace violence, civil unrest, terrorism, or similar acts, any of which could disrupt our business. In addition, our business, and the businesses of our suppliers, subcontractors, service providers, and customers, could be disrupted by public health crises, such as pandemics and epidemics (including a resurgence of the Coronavirus Disease 2019 (COVID-19) pandemic), and governmental, business, and individual actions taken in response, damaging weather or other acts of nature, **physical attacks due to proximity to nation- state conflicts**, cyber- attacks on IT infrastructure and products, or other events outside of our control. Any such business disruption could subject us to production downtimes, operational delays, supply chain challenges, other detrimental impacts on our operations or ability to provide products and services to our customers, decreased demand for our products, decreased defense budgets, financial losses from remedial actions, the diversion of management's attention and resources, or loss of business, any of which could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. The impact of any such business disruption is difficult to predict. We depend on our intellectual property and have access to certain third- party intellectual property; infringement or failure to protect our intellectual property or access to third party intellectual property could adversely affect our future growth and success. We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, IT security systems, internal controls and compliance systems, and other measures to protect our intellectual property. We also rely on nondisclosure agreements, confidentiality obligations in contracts, IT security systems, and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. The U. S. government and foreign governments have licenses under certain of our intellectual property, including certain patents, which are developed or used in performance of government contracts. Governments may use or authorize others (including our competitors) to use such patents and intellectual property for government and other purposes. Governments may challenge the sufficiency of intellectual property rights we have granted in government contracts and attempt to obtain greater rights, which could reduce our ability to protect our intellectual property rights and to compete. In some instances, we have augmented our technology base by licensing the proprietary intellectual property of others. Intellectual property obtained from third parties is also subject to challenge, invalidation, misappropriation, or circumvention by third parties. In addition, we may not be able to obtain necessary licenses on commercially reasonable terms. In other instances, our ability to procure and perform government contracts requires us to obtain certain rights in the intellectual property of others through government grants. Governments may deny us the right to obtain such rights in the intellectual property of others, which may affect our ability to perform government contracts. Moreover, our efforts to protect intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. Our ability to protect and enforce our intellectual property rights may be limited in certain countries outside the U. S. In addition, we may be the target of competitor or other third- party patent enforcement actions seeking substantial monetary damages or seeking to prevent our sale and marketing of certain of our products or services. Our competitive position also may be adversely impacted by limitations on our ability to obtain possession of, and ownership of, necessary licenses concerning data important to the development or provision of our products or service offerings, or by limitations on our ability to restrict the use by others of data related to our products or services. We may also be subject to disruptions, losses, and liability resulting from various cybersecurity attacks or **IT information technology** failures, as described above. Any of these events or factors could have a material adverse effect on our competitive position, subject us to judgments, penalties, and significant litigation costs, or temporarily or permanently disrupt our sales and marketing of the affected products or services. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. **LEGAL, ENVIRONMENTAL, AND REGULATORY RISKS** As a U. S. government contractor, we are subject to risks relating to U. S. government audits, investigations, and disputes. We are subject to U. S. government investigations relating to our U. S. government contracts. Such U. S. government investigations often take years to complete and could result in administrative, civil, or criminal liabilities, including repayments, fines, treble and other damages, forfeitures, restitution, or penalties, or could

lead to suspension or debarment of U. S. government contracting or of export privileges. For instance, if we or one of our business units were charged with wrongdoing in connection with a U. S. government investigation (including fraud, or violation of certain environmental, FCPA, and other anti-bribery and anti-corruption laws, or export laws, as further described below), the U. S. government could suspend us from bidding on or receiving awards of new U. S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U. S. government could fine and debar us from new U. S. government contracting for a period generally not to exceed three years, and could void any contracts found to be tainted by fraud. We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be unsubstantiated. Further, our U. S. government contracts are subject to audit and we have received audit reports recommending the reduction of certain contract prices because, for example, cost or pricing data disclosures or cost accounting practices used to price and negotiate those contracts may not have conformed to government regulations. Some of these audit reports recommend that certain payments be repaid, delayed, or withheld, and may involve substantial amounts, which could, if the audit reports' theories were to prevail in litigation, also have future impacts such as increasing the costs absorbed by our commercial businesses. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations, and, in some cases, continue to negotiate and / or litigate. We may be, and have been, required to make significant payments into escrow of disputed liabilities while the related litigation is pending. If the litigation is resolved in our favor, any such payments will be returned to us with interest. The Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) also review the adequacy of, and our compliance with, our internal control systems and policies, including our accounting, purchasing, government property, estimating, earned value management, and material management accounting systems. Our final allowable incurred costs for each year are subject to audit and have from time to time resulted in disputes between us and the U. S. government, including DCMA claims to recover payments for alleged noncompliance with cost accounting standards. In some cases, the ~~Department of Justice (DOJ)~~ has conducted investigations or convened grand juries to investigate possible irregularities in our costs. **As discussed below and as previously disclosed, in October 2024, the Company entered into certain deferred prosecution agreements and a civil settlement agreement with the DOJ to resolve investigations relating to pricing on certain government contracts.** Any costs found to be improperly allocated to a specific contract will not be reimbursed by the U. S. government or must be refunded by us to the U. S. government if already reimbursed. An adverse outcome of any audit or investigation could result in civil and criminal penalties and fines, which could negatively impact our results of operations, financial condition, and liquidity. In addition, if allegations of impropriety were made against us, we could suffer serious reputational harm, which could negatively affect our **results of operations, financial position, and liquidity.** A violation by Raytheon Company or the Company of any one of the **deferred prosecution agreements or Securities and Exchange Commission (SEC) administrative order announced on October 16, 2024 could adversely affect our business.** As previously disclosed, on October 15, 2024, Raytheon Company entered into a deferred prosecution agreement (DPA) (DPA- 1) with the DOJ and on October 16, 2024, the Company became subject to an administrative order issued by the SEC (the SEC Administrative Order) to resolve the previously disclosed criminal and civil government investigations into payments made by Raytheon Company and its joint venture, Thales- Raytheon Systems (TRS), since 2012 in connection with certain Middle East contracts. On October 16, 2024, Raytheon also entered into a DPA (DPA- 2) and a False Claims Act (FCA) settlement agreement with the DOJ to resolve previously disclosed criminal and civil government investigations into defective pricing claims for certain legacy Raytheon contracts entered into between 2011 and 2013 and in 2017. The Company made a settlement payment, criminal and civil penalties, restitution, and disgorgement, as applicable, pursuant to DPA- 1, DPA- 2, the SEC Administrative Order and the FCA settlement agreement as described in " Note 17: Commitments and Contingencies " within Item 8 of this Form 10- K. Pursuant to DPA- 1, among other terms, the DOJ will defer, for a period of three years, criminal prosecution of Raytheon Company related to Raytheon Company' s alleged conspiracy to violate the anti-bribery provisions of the FCPA and alleged conspiracy to violate the AECA by failing to make related disclosures of certain payments that qualified as fees, commissions and / or political contributions under Part 130 of ITAR. Pursuant to DPA- 2, among other terms, the DOJ will defer, for a period of three years, criminal prosecution of Raytheon Company related to two counts of major fraud against the United States by Raytheon Company involving two legacy contracts. Under DPA- 1, DPA- 2, and the SEC Administrative Order, Raytheon Company and the Company are required to retain an independent compliance monitor satisfactory to the DOJ and the SEC (for a term ending three years from the date on which the monitor is engaged) and are required to undertake certain cooperation and disclosure obligations (for a term commencing on the effective date of DPA- 1 and the SEC Administrative Order, as applicable, and ending three years from the date on which the monitor is engaged). The compliance monitor will oversee Raytheon Company' s and the Company' s compliance with their respective obligations under DPA- 1, DPA- 2, and the SEC' s Administrative Order. DPA- 1 and DPA- 2 further provide that, in the event the DOJ, in its sole discretion, determines during the deferred prosecution period that Raytheon Company or the Company has violated any provision of either DPA, Raytheon Company or the Company may be subject to prosecution for any federal criminal violations brought against Raytheon Company or the relevant Company in DPA- 1 and DPA- 2. The SEC Administrative Order further provides that, in the event of a breach of the SEC Administrative Order, the SEC may vacate the Administrative Order and institute proceedings against the Company. Any breach of DPA- 1, DPA- 2, or the SEC Administrative Order could subject Raytheon Company or the Company to criminal prosecutions and / or administrative proceedings, resulting in additional criminal and civil penalties and fines, extension of either DPA' s term (s), including the terms of the monitorship, increased future regulatory and legal scrutiny by U. S. or foreign government agencies, additional reputational harm, additional compliance costs, suspension of export privileges and / or suspension or debarment from U. S. government contracting or subcontracting for a period of time, any of which could negatively affect our results of

operations, **financial position**, and **liquidity**. In addition, during the term of the DPAs, the DPAs' transaction- related requirements may impact our ability to execute potential future divestitures within expected timeframes or consistent with expected valuation metrics, which could delay or impair our ability to achieve the expected benefits from our strategic plan, or otherwise harm our competitive position, results of operations, financial condition or liquidity. We are subject to litigation, environmental, anti- corruption, and other legal and compliance risks. We are subject to a variety of litigation and legal compliance risks. These risks relate to, among other things, product safety and reliability, personal injuries, intellectual property rights, contract- related claims, government contracts, taxes, environmental matters, **the use of artificial intelligence**, export control, sanctions, employment matters, securities laws, competition laws, and laws governing improper business practices. We or one of our businesses could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments, or other damages (in certain cases, treble damages). Product recalls and product liability and warranty claims can result in significant damages and costs, including fines, as well as other harm to our business as discussed above. As a global business, we are subject to complex laws and regulations in the U. S. and in other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses. Uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. We use hazardous substances and generate hazardous wastes in certain of our operations. **We also rely upon the use of chemical substances that are heavily regulated in connection with our products, manufacturing processes and operation of our facilities.** As a result, we are subject to potentially material liabilities related to **potential non- compliance and both** personal injuries or property damage that may be caused by hazardous substance releases and exposures. Personal injury lawsuits may involve individual and purported class actions alleging that contaminants originating from our current or former products or operating facilities caused or contributed to medical conditions, including cancers or other illnesses incurred by employees, former employees, third- parties' employees, or residents in the area, and environmental damage or diminution of real estate values. For example, we are investigating and remediating contamination related to past practices at a number of properties and, in some cases, have been named as a defendant in related " toxic tort " claims. We are also subject to laws and regulations that: (1) impose requirements for **chemical substances and** the proper management, treatment, storage, and disposal of hazardous substances and wastes; (2) restrict air and water emissions from our operations (including U. S. government- owned facilities we manage); and (3) require maintenance of a safe workplace. These laws and regulations can lead to substantial fines and criminal sanctions for violations, and may require the installation of costly equipment or operational changes to limit pollution emissions, decrease the likelihood of accidental hazardous substance releases, and / or reduce the risks of injury to people. We incur, and expect to continue to incur, capital and other expenditures to comply with these laws and regulations. A criminal violation of certain U. S. environmental statutes such as the Clean Air Act and Clean Water Act could result in suspension, debarment, or disqualification by the U. S. Environmental Protection Agency (EPA). A facility determined to be in violation of the criminal provisions of these statutes can be prohibited from performing any U. S. government contract work until the violation has been corrected and the EPA approves the reinstatement of the facility. Even in litigation where we believe our liability is remote, there is a risk that a negative finding or decision in a matter involving multiple plaintiffs or a purported class action could have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity, in particular with respect to environmental claims in regions where we have, or previously had, significant operations. In addition, new laws, regulations, or governmental policies, sudden changes in the interpretation and enforcement of existing laws and regulations, the discovery of previously unknown contamination, or the imposition of new clean- up standards could require us to incur additional costs in the future that would have a negative effect on our results of operations, financial condition, and liquidity. In addition, the FCPA and other anti- bribery and anti- corruption laws generally prohibit companies and their intermediaries from making improper payments to U. S. and non- U. S. officials for the purpose of obtaining or retaining business. These laws apply to companies, individual directors, officers, employees, and agents. U. S. companies also may be held liable for actions taken by strategic or local partners or representatives. The FCPA also imposes accounting standards and requirements on publicly traded U. S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments. Certain of our customer relationships outside of the U. S. are with governmental entities and are, therefore, subject to the FCPA and other anti- bribery and anti- corruption laws, including the anti- bribery and anti- corruption laws of non- U. S. countries. Our policies mandate compliance with these anti- bribery and anti- corruption laws. Despite meaningful measures that we undertake to ensure lawful conduct, which include training and internal control policies, these measures may not always prevent violations of the FCPA or similar laws. **As discussed above and as previously disclosed, in October 2024, the Company entered into a DPA with the DOJ and consented to the entry of an SEC Administrative Order to resolve investigations related to conduct that, among other things, violated the FCPA.** We have been subject to regulatory investigations for alleged violations of anti- bribery and anti- corruption laws, and could be subject to such investigations in the future, which could result in criminal and civil penalties, disgorgement, further changes or enhancements to our procedures, policies and controls, personnel changes, or other remedial actions. Violations of these laws, or allegations of such violations, could disrupt our operations, cause reputational harm, involve significant management attention, and result in a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. Cybersecurity and data security and protection laws and regulations are evolving and present increasing compliance challenges, which may increase our costs, affect our competitiveness, cause reputational harm, and expose us to substantial fines or other penalties. Our business and financial performance may be adversely affected by climate change, including regulations, customer demand, technologies, and extreme weather. Our business may be impacted by climate change and governmental and industry actions taken in response, which present short, medium, and long- term risks to our business and financial condition. Current and emerging environmental and

climate-related laws, regulations, or other policies, including regulations on greenhouse gas emissions, carbon pricing, energy taxes, product efficiency standards, mandatory disclosure obligations, and U. S. government procurement requirements, could increase our operational and compliance expenditures and those of our suppliers, including increased energy and raw materials costs, and costs associated with manufacturing changes, and lead to new or additional investments in product designs and facility upgrades. In addition, we continue to see ever-increasing demands for offerings focused on addressing climate change, transitioning to lower emission technologies, including low to no carbon products and services, the use of alternative energy sources, and other sustainable aviation technologies, and climate monitoring and adaptation products and services. Customers, shareholders, and institutional investors are focused on ESG, including our environmental sustainability practices and commitments with respect to our operations, products, and suppliers. As a result, we continue to make additional investments in new technologies and capabilities, and devote management and other resources in response to the foregoing. We may not realize, on a timely basis or at all, the anticipated benefits of these investments and actions for a variety of reasons, including technological challenges, evolving government and customer requirements, and our ability to anticipate them and develop in-demand technologies on a timely basis, and other risks related to the development of advanced technologies described above. In addition, certain technologies will be dependent upon government action, such as investments in infrastructure, creating appropriate market incentives, and making certain raw materials available for development of certain technologies. Moreover, we rely on our suppliers to timely and effectively adapt and meet our evolving technological supply needs, and they may be unable to fully respond to our requirements in a timely manner or at all. We also face competition risks as our competitors also respond to advancing sustainable technologies. Our competitors may develop these in-demand technologies before we do, their new technologies may be deemed by our customers to be superior to technologies we may develop, and their technologies may otherwise gain industry acceptance in advance of or instead of our products. In addition, as we and our competitors develop increasingly sustainable technologies, demand for our older offerings may decrease or become nonexistent. Our reputation may also be damaged if we or our industry fail, or are perceived to fail, to achieve sustainability goals or commitments or to comply with evolving climate-related regulations. In addition, climate-related litigation and government investigations could be commenced against us, could be costly to defend, and could adversely affect our business. Moreover, our business, the businesses of our suppliers, subcontractors, service providers, distributors, and customers, and the industries in which we operate, could be negatively impacted by increasing frequency and severity of acute extreme weather events caused by climate change, including hurricanes, tornadoes, floods, snow and ice storms, fires, heat waves, and mud slides, and by chronic changes in weather patterns, such as temperature increases, drought, and sea level rise. These events could damage our and our suppliers' facilities, products, and other assets, and cause disruptions to our business and operations, supply chain, and distribution networks, and the businesses of our customers, and require an increase in expenditures to improve climate resiliency of our operations. Any of the foregoing could materially decrease our revenues and materially increase our costs and expenses.

FINANCIAL, TAX, AND INSURANCE RELATED RISKS Our debt levels and related debt service obligations could negatively impact our intended capital allocation, and we may be unable to obtain debt at competitive rates, on commercially reasonable terms, or in sufficient amounts. We have outstanding debt and other financial obligations, and we depend, in part, upon the issuance of debt to fund our business requirements. **In connection with the \$ 10 billion accelerated share repurchase (ASR) transactions that began in October 2023 and completed at the end of September 2024, we incurred \$ 10 billion of long-term debt. The increased indebtedness of RTX in connection with the ASR transactions may have various negative impacts on our business. These include shifting significant cash flow from operations to debt principal and interest payments and ASR transactions costs, which will reduce funds we have available for other purposes, such as acquisitions, research and development, and other reinvestments in our businesses, and dividends and common stock repurchases. It could also reduce our flexibility in planning for, or reacting to, changes in our business and market conditions. It exposes us to interest rate and credit market risk at the time of refinancing outstanding debt, as well as these same risks on our commercial paper obligations, which are issued at variable rates. In addition, if we require additional funding in order to fund outstanding financing commitments or meet other business requirements, a number of factors could cause us to incur increased borrowing costs and to have greater difficulty accessing public and private markets for debt, any of which may adversely affect our ability to fund our business requirements. These factors include disruptions or declines in the global capital markets and / or a decline in our financial performance, outlook, or credit ratings. As previously disclosed, in August 2023, S & P Global downgraded our credit rating from A- / negative to BBB / stable, and our credit rating with Moody's Investors Service remained at Baa1 / stable. Subsequently, in October 2023, both S & P Global and Moody's Investors Service outlook changed from stable to negative when we entered into the ASR transactions. Further downgrades of our credit ratings may result, if we are unable to meet operating expectations and our cash flow expectations, or to the extent that we are unable to reduce our outstanding debt according to planned timeframes. We use estimates in accounting for many of our programs, and changes in our estimates could adversely affect our future financial results. Accounting for long-term contracts and related assets requires estimates and judgments related to our progress toward completion and the long-term performance on the contract. Significant judgments include potential risks associated with the ability and cost to achieve program schedule, including customer-directed delays or reductions in scheduled deliveries, and technical and other specific contract requirements including customer activity levels and variable consideration based upon that activity. Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenues and cost at completion is complex and subject to many variables. Management must make assumptions and estimates regarding contract revenue and cost (such as estimates of variable consideration, including award fees and penalties), including with respect to: (1) labor productivity and availability; (2) the complexity and scope of the work to be performed; (3) the availability and cost of materials including any impact from changing costs or inflation; (4) the length of time to complete the performance obligation; (5) execution by our subcontractors; (6) the availability and timing of funding from our customer; (7) overhead cost rates; and (8) current and past**

service-maintenance cost and frequency driven by estimated aircraft and engine utilization and estimated useful lives of components, among other variables. Cost estimates may also include the estimated cost of satisfying our industrial cooperation agreements, sometimes in the form of either offset obligations or ICIP agreements, required under certain contracts. In addition, in 2023 as previously disclosed, Pratt & Whitney has determined that a rare condition in powder metal used to manufacture certain engine parts requires accelerated inspection of the PW1100 GTF fleet, which powers the A320neo family of aircraft. This determination and corresponding fleet actions have resulted in, and are expected to continue to result in, significantly increased both the incremental number of shop visits necessary to perform inspections on PW1100 GTF engines that will need to be removed and the incremental number of shop visits necessary to perform the inspections as compared to estimates prior to this determination. Actual and future estimated aircraft on ground levels for the A320neo family of aircraft have therefore increased. The expected financial impact of the powder metal issue is based on historical experience and is subject to various assumptions and judgments, including, without limitation, the number and expected timing of shop visits, inspection results and scope of work to be performed, turnaround time, availability of parts, available capacity at overhaul facilities, and outcomes of negotiations with impacted customers, and these assumptions are subject to variability. Because of the significance of management's judgments and estimation processes described above, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances, or estimates may adversely affect our future results of operations and financial condition. Significant changes in key estimates and assumptions with respect to our retirement plans, such as discount rate, expected return on plan assets (EROA), and other actuarial factors, could affect our future earnings, equity, and pension contributions. We must determine our pension and other postretirement benefit plans' expense or income, which involves significant judgment particularly with respect to our discount rate, EROA, and other actuarial assumptions. These assumptions are evaluated annually at December 31 and when significant events require a mid-year remeasurement. They may change significantly due to changes in economic, legislative, regulatory, and / or demographic experience or circumstances. Changes in our assumptions or actual experience that differs from these assumptions, as well as management changes to retirement plans, could impact our pension and postretirement net periodic benefit (income) expense, the plans' funded status, and / or the required cash contributions to such plans, which could negatively impact our results of operations, financial condition, or liquidity. Our plan assets are invested in accordance with our investment management objectives and are subject to market volatility and other conditions. Additional tax expense or exposures could affect our future profitability. We are subject to income taxes in the United States and international jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. Changes in tax laws and regulations, as well as changes and conflicts in related interpretations and other tax guidance, and fluctuations in taxable income could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities, as well as our income tax expense and tax payments. Additionally, in the ordinary course of business, we are subject to examinations by various tax authorities. In addition to ongoing examinations, there could be additional examinations launched in the future by governmental authorities in various jurisdictions, and existing examinations could be expanded. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. Additionally, changes in the geographic mix of our sales could impact our tax liabilities and affect our income tax expense and profitability. The global and diverse nature of our operations means that these risks will continue to exist and additional examinations, proceedings, and contingencies will arise from time to time. Our results of operations, financial condition, or liquidity could be negatively impacted by any of the above factors, the outcome of any one of which cannot be predicted with certainty. Goodwill and other intangible assets represent a significant portion of our assets, and any impairment of these assets could negatively impact our results of operations and financial condition. A significant portion of our assets consists of goodwill and other intangible assets, primarily recorded as the result of historical acquisitions or investments in businesses. We may subsequently experience unforeseen events that could adversely affect the value of our goodwill or intangible assets. Our goodwill and indefinite-lived intangible assets are subject to an impairment test annually and are also tested for impairment whenever facts and circumstances indicate that goodwill or indefinite-lived intangible assets may be impaired. In the event of an impairment, any excess of the carrying value of these assets over the fair value must be written off in the period of determination. Finite-lived intangible assets are generally amortized over the useful life of such assets. Future determinations of significant impairments of goodwill or indefinite-lived intangible assets as a result of an impairment test or accelerated amortization of finite-lived intangible assets could have a negative impact on our results of operations and financial condition. Quarterly cash dividends and share repurchases are subject to uncertainties and may affect our common stock price. Quarterly cash dividends and share repurchases under our share repurchase program generally constitute components of our capital allocation strategy, which we fund through a combination of operating free cash flow, borrowings, and proceeds from divestitures. However, we are not required to declare dividends or make any share repurchases under our share repurchase program, other than with respect to the final settlement pursuant to the ASR transactions. Dividends and share repurchases may be discontinued, accelerated, suspended, or delayed at any time without prior notice. Even if not discontinued, the amount of such dividends and repurchases may be changed, and the amount, timing, and frequency of such dividends and repurchases may vary from historical practice or from the company's stated expectations. Decisions with respect to dividends and share repurchases are subject to the discretion of our Board of Directors and are based on a variety of factors. Important factors that could cause us to discontinue, limit, suspend, increase, or delay our quarterly cash dividends or share repurchases include market conditions, the price of our common stock, the nature and timing of other investment opportunities, changes in our business strategy, the terms of our financing arrangements, our outlook as to the ability to obtain financing at attractive rates, the impact on our credit ratings, the availability of domestic cash, and overall business expectations. The reduction or elimination of our cash dividend, or suspension or elimination of our share repurchase program could adversely affect the market

price of our common stock. Additionally, there can be no assurance that any share repurchases will enhance shareowner value because the market price of our common stock may decline below the levels at which we repurchased shares of common stock, and short-term stock price fluctuations could reduce the program's effectiveness. See Item 5. "Market for ~~Registrants-~~ **Registrant's** Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities" in this Form 10-K for a description of our share repurchase program and past share repurchases, ~~including our ASR transactions~~. We face certain significant risk exposures and potential liabilities that may not be adequately covered by indemnity or insurance. A significant portion of our business relates to designing, developing, and manufacturing advanced aerospace, defense, and technology systems and products. New technologies may be untested or unproven. In addition, we may incur significant liabilities that are unique to our products and services. In some, but not all, circumstances, we may be entitled to indemnification from our customers through contractual provisions, and we may obtain limitations of liability and additional defenses for various reasons including the qualification of our products and services by the Department of Homeland Security (DHS) under the SAFETY Act provisions of the Homeland Security Act of 2002. The insurance coverage we maintain or indemnification to which we may be contractually or otherwise entitled may not be adequate to cover all claims or liabilities. Accordingly, we may be forced to bear substantial costs resulting from risks and uncertainties of our business, which would negatively impact our results of operations, financial condition, and liquidity. Any accident, failure of, or defect in our products and services, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively. It could also affect the cost and availability of insurance in the future.

STRATEGIC INITIATIVE AND TRANSACTION RISKS We may be unable to realize expected benefits from strategic initiatives. In order to operate more effectively and efficiently, from time to time we undertake strategic and other operational initiatives. For example, we are undergoing a significant, multi-year digital transformation ~~initiative~~ **initiatives** to improve our business, modernize operations, and reduce costs. Under ~~this~~ **these initiative initiatives**, we are leveraging digital capabilities throughout the way in which we conduct our business and provide our products and services to customers, including how we design, build, and maintain our products and services **and operate our facilities**. We also continue to engage our Customer Oriented Results **and** Excellence (CORE) operating system to drive continuing improvement into our processes and facilities. In addition, we continue to invest in structural cost reduction in our facilities, including aligning work to more efficient manufacturing centers, implementing advanced manufacturing capabilities including **Industry 4.0 digital initiatives and** automation, and closing facilities that are not required to meet future capacity and work needs. Other initiatives include the pursuit of advanced technologies and new business acquisitions and subsequent integrations. For example, we ~~are continue to investing~~ **invest** in the integration of artificial intelligence technologies into our processes and business operations. ~~We~~ **Moreover, effective July 1, 2023, we** realigned our ~~current~~ business segment structure **in 2023, and we from four to three business segments**. We also implement restructuring plans from time to time. Restructuring activities include or may result in workforce reductions, global facility reductions, procurement cost reduction activities, legal entity and operational reorganizations, and other cost reduction initiatives. These strategic activities are complex and require the investment of resources including in personnel and systems. If we do not successfully manage our current or future strategic initiatives, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. In addition, certain U. S. government contracts and programs have begun to require digital engineering and other digital capabilities, and our inability to achieve these capabilities with respect to these programs timely may result in loss of revenues. Risks associated with workforce management issues include unfavorable political responses to such actions, unforeseen delays in the implementation of anticipated workforce reductions, additional unexpected costs, adverse effects on employee morale, and the failure to meet operational targets due to the loss of employees or work stoppages. Any of the above factors may impair our ability to achieve anticipated benefits, or otherwise harm our business, or have a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. Failure to successfully manage potential future acquisitions, investments, divestitures, joint ventures, and other transactions, and other risks associated with these activities could adversely affect our future financial results. In pursuing our business strategies, we continually review, evaluate, and consider potential investments, acquisitions, divestitures, joint ventures, and other teaming and collaborative arrangements. We undertake to identify opportunities that will complement our existing products and services or customer base, as well as expand our offerings and business opportunities into new areas that naturally extend from our core capabilities. In evaluating such transactions, we are required to make difficult judgments regarding the value of business opportunities, technologies, and other assets, and the risks and cost of potential liabilities. Further, these transactions involve certain other risks and uncertainties including: (1) the risks involved with entering new markets; (2) the difficulty in integrating newly-acquired businesses and managing or monitoring other collaborative business arrangements; (3) the complexity of separating a portion of our business to enable a divestiture; (4) **continued financial involvement in divested businesses, such as through continued equity ownership, guarantees, retained assets or liabilities, transition services or other ongoing commercial commitments, indemnities, or other current or contingent financial or commercial commitments, following a divestiture;** (5) challenges and failures in achieving strategic objectives and other expected benefits, which may result in certain liabilities to us for guarantees and other commitments; (~~5-6~~) the risk that regulatory authorities may deny our proposed transactions, or may impose on those transactions conditions that undermine the strategic rationale, reduce the financial benefit of, or jeopardize the consummation of those transactions; (~~6-7~~) unidentified issues not discovered in RTX's due diligence; (~~7-8~~) the diversion of our attention and resources from our operations and other initiatives; (~~8-9~~) the potential impairment of acquired assets; (~~9-10~~) the performance of underlying products, capabilities, or technologies; and (~~10-11~~) the **performance or** potential loss of key employees and customers of acquired businesses. In addition, future transactions may impact our deployment of capital, including dividends, ~~stock share~~ repurchases, pension contributions, and investments. In particular, if we are unable to complete the pending ~~divestitures-~~ **divestiture** of Collins' actuation and flight controls business and / or Raytheon's Cybersecurity, Intelligence and Services business within our expected ~~timeframes-~~ **timeframe** or at all, we

may be unable to reduce our outstanding debt according to planned timeframes. If either distribution of the stock of Carrier or Otis, together with certain related transactions, were to fail to qualify as a transaction that is generally tax-free, including as a result of subsequent acquisitions of our stock (including pursuant to the Raytheon merger), we could be subject to significant tax liabilities. On April 3, 2020, United Technologies Corporation (UTC) completed the separation of UTC's business into three independent, publicly traded companies (UTC, Carrier Global Corporation (Carrier) and Otis Worldwide Corporation (Otis)) (the Separation Transactions). UTC distributed all of the outstanding shares of Carrier common stock and all of the outstanding shares of Otis common stock to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the distributions (the Distributions) effective at 12:01 a. m., Eastern Time, on April 3, 2020. We received (1) a private letter ruling from the Internal Revenue Service (IRS) regarding certain U. S. federal income tax matters relating to the Separation Transactions and Distributions and (2) an opinion of outside counsel regarding the qualification of certain elements of the Distributions under Section 355 of the Code. Although we intend for the Distributions generally to be tax-free for U. S. federal income tax purposes, there can be no assurance that they will so qualify. Even if the Distributions were to otherwise qualify as tax-free transactions under Sections 355 and 368 (a) (1) (D) of the Code, either Distribution or both Distributions may result in taxable gain to us (but not our stockholders) under Section 355 (e) of the Code if such Distribution (s) were deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50 % or greater interest (by vote or value) in shares of Carrier, Otis, or us, as applicable. If the IRS were to determine that any post-Distribution acquisitions of Carrier stock, Otis stock, or our stock, as applicable, pursuant to such a plan (when aggregated with any pre-Distribution acquisitions of Carrier stock, Otis stock, or our stock, as applicable, pursuant to such a plan) would represent a 50 % or greater interest in shares of Carrier, Otis, or us, as applicable, such determination could result in significant tax liabilities to us. For purposes of this test, even if the Raytheon merger were treated as part of such plan, it did not result in an acquisition of a 50 % or greater interest in us. Any such tax liabilities imposed on us may adversely affect an investment in us. In addition, we obtained tax rulings in certain non-U. S. jurisdictions and / or opinions of external tax advisors, in each case, regarding the tax treatment of certain Separation Transactions. Notwithstanding the receipt of such tax rulings and opinions, there can be no assurance that the relevant taxing authorities will not assert that the tax treatment of the relevant Separation Transactions differs from the conclusions reached therein. In the event the relevant taxing authorities prevail with any challenge in respect of any relevant Separation Transaction, we would be subject to significant tax liabilities, which may adversely affect an investment in us. Further, under a tax matters agreement that we entered into with Carrier and Otis in connection with the Separation Transactions and Distributions, each of Carrier and Otis generally is required to indemnify us for certain taxes we may incur resulting from the Separation Transactions and / or the Distributions failing to qualify for the intended tax treatment. In addition, under the tax matters agreement, each of Carrier and Otis is responsible for (i) a specified portion of any installment payment we are required to make pursuant to Section 965 (h) (2) of the Code and (ii) specified taxes that exclusively relate to the Carrier business or the Otis business, as applicable. The amount of any such taxes for which we would be responsible may be significant, and if we were unable to obtain indemnification payments from Carrier or Otis to which we are entitled under the tax matters agreement and / or other agreements entered into in connection with the Separation Transactions and the Distributions, we would incur significant losses.