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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): May 7, 2020

RAYTHEON TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**001-00812**	**06-0570975**
(State of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

**870 Winter Street
Waltham, Massachusetts 02451
(Address of Principal Executive Offices) (Zip Code)**

**(Registrant's telephone number, including area code)
(781) 522-3000**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock ($1 par value) (CUSIP 75513E 101)	**RTX**	**New York Stock Exchange**
2.150% Notes due 2030 (CUSIP 75513E AB7)	**RTX 30**	**New York Stock Exchange**
Floating Rate Notes due 2020 (CUSIP 75513E AA9)	**RTX 20B**	**New York Stock Exchange**

Item 8.01. Other Events.

Raytheon Technologies Corporation (formerly known as United Technologies Corporation) (“RTC” or the “Company”) is filing this Current Report on Form 8-K to provide certain financial information with respect to Raytheon Company, a Delaware corporation (“Raytheon”), and pro forma financial information reflecting the Separation, the Distributions and the Merger (all as defined below). As previously reported, on April 3, 2020, the Company completed the previously announced separation of its business into three independent, publicly traded companies – Carrier Global Corporation (“Carrier”), Otis Worldwide Corporation (“Otis”) and the Company (the “Separation”). The Separation was effected by the distributions (the “Distributions”) of all of the outstanding shares of common stock of Carrier and all of the outstanding shares of common stock of Otis to the Company’s shareowners who held shares of the Company’s common stock as of the close of business on March 19, 2020. Also as previously reported, on April 3, 2020, following the completion of the Distributions and pursuant to the terms and conditions of the Agreement and Plan of Merger, dated as of June 9, 2019, and amended as of March 9, 2020, by and among the Company, Light Merger Sub Corp., a Delaware corporation and wholly owned subsidiary of the Company (“Merger Sub”), and Raytheon, Merger Sub merged with and into Raytheon (the “Merger”), with Raytheon surviving the Merger as a wholly owned subsidiary of the Company. At the effective time of the Merger, the Company changed its name to “Raytheon Technologies Corporation”. For certain additional information relating to the completion of the Separation, the Distributions and the Merger, please refer to the Current Report on Form 8-K filed by the Company on April 8, 2020.

Included in this Current Report on Form 8-K are (a) the unaudited consolidated balance sheets of Raytheon as of March 29, 2020 and December 31, 2019, and the related unaudited consolidated statements of operations, comprehensive income, equity and cash flows for the quarterly periods ended March 29, 2020 and March 31, 2019, including the related notes, which are attached hereto as Exhibit 99.1 and incorporated by reference herein and (b) the unaudited pro forma combined financial information of RTC reflecting the Separation, the Distributions and the Merger, including the unaudited pro forma combined balance sheet as of March 31, 2020 and the unaudited pro forma combined statement of operations for the quarterly period ended March 31, 2020, which are attached hereto as Exhibit 99.2 and incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The unaudited consolidated balance sheets of Raytheon as of March 29, 2020 and December 31, 2019, and the related unaudited consolidated statements of operations, comprehensive income, equity and cash flows for the quarterly periods ended March 29, 2020 and March 31, 2019, including the related notes, are attached hereto as Exhibit 99.1 and incorporated by reference herein.

(b) Pro Forma Financial Information.

The unaudited pro forma combined financial information of RTC reflecting the Separation, the Distributions and the Merger, including the unaudited pro forma combined balance sheet as of March 31, 2020 and the unaudited pro forma combined statement of operations for the quarterly period ended March 31, 2020, are attached hereto as Exhibit 99.2 and incorporated by reference herein.

(d) Exhibits

99.1	Unaudited consolidated financial statements (and notes thereto) of Raytheon Company as of March 29, 2020 and December 31, 2019 and for the quarterly periods ended March 29, 2020 and March 31, 2019
99.2	Unaudited pro forma combined financial information of RTC as of March 31, 2020 and for the quarterly period ended March 31, 2020
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RAYTHEON TECHNOLOGIES CORPORATION

Date: May 7, 2020	By: /s/ Anthony F. O’Brien
	Name: Anthony F. O’Brien
	Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

RAYTHEON COMPANY

(A Delaware Company)

Consolidated Financial Statements

For the Quarters Ended March 29, 2020 and March 31, 2019

RAYTHEON COMPANY

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FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

RAYTHEON COMPANY

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In millions, except per share amounts)	Mar 29, 2020	Dec 31, 2019
Assets		
Current assets		
Cash and cash equivalents	**$ 3,118**	$ 4,292
Receivables, net	**1,784**	1,364
Contract assets	**6,054**	6,122
Inventories	**699**	671
Prepaid expenses and other current assets	**611**	633
Total current assets	**12,266**	13,082
Property, plant and equipment, net	**3,366**	3,353
Operating lease right-of-use assets	**909**	875
Goodwill	**14,879**	14,882
Other assets, net	**2,290**	2,374
Total assets	**$ 33,710**	$ 34,566
Liabilities, Redeemable Noncontrolling Interests and Equity		
Current liabilities		
Current portion of long-term debt	**$ 999**	$ 1,499
Contract liabilities	**3,085**	3,267
Accounts payable	**1,489**	1,796
Accrued employee compensation	**1,062**	1,813
Other current liabilities	**1,293**	1,416
Total current liabilities	**7,928**	9,791
Accrued retiree benefits and other long-term liabilities	**8,521**	8,553
Long-term debt	**3,262**	3,261
Operating lease liabilities	**738**	706
Commitments and contingencies (Note 8)		
Redeemable noncontrolling interests	**34**	32
Equity		
Raytheon Company stockholders’ equity		
Common stock, par value, $0.01 per share, 1,450 shares authorized, 279 and 278 shares outstanding at March 29, 2020 and December 31, 2019, respectively	**3**	3
Additional paid-in capital	**19**	—
Accumulated other comprehensive loss	**(9,063)**	(9,260)
Retained earnings	**22,268**	21,480
Total Raytheon Company stockholders’ equity	**13,227**	12,223
Noncontrolling interests in subsidiaries	**—**	—
Total equity	**13,227**	12,223
Total liabilities, redeemable noncontrolling interests and equity	**$ 33,710**	$ 34,566

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
(In millions, except per share amounts)	**Mar 29, 2020**	Mar 31, 2019
Net sales		
Products	**$ 6,005**	$ 5,562
Services	**1,160**	1,167
Total net sales	**7,165**	6,729
Operating expenses		
Cost of sales—products	**4,338**	4,002
Cost of sales—services	**907**	875
General and administrative expenses	**728**	739
Total operating expenses	**5,973**	5,616
Operating income	**1,192**	1,113
Non-operating (income) expense, net		
Retirement benefits non-service expense	**192**	181
Interest expense	**43**	44
Interest income	**(11)**	(13)
Other (income) expense, net	**25**	(20)
Total non-operating (income) expense, net	**249**	192
Income before taxes	**943**	921
Federal and foreign income taxes	**153**	146
Net income	**790**	775
Less: Net income (loss) attributable to noncontrolling interests in subsidiaries	**2**	(6)
Net income attributable to Raytheon Company	**$ 788**	$ 781

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended	
(In millions)	**Mar 29, 2020**	Mar 31, 2019
Net income	**$ 790**	$ 775
Other comprehensive income (loss), before tax:		
Pension and other postretirement benefit plans, net:		
Amortization of prior service cost	**1**	1
Amortization of net actuarial loss	**303**	276
Pension and other postretirement benefit plans, net	**304**	277
Foreign exchange translation	**(45)**	8
Cash flow hedges	**2**	(10)
Unrealized gains (losses) on investments and other, net	**—**	—
Other comprehensive income (loss), before tax	**261**	275
Income tax benefit (expense) related to items of other comprehensive income (loss)	**(64)**	(56)
Other comprehensive income (loss), net of tax	**197**	219
Total comprehensive income (loss)	**987**	994
Less: Comprehensive income (loss) attributable to noncontrolling interests in subsidiaries	**2**	(6)
Comprehensive income (loss) attributable to Raytheon Company	**$ 985**	$ 1,000

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(In millions)	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total Raytheon Company stockholders' equity	Noncontrolling interests in subsidiaries[1]	Total equity
Balance at December 31, 2019	$ 3	$ —	$ (9,260)	$ 21,480	$ 12,223	$ —	$ 12,223
Net income (loss)				**788**	**788**	**—**	**788**
Other comprehensive income (loss), net of tax			**197**		**197**		**197**
Dividends declared		**—**		**—**	**—**		**—**
Common stock plans activity		**68**			**68**		**68**
Share repurchases		**(49)**			**(49)**		**(49)**
Balance at March 29, 2020	**$ 3**	**$ 19**	**$ (9,063)**	**$ 22,268**	**$ 13,227**	**$ —**	**$ 13,227**
Balance at December 31, 2018	$ 3	$ —	$ (8,618)	$ 20,087	$ 11,472	$ —	$ 11,472
Net income (loss)				781	781	—	781
Other comprehensive income (loss), net of tax			219		219		219
Adjustment of redeemable noncontrolling interests to redemption value				5	5		5
Dividends declared		1		(265)	(264)		(264)
Common stock plans activity		61			61		61
Share repurchases		(62)		(504)	(566)		(566)
Balance at March 31, 2019	$ 3	$ —	$ (8,399)	$ 20,104	$ 11,708	$ —	$ 11,708

(1) Excludes redeemable noncontrolling interests which are not considered equity.

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Three Months Ended Mar 29, 2020	Mar 31, 2019
Cash flows from operating activities		
Net income	**$ 790**	$ 775
Adjustments to reconcile to net cash provided by (used in) operating activities, net of the effect of acquisitions and divestitures		
Depreciation and amortization	**153**	140
Stock-based compensation	**52**	59
Deferred income taxes	**(50)**	(44)
Changes in assets and liabilities		
Receivables, net	**(424)**	236
Contract assets and contract liabilities	**(117)**	(731)
Inventories	**(28)**	(124)
Prepaid expenses and other current assets	**(48)**	(59)
Income taxes receivable/payable	**183**	181
Accounts payable	**(205)**	(484)
Accrued employee compensation	**(757)**	(523)
Accrued retiree benefits	**285**	219
Other, net	**68**	(56)
Net cash provided by (used in) operating activities	**(98)**	(411)
Cash flows from investing activities		
Additions to property, plant and equipment	**(239)**	(274)
Additions to capitalized internal-use software	**(16)**	(10)
Payments for purchases of acquired companies, net of cash received	**—**	(8)
Net cash provided by (used in) investing activities	**(255)**	(292)
Cash flows from financing activities		
Dividends paid	**(263)**	(245)
Repayments of long-term debt	**(500)**	—
Repurchases of common stock under share repurchase programs	**—**	(500)
Repurchases of common stock to satisfy tax withholding obligations	**(49)**	(66)
Other	**(9)**	(5)
Net cash provided by (used in) financing activities	**(821)**	(816)
Net increase (decrease) in cash, cash equivalents and restricted cash	**(1,174)**	(1,519)
Cash, cash equivalents and restricted cash at beginning of year	**4,298**	3,624
Cash, cash equivalents and restricted cash at end of period	**$ 3,124**	$ 2,105

The accompanying notes are an integral part of the unaudited consolidated financial statements.

RAYTHEON COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

We prepared the accompanying unaudited consolidated financial statements of Raytheon Company and all wholly-owned, majority-owned or otherwise controlled subsidiaries on the same basis as our annual audited financial statements. We omitted certain information and footnote disclosures normally included in our annual audited financial statements, which we prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Our quarterly financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019. As used in this report, the terms “we,” “us,” “our,” “Raytheon” and the “Company” mean Raytheon Company and its subsidiaries, unless the context indicates another meaning.

In the opinion of management, our financial statements reflect all adjustments, which are of a normal recurring nature, necessary for presentation of financial statements for interim periods in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates, and any such differences may be material to our financial statements. Specifically, our Estimate at Completion (EAC) process related to our long-term contracts include assumptions and estimates regarding labor productivity and availability, the availability of materials and the execution by our subcontractors, among other variables, which could change as a result of the coronavirus pandemic. For more information on our EAC process, see “Note 3: Changes in Estimates under Percentage of Completion Contract Accounting.” We have evaluated the impact of the coronavirus pandemic on the valuation of our assets, including goodwill, and have determined we do not have any impact as of March 29, 2020.

Accounting pronouncements adopted and issued but not effective until after March 29, 2020 did not and are not expected to have a material impact on our financial position, results of operations or liquidity.

Note 2: Merger with United Technologies Corporation (UTC)

Pursuant to the Agreement and Plan of Merger dated as of June 9, 2019 by and among United Technologies Corporation (UTC), Light Merger Sub Corp., a wholly owned subsidiary of UTC (Merger Sub) and Raytheon, as amended (the Merger Agreement), on April 3, 2020, Merger Sub merged with and into Raytheon (the Merger) with Raytheon becoming a wholly owned subsidiary of UTC, and UTC was renamed Raytheon Technologies Corporation (RTC). Upon completion of the Merger, pursuant to the Merger Agreement, each share of Raytheon common stock that was issued and outstanding immediately prior to the completion of the Merger (other than shares held by Raytheon as treasury stock) was converted into the right to receive 2.3348 fully paid and nonassessable shares of RTC common stock, and, if applicable, cash in lieu of fractional shares. Immediately after the Merger, former holders of Raytheon common stock owned approximately 43% and pre-Merger holders of UTC common stock owned approximately 57% of the common stock of RTC.

Note 3: Changes in Estimates under Percentage of Completion Contract Accounting

We have a companywide standard and disciplined quarterly Estimate at Completion (EAC) process in which management reviews the progress and execution of our performance obligations. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include management’s judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product) and other contract requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), execution by our subcontractors, the availability and timing of funding from our customer, and overhead cost rates, among other variables. These estimates also include the estimated cost of satisfying our industrial cooperation agreements, sometimes in the form of either offset obligations or in-country industrial participation (ICIP) agreements, required under certain contracts. These obligations may or may not be distinct depending on their nature.

Based on this analysis, any quarterly adjustments to net sales, cost of sales and the related impact to operating income are recognized as necessary in the period they become known. These adjustments may result from positive program performance, and may result in an increase in operating income during the performance of individual performance obligations, if we determine we will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations or realizing related opportunities. Likewise, these adjustments may result in a decrease in operating income if we determine we will not be successful in mitigating these risks or realizing related opportunities. Changes in estimates of net sales, cost of sales and the related impact to operating income are recognized quarterly on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of our performance obligations. When estimates of total costs to be incurred exceed total estimates of revenue to be earned on a performance obligation related to complex aerospace or defense equipment or related services, or product maintenance or separately priced extended warranty, a provision for the entire loss on the performance obligation is recognized in the period the loss is identified.

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

	Three Months Ended	
(In millions, except per share amounts)	**Mar 29, 2020**	Mar 31, 2019
Operating income	**$ 198**	$ 123
Net income attributable to Raytheon Company	**156**	97

In addition, net revenue recognized from our performance obligations satisfied in previous periods was $160 million and $158 million in the first quarters of 2020 and 2019, respectively. This primarily relates to EAC adjustments that impacted revenue.

Note 4: Inventories

Inventories consisted of the following:

(In millions)	**Mar 29, 2020**	Dec 31, 2019
Materials and purchased parts	**$ 76**	$ 78
Work in process	**603**	574
Finished goods	**20**	19
Total	**$ 699**	$ 671

Precontract costs are costs incurred to fulfill a contract prior to contract award. Precontract costs, including general and administrative expenses that are specifically chargeable to the customer, are deferred in inventories if we determine that the costs are probable of recovery under a specific anticipated contract. All other precontract costs, including start-up costs, are expensed as incurred. Costs that are deferred are recognized as contract costs upon the receipt of the anticipated contract. We included deferred precontract costs of $228 million and $182 million in inventories as work in process at March 29, 2020 and December 31, 2019, respectively.

Note 5: Contract Assets and Contract Liabilities

Our contract assets consist of unbilled amounts typically resulting from sales under long-term contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Our contract liabilities consist of advance payments and billings in excess of costs incurred and deferred revenue. The noncurrent portion of deferred revenue is included in accrued retiree benefits and other long-term liabilities in our consolidated balance sheets.

Net contract assets (liabilities) consisted of the following:

(In millions, except percentages)	**Mar 29, 2020**	Dec 31, 2019	$ Change	% Change
Contract assets	**$ 6,054**	$ 6,122	$ (68)	(1.1)%
Contract liabilities—current	**(3,085)**	(3,267)	182	(5.6)%
Contract liabilities—noncurrent	**(136)**	(143)	7	(4.9)%
Net contract assets (liabilities)	**$ 2,833**	$ 2,712	$ 121	4.5 %

The $121 million increase in our net contract assets (liabilities) from December 31, 2019 to March 29, 2020 was primarily due to a $182 million decrease in our current contract liabilities, primarily driven by revenue recognized on certain international programs with milestone payments or advances, partially offset by a $68 million decrease in our contract assets, principally due to the timing of milestone payments on certain international programs and the timing of approvals on direct commercial sales contracts for precision guided munitions to certain Middle Eastern customers, partially offset by contractual billing terms on U.S. government and foreign military sales contracts.

For direct commercial sales contracts for precision guided munitions to certain Middle Eastern customers for which we have not yet obtained the regulatory approval and licenses, we had approximately $1.2 billion of total contract value, recognized approximately $400 million of sales for work performed to date and received approximately $450 million in advances as of

March 29, 2020. On a contract by contract basis, we had $100 million and $150 million of net contract assets and net contract liabilities, respectively, related to the contracts pending approval.

In the first quarters of 2020 and 2019, we recognized revenue of $916 million and $894 million related to our contract liabilities at January 1, 2020 and January 1, 2019, respectively.

Impairment losses recognized on our receivables and contract assets were de minimis in the first quarters of 2020 and 2019.

Note 6: Acquisitions, Divestitures and Goodwill

In pursuing our business strategies, we acquire and make investments in certain businesses that meet strategic and financial criteria, and divest of certain non-core businesses, investments and assets when appropriate. We did not have any acquisitions or divestitures in the first quarter of 2020.

A rollforward of goodwill by segment was as follows:

(In millions)		Integrated Defense Systems		Intelligence, Information and Services		Missile Systems		Space and Airborne Systems		Forcepoint		Total
Balance at December 31, 2019	$	1,703	$	2,984	$	4,154	$	4,103	$	1,938	$	14,882
Effect of foreign exchange rates and other		**(1)**		**(2)**		**—**		**—**		**—**		**(3)**
Balance at March 29, 2020	**$**	**1,702**	**$**	**2,982**	**$**	**4,154**	**$**	**4,103**	**$**	**1,938**	**$**	**14,879**

Note 7: Derivatives and Other Financial Instruments

Derivatives—Our primary market exposures are to foreign exchange rates and interest rates, and we use certain derivative financial instruments to help manage these exposures. We execute these instruments with financial institutions that we judge to be credit-worthy. The majority of our foreign currency forward contracts are denominated in currencies of major industrial countries. We do not hold or issue derivative financial instruments for trading or speculative purposes.

We use foreign currency forward contracts to fix the functional currency value of specific commitments, payments and receipts denominated in foreign currencies. The aggregate notional amount of our outstanding foreign currency forward contracts was $1,498 million and $1,487 million at March 29, 2020 and December 31, 2019, respectively. The net notional exposure of these contracts was $658 million and $746 million at March 29, 2020 and December 31, 2019, respectively.

The fair value of asset derivatives included in other assets, net and liability derivatives included in other current liabilities in our consolidated balance sheets related to foreign currency forward contracts were as follows:

(In millions)		**Mar 29, 2020**		Dec 31, 2019
Asset derivatives	**$**	**38**	$	29
Liability derivatives		**37**		15

The fair value of these derivatives is Level 2 in the fair value hierarchy because they are determined based on a market approach utilizing externally quoted foreign currency forward rates for similar contracts.

Our foreign currency forward contracts contain offset or netting provisions to mitigate credit risk in the event of counterparty default, including payment default and cross default. We measure and record the impact of counterparty credit risk into our valuation and at March 29, 2020 and December 31, 2019, the fair value of our counterparty default exposure was $1 million and less than $1 million, respectively, and was spread across numerous highly rated counterparties.

There were no interest rate swaps outstanding at March 29, 2020 or December 31, 2019.

Other Financial Instruments—We hold financial instruments, including cash and cash equivalents and long-term debt. The carrying amount for cash and cash equivalents approximated its fair value. The carrying value of long-term debt was recorded at amortized cost. The estimated fair value of long-term debt was determined based on quoted prices in inactive markets, which falls within Level 2 of the fair value hierarchy. The carrying value and estimated fair value of long-term debt were as follows:

(In millions)	Mar 29, 2020	Dec 31, 2019
Carrying value of long-term debt[(1)]	**$ 4,261**	$ 4,760
Fair value of long-term debt[(2)]	**4,761**	5,337

(1) Carrying value of long-term debt at March 29, 2020 and December 31, 2019 includes current portion of long-term debt carrying value of $999 million and $1,499 million, respectively.
(2) Fair value of long-term debt at March 29, 2020 and December 31, 2019 includes current portion of long-term debt fair value of $1,000 million and $1,513 million, respectively.

In the first quarter of 2020, we repaid $500 million of debt, which matured in February 2020, using cash on hand.

Supplemental Cash Flow Information—Cash and cash equivalents reported within our consolidated balance sheets excludes restricted cash of $6 million at both March 29, 2020 and December 31, 2019, which for purposes of our consolidated statements of cash flows, is included in cash, cash equivalents and restricted cash.

Note 8: Commitments and Contingencies

Environmental Matters—We are involved in various stages of investigation and cleanup related to remediation of various environmental sites. Our estimate of the liability of total environmental remediation costs includes the use of a discount rate and takes into account that a portion of these costs is eligible for future recovery through the pricing of our products and services to the U.S. government. We regularly assess the probability of recovery of these costs, which requires us to make assumptions about the extent of cost recovery under our contracts and the amount of future contract activity. We consider such recovery probable based on government contracting regulations and our long history of receiving reimbursement for such costs, and accordingly have recorded the estimated future recovery of these costs from the U.S. government within prepaid expenses and other current assets in our consolidated balance sheets. Our estimates regarding remediation costs to be incurred were as follows:

(In millions, except percentages)	Mar 29, 2020	Dec 31, 2019
Total remediation costs—undiscounted	**$ 192**	$ 188
Weighted-average discount rate	**5.1%**	5.1%
Total remediation costs—discounted	**$ 132**	$ 124
Recoverable portion	**86**	81

We also lease certain government-owned properties and generally are not liable for remediation of preexisting environmental contamination at these sites. As a result, we generally do not provide for these costs in our consolidated financial statements.

Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage, and the unresolved extent of our responsibility, it is difficult to determine the ultimate outcome of environmental matters. However, we do not expect any additional liability to have a material adverse effect on our financial position, results of operations or liquidity.

Financing Arrangements and Other—We issue guarantees, and banks and surety companies issue, on our behalf, letters of credit and surety bonds, to meet various bid, performance, warranty, retention and advance payment obligations for us or our affiliates. These instruments expire on various dates through 2028. Additional guarantees of project performance for which there is no stated value also remain outstanding. The stated values outstanding consisted of the following:

(In millions)	Mar 29, 2020	Dec 31, 2019
Guarantees	**$ 224**	$ 219
Letters of credit	**3,423**	3,485
Surety bonds	**71**	83

We provide guarantees and letters of credit to certain affiliates to assist them in obtaining financing on more favorable terms, making bids on contracts and performing their contractual obligations. While we expect our affiliates to satisfy their loans and meet their project performance and other contractual obligations, their failure to do so may result in a future obligation to us. We periodically evaluate the risk of our affiliates failing to meet their obligations. At March 29, 2020, we believe the risk that our affiliates will not be able to meet their obligations is minimal for the foreseeable future based on their current financial condition. All obligations were current at March 29, 2020. We had an estimated liability of $2 million and $3 million at March 29, 2020 and December 31, 2019, respectively, related to these guarantees.

We have entered into industrial cooperation agreements, sometimes in the form of either offset agreements or ICIP agreements, as a condition to obtaining orders for our products and services from certain customers in foreign countries. At March 29, 2020, the aggregate amount of our offset agreements, both agreed to and anticipated to be agreed to, had an outstanding notional value of approximately $9.9 billion. These agreements are designed to return economic value to the foreign country by requiring us to engage in activities supporting local defense or commercial industries, promoting a balance of trade, developing in-country technology capabilities or addressing other local development priorities. Offset agreements may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training and other consulting support to in-country projects, and the purchase by third parties (e.g., our vendors) of supplies from in-country vendors. These agreements may also be satisfied through our use of cash for activities such as subcontracting with local partners, purchasing supplies from in-country vendors, providing financial support for in-country projects and making investments in local ventures. Such activities may also vary by country depending upon requirements as dictated by their governments. We typically do not commit to offset agreements until orders for our products or services are definitive. The amounts ultimately applied against our offset agreements are based on negotiations with the customers and typically require cash outlays that represent only a fraction of the notional value in the offset agreements. Offset programs usually extend over several or more years and may provide for penalties in the event we fail to perform in accordance with offset requirements. Historically, we have not been required to pay any penalties of significance.

As a U.S. government contractor, we are subject to many levels of audit and investigation by the U.S. government relating to our contract performance and compliance with applicable rules and regulations. Agencies that oversee contract performance include: the Defense Contract Audit Agency (DCAA); the Defense Contract Management Agency (DCMA); the Inspectors General of the U.S. Department of Defense (DoD) and other departments and agencies; the Government Accountability Office (GAO); the Department of Justice (DOJ); and Congressional Committees. Other areas of our business operations may also be subject to audit and investigation by these and/or other agencies. From time to time, agencies investigate or conduct audits to determine whether our operations are being conducted in accordance with applicable requirements. Such investigations and audits may be initiated due to a number of reasons, including as a result of a whistleblower complaint. Such investigations and audits could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, the suspension of government export licenses or the suspension or debarment from future U.S. government contracting. U.S. government investigations often take years to complete and many result in no adverse action against us. Our final allowable incurred costs for each year are also subject to audit and have, from time to time, resulted in disputes between us and the U.S. government, with litigation resulting at the Court of Federal Claims (COFC) or the Armed Services Board of Contract Appeals (ASBCA) or their related courts of appeals. In addition, the DOJ has, from time to time, convened grand juries to investigate possible irregularities by us. We also provide products and services to customers outside of the U.S., and those sales are subject to local government laws, regulations and procurement policies and practices. Our compliance with such local government regulations or any applicable U.S. government regulations (e.g., the Foreign Corrupt Practices Act (FCPA) and International Traffic in Arms Regulations (ITAR)) may also be investigated or audited. Other than as specifically disclosed herein, we do not expect these audits, investigations or disputes to have a material effect on our financial position, results of operations or liquidity, either individually or in the aggregate.

In 2019, Raytheon received a subpoena from the Securities and Exchange Commission (SEC) seeking information in connection with an investigation into whether there were improper payments made by Thales-Raytheon Systems (TRS), Raytheon or anyone acting on their behalf in connection with TRS or Raytheon contracts in certain Middle East countries since 2014. In the first quarter of 2020, the DOJ advised Raytheon it had opened a parallel investigation. Raytheon maintains a rigorous anti-corruption compliance program, is cooperating fully with the SEC’s inquiry, and is examining whether there has been any conduct that is in violation of Raytheon policy. At this point there is no ability to predict the outcome of the SEC’s or DOJ’s inquiry. Based on the information available to date, however, we do not believe the results of this inquiry will have a material adverse effect on our financial condition, results of operations or liquidity.

In addition, various other claims and legal proceedings generally incidental to the normal course of business are pending or threatened against, or initiated by, us. We do not expect any of these proceedings to result in any additional liability or gains that would materially affect our financial position, results of operations or liquidity. In connection with certain of our legal matters, we may be entitled to insurance recovery for qualified legal costs or other incurred costs. We do not expect any insurance recovery to have a material impact on the financial exposure that could result from these matters.

Note 9: Stockholders' Equity

The changes in shares of our common stock outstanding were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2020**	Mar 31, 2019
Beginning balance	**278.4**	282.1
Stock plans activity	**1.3**	1.1
Share repurchases	**(0.4)**	(3.1)
Ending balance	**279.3**	280.1

From time to time, our Board of Directors authorizes the repurchase of shares of our common stock. In November 2017, our Board authorized the repurchase of up to $2.0 billion of our outstanding common stock. At March 29, 2020, we had approximately $0.7 billion available under the repurchase program. However, the Merger Agreement restricted us from repurchasing shares other than to satisfy tax withholding obligations. For more information refer to "Note 2: Merger with United Technologies Corporation (UTC)."

Share repurchases also include shares surrendered by employees to satisfy tax withholding obligations in connection with restricted stock, restricted stock units (RSUs) and Long-term Performance Plan (LTPP) awards issued to employees.

Our share repurchases were as follows:

	Three Months Ended			
(In millions)	**Mar 29, 2020**		Mar 31, 2019	
	$	**Shares**	$	Shares
Shares repurchased under our share repurchase programs	**$ —**	**—**	$ 500	2.8
Shares repurchased to satisfy tax withholding obligations	**49**	**0.4**	66	0.3
Total share repurchases	**$ 49**	**0.4**	$ 566	3.1

Our Board of Directors approved and declared dividends of $0.9425 per share during the first quarter of 2019. There were no dividends declared during the first quarter of 2020 as a result of the Merger. Dividends are subject to quarterly approval by our Board of Directors.

Stock-based Compensation Plans

Restricted Stock and RSUs—During the first quarter of 2020, we granted 1.2 million combined shares of restricted stock and RSUs with a weighted-average grant-date fair value of $145.04 per share, calculated under the intrinsic value method. These awards generally vest in equal installments on each of the second, third and fourth anniversary dates of the award's grant date.

LTPP—During the first quarter of 2020, we granted RSUs subject to the 2020–2022 LTPP with an aggregate target award of 0.1 million units and a weighted-average grant-date fair value of $240.26 per share. The performance goals for the 2020–2022 LTPP awards are independent of each other and based on three metrics, as defined in the LTPP award agreements: return on invested capital (ROIC), weighted at 50%; total shareholder return (TSR) relative to a peer group, weighted at 25%; and cumulative free cash flow from continuing operations (CFCF), weighted at 25%. The ultimate award, which is determined at the end of the three-year cycle, can range from zero to 200% of the target award and includes dividend equivalents, which are not included in the aggregate target award numbers. The grant-date fair value is based upon the value determined under the intrinsic value method for the CFCF and ROIC portions of the award and the Monte Carlo simulation method for the TSR portion of the award.

Forcepoint Plans—Forcepoint unit appreciation rights and profits interests vest over a specified period of time and settlement is subject to a liquidity event defined as either a change in control or an initial public offering of the joint venture. In certain limited circumstances other vesting conditions may apply. The impact attributable to these other vesting conditions was income of $15 million and $2 million for the first quarters of 2020 and 2019, respectively. At March 29, 2020, there were 174 thousand combined units and/or profits interests authorized for award under these plans. The Merger does not qualify as a change in control for the Forcepoint Plan awards.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes gains and losses associated with pension and other postretirement benefit (PRB) plans, foreign exchange translation adjustments, gains and losses on derivative instruments qualified as cash flow hedges included in the assessment of effectiveness, and unrealized gains (losses) on available-for-sale investments. The computation of other comprehensive income (loss) and its components are presented in the consolidated statements of comprehensive income.

A rollforward of accumulated other comprehensive income (loss) was as follows:

(In millions)	Pension and PRB plans, net(1)	Foreign exchange translation	Cash flow hedges(2)	Unrealized gains (losses) on investments and other, net(3)	Total
Balance at December 31, 2019	$ (9,132)	$ (124)	$ 1	$ (5)	$ (9,260)
Before tax amount	**304**	**(45)**	**2**	**—**	**261**
Tax (expense) or benefit	**(64)**	**—**	**—**	**—**	**(64)**
Net of tax amount	**240**	**(45)**	**2**	**—**	**197**
Balance at March 29, 2020	**$ (8,892)**	**$ (169)**	**$ 3**	**$ (5)**	**$ (9,063)**
Balance at December 31, 2018	$ (8,483)	$ (131)	$ (2)	$ (2)	$ (8,618)
Before tax amount	277	8	(10)	—	275
Tax (expense) or benefit	(58)	—	2	—	(56)
Net of tax amount	219	8	(8)	—	219
Balance at March 31, 2019	$ (8,264)	$ (123)	$ (10)	$ (2)	$ (8,399)

(1) Pension and PRB plans, net is shown net of cumulative tax benefits of $2,364 million and $2,428 million at March 29, 2020 and December 31, 2019, respectively.
(2) Cash flow hedges are shown net of cumulative tax of zero at both March 29, 2020 and December 31, 2019.
(3) Unrealized gains (losses) on investments and other, net are shown net of cumulative tax expense of $1 million at both March 29, 2020 and December 31, 2019.

Material amounts reclassified out of accumulated other comprehensive loss (AOCL) related to the amortization of net actuarial loss associated with our pension plans were $300 million and $273 million before tax in the first quarters of 2020 and 2019, respectively. This component of AOCL is included in the calculation of net periodic pension expense (income). See “Note 10: Pension and Other Employee Benefits” for additional details.

We expect $2 million net of tax of net unrealized gains on our cash flow hedges at March 29, 2020 to be reclassified into earnings at then-current values over the next 12 months as the underlying hedged transactions occur.

Note 10: Pension and Other Employee Benefits

We have pension plans covering the majority of our employees hired prior to January 1, 2007, including certain employees in foreign countries (Pension Benefits). Our primary pension obligations relate to our domestic Internal Revenue Service (IRS) qualified pension plans. In addition, we provide certain health care and life insurance benefits to retired employees and to eligible employees upon retirement through PRB plans.

We also sponsor nonqualified defined benefit and defined contribution plans to provide benefits in excess of qualified plan limits. We have set aside certain assets in separate trusts, which we expect to be used to pay for trust obligations. The fair value of marketable securities held in trusts, which are considered Level 1 assets under the fair value hierarchy, consisted of the following:

(In millions)	**Mar 29, 2020**	Dec 31, 2019
Marketable securities held in trusts	**$ 703**	$ 753

Included in marketable securities held in trusts in the table above was $451 million and $476 million at March 29, 2020 and December 31, 2019, respectively, related to the nonqualified defined contribution plans. The liabilities related to the nonqualified defined contribution plans were $456 million and $489 million at March 29, 2020 and December 31, 2019, respectively.

The components of net periodic pension expense (income) were as follows:

	Three Months Ended	
(In millions)	**Mar 29, 2020**	Mar 31, 2019
Operating expense		
Service cost	**$ 125**	$ 105
Non-operating expense		
Interest cost	**227**	261
Expected return on plan assets	**(340)**	(359)
Amortization of prior service cost	**1**	1
Amortization of net actuarial loss	**300**	273
Total pension non-service expense	**188**	176
Net periodic pension expense (income)	**$ 313**	$ 281

Net periodic pension expense (income) includes income of $1 million from foreign Pension Benefits plans in both the first quarters of 2020 and 2019.

Net periodic PRB expense was $6 million in both the first quarters of 2020 and 2019.

Long-term pension and PRB liabilities consisted of the following:

(In millions)	**Mar 29, 2020**	Dec 31, 2019
Long-term pension liabilities	**$ 7,674**	$ 7,687
Long-term PRB liabilities	**369**	369
Total long-term pension and PRB liabilities	**$ 8,043**	$ 8,056

We made the following contributions to our pension and PRB plans:

	Three Months Ended	
(In millions)	**Mar 29, 2020**	Mar 31, 2019
Required pension contributions	**$ 30**	$ 64
PRB contributions	**4**	4
Total	**$ 34**	$ 68

We periodically evaluate whether to make discretionary contributions. We did not make any discretionary contributions to our pension plans during the first quarters of 2020 or 2019.

Note 11: Income Taxes

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. All IRS examinations related to originally filed returns are closed through the 2016 tax year. In 2018, we amended tax returns for tax years 2014-2016 to reflect refund claims related to increased Research and Development tax credits, which will be subject to audit. We are also under audit by multiple state and foreign tax authorities.

The balance of our unrecognized tax benefits, exclusive of interest, was $238 million and $227 million at March 29, 2020 and December 31, 2019, respectively, the majority of which would affect our earnings if recognized. There were no significant changes in the balance during the first quarter of 2020.

We accrue interest and penalties related to unrecognized tax benefits in tax expense. Interest and penalties recognized during the first quarters of 2020 and 2019 and accrued as of March 29, 2020 and December 31, 2019 were de minimis.

Note 12: Business Segment Reporting

Our reportable segments, organized based on capabilities and technologies, are: Integrated Defense Systems (IDS); Intelligence, Information and Services (IIS); Missile Systems (MS); Space and Airborne Systems (SAS); and Forcepoint. Segment total net sales and operating income include intersegment sales and profit generally recorded at cost-plus a specified fee, which may differ from what the selling entity would be able to obtain on sales to external customers. Eliminations include intersegment sales and profit eliminations. Corporate operating income includes expenses that represent unallocated costs and certain other corporate costs not considered part of management's evaluation of reportable segment operating performance and the allocation of resources to the segment. Acquisition Accounting Adjustments include the amortization of acquired intangible assets related to historical acquisitions and the adjustments to record acquired deferred revenue at fair value as part of our purchase price allocation process.

Segment financial results were as follows:

	Three Months Ended	
Total Net Sales (in millions)	**Mar 29, 2020**	Mar 31, 2019
Integrated Defense Systems	**$ 1,722**	$ 1,550
Intelligence, Information and Services	**1,731**	1,777
Missile Systems	**2,151**	2,006
Space and Airborne Systems	**1,894**	1,653
Forcepoint	**148**	158
Eliminations	**(481)**	(414)
Total business segment sales	**7,165**	6,730
Acquisition Accounting Adjustments	**—**	(1)
Total	**$ 7,165**	$ 6,729

	Three Months Ended	
Intersegment Sales (in millions)	**Mar 29, 2020**	Mar 31, 2019
Integrated Defense Systems	**$ 21**	$ 21
Intelligence, Information and Services	**185**	168
Missile Systems	**68**	43
Space and Airborne Systems	**201**	173
Forcepoint	**6**	9
Total	**$ 481**	$ 414

Operating Income (in millions)	Three Months Ended Mar 29, 2020	Mar 31, 2019
Integrated Defense Systems	$ 337	$ 258
Intelligence, Information and Services	142	187
Missile Systems	239	190
Space and Airborne Systems	244	212
Forcepoint	(16)	(9)
Eliminations	(50)	(47)
Total business segment operating income	896	791
Acquisition Accounting Adjustments	(21)	(28)
FAS/CAS Operating Adjustment	370	366
Corporate[(1)]	(53)	(16)
Total	$ 1,192	$ 1,113

(1) In the fourth quarter of 2019, we were selected by the U.S. Army for the Lower Tier Air and Missile Defense Sensor (LTAMDS). The net expenses related to the LTAMDS project of $26 million in the first quarter of 2020 are included in Corporate operating income as they are not included in management's evaluation of business segment results. No amounts were recorded in the first quarter of 2019.

Intersegment Operating Income (in millions)	Three Months Ended Mar 29, 2020	Mar 31, 2019
Integrated Defense Systems	$ 2	$ 2
Intelligence, Information and Services	18	17
Missile Systems	6	4
Space and Airborne Systems	20	17
Forcepoint	4	7
Total	$ 50	$ 47

The FAS/CAS Operating Adjustment, which is reported as a separate line in our segment results above, represents the difference between the service cost component of our pension and PRB expense or income under Financial Accounting Standards (FAS) in accordance with U.S. GAAP and our pension and PRB expense under U.S. government Cost Accounting Standards (CAS). The results of each segment only include pension and PRB expense under CAS that we generally recover through the pricing of our products and services to the U.S. government.

The pension and PRB components of the FAS/CAS Operating Adjustment were as follows:

(In millions)	Three Months Ended Mar 29, 2020	Mar 31, 2019
FAS/CAS Pension Operating Adjustment	$ 366	$ 362
FAS/CAS PRB Operating Adjustment	4	4
FAS/CAS Operating Adjustment	$ 370	$ 366

Total assets for each of our business segments were as follows:

Total Assets (in millions)	Mar 29, 2020	Dec 31, 2019
Integrated Defense Systems[(1)]	$ 5,045	$ 5,103
Intelligence, Information and Services[(1)]	4,387	4,291
Missile Systems[(1)]	8,525	8,408
Space and Airborne Systems[(1)]	7,245	6,979
Forcepoint[(1)]	2,364	2,424
Corporate	6,144	7,361
Total	$ 33,710	$ 34,566

(1) Total assets includes intangible assets. Related amortization expense is included in Acquisition Accounting Adjustments.

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We disaggregate our revenue from contracts with customers by geographic location, customer-type and contract-type for each of our segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. See details in the tables below.

	Three Months Ended March 29, 2020						
Disaggregation of Total Net Sales (in millions)	Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Other	Total
United States							
Sales to the U.S. government[(1)]							
Fixed-price contracts	$ 236	$ 213	$ 857	$ 654	$ 43	$ —	$ 2,003
Cost-type contracts	457	1,111	726	723	2	—	3,019
Direct commercial sales and other U.S. sales							
Fixed-price contracts	1	30	3	21	37	—	92
Cost-type contracts	—	9	—	1	1	—	11
Asia/Pacific							
Foreign military sales through the U.S. government							
Fixed-price contracts	45	30	83	39	—	—	197
Cost-type contracts	17	10	29	9	—	—	65
Direct commercial sales and other foreign sales[(1)]							
Fixed-price contracts	144	42	52	62	13	—	313
Cost-type contracts	17	—	1	—	—	—	18
Middle East and North Africa							
Foreign military sales through the U.S. government							
Fixed-price contracts	158	4	113	92	—	—	367
Cost-type contracts	77	8	6	21	—	—	112
Direct commercial sales and other foreign sales[(1)]							
Fixed-price contracts	320	14	77	5	9	—	425
Cost-type contracts	—	—	29	—	—	—	29
All other (principally Europe)							
Foreign military sales through the U.S. government							
Fixed-price contracts	168	—	49	24	—	—	241
Cost-type contracts	18	—	28	2	—	—	48
Direct commercial sales and other foreign sales[(1)]							
Fixed-price contracts	40	57	29	40	37	—	203
Cost-type contracts	3	18	1	—	—	—	22
Total net sales	1,701	1,546	2,083	1,693	142	—	7,165
Intersegment sales	21	185	68	201	6	(481)	—
Acquisition Accounting Adjustments	—	—	—	—	—	—	—
Reconciliation to business segment sales	$ 1,722	$ 1,731	$ 2,151	$ 1,894	$ 148	$ (481)	$ 7,165

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

Total Net Sales by Geographic Area (in millions)	Three Months Ended March 29, 2020 Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Total
United States	$ 694	$ 1,363	$ 1,586	$ 1,399	$ 83	$ 5,125
Asia/Pacific	223	82	165	110	13	593
Middle East and North Africa	555	26	225	118	9	933
All other (principally Europe)	229	75	107	66	37	514
Total net sales	$ 1,701	$ 1,546	$ 2,083	$ 1,693	$ 142	$ 7,165

Total Net Sales by Major Customer (in millions)	Three Months Ended March 29, 2020 Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Total
Sales to the U.S. government(1)	$ 693	$ 1,324	$ 1,583	$ 1,377	$ 45	$ 5,022
U.S. direct commercial sales and other U.S. sales	1	39	3	22	38	103
Foreign military sales through the U.S. government	483	52	308	187	—	1,030
Foreign direct commercial sales and other foreign sales(1)	524	131	189	107	59	1,010
Total net sales	$ 1,701	$ 1,546	$ 2,083	$ 1,693	$ 142	$ 7,165

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

Total Net Sales by Contract-Type (in millions)	Three Months Ended March 29, 2020 Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Total
Fixed-price contracts	$ 1,112	$ 390	$ 1,263	$ 937	$ 139	$ 3,841
Cost-type contracts	589	1,156	820	756	3	3,324
Total net sales	$ 1,701	$ 1,546	$ 2,083	$ 1,693	$ 142	$ 7,165

Disaggregation of Total Net Sales (in millions)	Three Months Ended March 31, 2019 Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Other	Total
United States							
Sales to the U.S. government[1]							
Fixed-price contracts	$ 221	$ 224	$ 708	$ 548	$ 37	$ —	$ 1,738
Cost-type contracts	424	1,152	699	659	4	—	2,938
Direct commercial sales and other U.S. sales							
Fixed-price contracts	1	33	9	26	44	—	113
Cost-type contracts	—	4	—	1	—	—	5
Asia/Pacific							
Foreign military sales through the U.S. government							
Fixed-price contracts	40	73	124	30	—	—	267
Cost-type contracts	18	11	16	9	—	—	54
Direct commercial sales and other foreign sales[1]							
Fixed-price contracts	168	41	32	48	16	—	305
Cost-type contracts	17	—	—	—	—	—	17
Middle East and North Africa							
Foreign military sales through the U.S. government							
Fixed-price contracts	269	3	115	74	—	—	461
Cost-type contracts	48	5	5	19	—	—	77
Direct commercial sales and other foreign sales[1]							
Fixed-price contracts	195	7	145	18	8	—	373
Cost-type contracts	—	—	19	—	—	—	19
All other (principally Europe)							
Foreign military sales through the U.S. government							
Fixed-price contracts	81	1	34	17	—	—	133
Cost-type contracts	10	—	15	2	—	—	27
Direct commercial sales and other foreign sales[1]							
Fixed-price contracts	34	49	42	29	39	—	193
Cost-type contracts	3	6	—	—	—	—	9
Total net sales	1,529	1,609	1,963	1,480	148	—	6,729
Intersegment sales	21	168	43	173	9	(414)	—
Acquisition Accounting Adjustments	—	—	—	—	1	(1)	—
Reconciliation to business segment sales	$ 1,550	$ 1,777	$ 2,006	$ 1,653	$ 158	$ (415)	$ 6,729

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

Total Net Sales by Geographic Area (in millions)	Three Months Ended March 31, 2019 Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Total
United States	$ 646	$ 1,413	$ 1,416	$ 1,234	$ 85	$ 4,794
Asia/Pacific	243	125	172	87	16	643
Middle East and North Africa	512	15	284	111	8	930
All other (principally Europe)	128	56	91	48	39	362
Total net sales	$ 1,529	$ 1,609	$ 1,963	$ 1,480	$ 148	$ 6,729

Total Net Sales by Major Customer (in millions)	Three Months Ended March 31, 2019 Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Total
Sales to the U.S. government(1)	$ 645	$ 1,376	$ 1,407	$ 1,207	$ 41	$ 4,676
U.S. direct commercial sales and other U.S. sales	1	37	9	27	44	118
Foreign military sales through the U.S. government	466	93	309	151	—	1,019
Foreign direct commercial sales and other foreign sales(1)	417	103	238	95	63	916
Total net sales	$ 1,529	$ 1,609	$ 1,963	$ 1,480	$ 148	$ 6,729

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

Total Net Sales by Contract-Type (in millions)	Three Months Ended March 31, 2019 Integrated Defense Systems	Intelligence, Information and Services	Missile Systems	Space and Airborne Systems	Forcepoint	Total
Fixed-price contracts	$ 1,009	$ 431	$ 1,209	$ 790	$ 144	$ 3,583
Cost-type contracts	520	1,178	754	690	4	3,146
Total net sales	$ 1,529	$ 1,609	$ 1,963	$ 1,480	$ 148	$ 6,729

Note 13: Remaining Performance Obligations

Remaining performance obligations represents the transaction price of firm orders for which work has not been performed and excludes unexercised contract options and potential orders under ordering-type contracts (e.g., indefinite-delivery, indefinite-quantity (IDIQ)). As of March 29, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was $51,312 million. We expect to recognize revenue on approximately half and three-quarters of the remaining performance obligations over the next 12 and 24 months, respectively, with the remainder recognized thereafter.

Certain events have caused increased attention on U.S. defense sales to the Kingdom of Saudi Arabia (KSA). KSA represents less than 5% of our sales and $2.9 billion of our remaining performance obligations at March 29, 2020. Although we currently do not expect to be prevented from doing business in KSA, if government action impairs our ability to fulfill our contractual obligations or otherwise to continue to do business in KSA, it would have a material adverse effect on our financial results.

Note 14: Subsequent Events

On April 3, 2020, the Merger was completed, with Raytheon becoming a wholly owned subsidiary of UTC, and UTC was renamed Raytheon Technologies Corporation. Upon completion of the Merger, pursuant to the Merger Agreement, each share of Raytheon common stock that was issued and outstanding immediately prior to the completion of the Merger (other than shares held by Raytheon as treasury stock) was converted into the right to receive 2.3348 fully paid and nonassessable shares of RTC common stock, and, if applicable, cash in lieu of fractional shares.

On May 1, 2020, to obtain the regulatory approvals required to complete the Merger, we completed the sale of our airborne tactical radios business for $234 million in cash, net of transaction-related costs. This business was part of our SAS segment. As this transaction occurred subsequent to the Merger, the gain of $211 million was not recorded in the consolidated statement of operations, but rather was recorded as an adjustment to the fair value of net assets acquired in the purchase accounting for the Merger.

We have evaluated potential subsequent events through May 7, 2020, the date the interim financial statements were available to be issued, and noted no subsequent events which would require recognition or disclosure in the interim financial statements other than those specifically disclosed.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Overview

Effective as of 12:01 a.m. on April 3, 2020, United Technologies Corporation (since renamed Raytheon Technologies Corporation, as described below) ("UTC") completed the previously announced separation into three independent companies through the distribution of all of the outstanding shares of common stock of Carrier Global Corporation ("Carrier") and Otis Worldwide Corporation ("Otis") to UTC shareowners through separate spin-off transactions (the "Separation and the Distributions").

Additionally, pursuant to the agreement dated as of June 9, 2019, and amended as of March 9, 2020 (the "Merger Agreement"), UTC and Raytheon Company ("Raytheon") completed their previously announced merger of equals (the "Merger") effective as of 8:30 a.m. on April 3, 2020, with the combined company renamed Raytheon Technologies Corporation ("Raytheon Technologies", "RTC" or the "Company"). Upon completion of the Merger, each share of Raytheon common stock that was issued and outstanding immediately prior to the completion of the Merger (other than excluded shares) was converted into the right to receive 2.3348 fully paid and nonassessable shares of RTC common stock, and, if applicable, cash in lieu of fractional shares, less any applicable withholding taxes. Immediately after the Merger, former holders of Raytheon common stock owned approximately 43% and pre-Merger holders of UTC common stock owned approximately 57% of the common stock of RTC. The Company now trades on the New York Stock Exchange under the ticker "RTX."

Beginning in the second quarter of 2020, the financial results of Carrier and Otis for periods prior to April 3, 2020 will be reflected as discontinued operations in the Company's consolidated financial statements.

In contemplation of the Separation and the Distributions, in the first quarter of 2020 Carrier and Otis issued $9.25 billion and $5.3 billion, respectively, of unsecured, unsubordinated notes in multiple series and distributed the net proceeds to UTC. Additionally, Carrier and Otis entered into term loan credit agreements providing for unsecured, unsubordinated 3-year term loan credit facilities in the amount of $1.75 billion and $1 billion, respectively, that were fully utilized in the first quarter of 2020 and those net proceeds were distributed to UTC. UTC utilized the cash provided by the Otis and Carrier financings, described above, to pay down approximately $17 billion of existing UTC debt, the majority of which was paid down in the first quarter of 2020. The above is collectively referred to as the "Financing Transactions."

In conjunction with the Separation and the Distributions, separation and distribution, tax matters and other agreements (together, the "separation agreements") were entered into among UTC, Carrier and Otis. Through these separation agreements the Company recognized certain assets and liabilities that may be due to or from Otis and Carrier, respectively, subsequent to the spin-offs.

Additionally, for the three months ended March 31, 2020, UTC incurred $1.5 billion of costs in connection with the Separation and the Distributions and the Merger ("transaction costs") and Raytheon incurred $10 million for the Merger. These costs are one-time in nature and have been excluded from the unaudited pro forma condensed combined statement of operations.

The Separation and the Distributions, the Financing Transactions, the assets and liabilities resulting from the separation agreements, and the transaction costs, described above, are collectively referred to as the "Separation, Distributions and Related Transactions" below.

For certain additional information relating to the completion of the Separation and the Distributions and the Merger, please refer to the Current Report on Form 8-K filed by the Company with the U.S. Securities and Exchange Commission (the "SEC") on April 8, 2020.

Unaudited Pro Forma Condensed Combined Financial Information

The accompanying unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of SEC Regulation S-X and gives effect to the following transactions:

- The Separation, Distributions and Related Transactions; and
- UTC's merger with Raytheon with acquisition accounting applied to Raytheon as the accounting acquiree.

The historical consolidated financial information in the unaudited pro forma condensed combined financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the Separation, Distributions and Related Transactions as well as the Merger, (2) factually supportable and (3) with respect to the unaudited pro forma condensed combined statement of operations, expected to have a continuing impact on the combined results of the Company.

The unaudited pro forma condensed combined financial information does not give effect to any cost savings, operating synergies or revenue synergies that may result from the Separation and the Distributions or the Merger or the costs to achieve any synergies.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only and is not necessarily indicative of what the Company's financial position or results of operations would have been had the transactions been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Company.

The unaudited pro forma condensed combined financial information contains estimated adjustments, based upon available information and certain assumptions that we believe are reasonable under the circumstances. The assumptions underlying the pro forma adjustments are described in greater detail in the accompanying notes to the unaudited pro forma condensed combined financial information. In many cases related to the Merger, these assumptions are based on preliminary information and estimates.

The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Separation, Distributions and Related Transactions as well as the Merger, based on the historical financial position and results of operations of RTC and Raytheon as follows:

- The unaudited pro forma condensed combined balance sheet as of March 31, 2020 was prepared based on:
  (1) the historical unaudited condensed consolidated balance sheet of UTC as of March 31, 2020; and

  (2) the historical unaudited consolidated balance sheet of Raytheon as of March 29, 2020.
- The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2020 was prepared based on:
  (1) the historical unaudited condensed consolidated statement of operations of UTC for the three months ended March 31, 2020; and

  (2) the historical unaudited consolidated statement of operations of Raytheon for the three months ended March 29, 2020.

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2020 assumes the Separation, Distributions and Related Transactions and the Merger occurred on January 1, 2019. The unaudited pro forma condensed combined balance sheet as of March 31, 2020 assumes the Separation, Distributions and Related Transactions and the Merger occurred on that date.

This historical financial information included in the unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with the accompanying notes, as well as the following historical consolidated financial statements and related notes of UTC and Raytheon:

- UTC's unaudited condensed consolidated financial statements and related notes as of and for the quarter ended March 31, 2020, included in RTC's Quarterly Report on Form 10-Q filed with the SEC on May 7, 2020;

- Raytheon's unaudited consolidated financial statements and related notes as of and for the quarter ended March 29, 2020 included in Exhibit 99.1 within this Current Report on Form 8-K;

- The Company's Current Report on Form 8-K filed with the SEC on April 8, 2020. The unaudited pro forma combined statement of operations for the year ended December 31, 2019 contained in that Current Report on Form 8-K was not materially impacted by subsequent revisions to assumptions used to estimate the preliminary fair value of net assets acquired; and

- UTC's Form S-4 Registration Statement (as amended) filed with the SEC on September 4, 2019 and declared effective on September 9, 2019.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of March 31, 2020
(Dollars, in millions)

	Historical United Technologies Corporation	Separation, Distributions and Related Transactions (Note 3)	Pro Forma United Technologies Corporation Post Separation	Historical Raytheon Company After Reclassifications (Note 4)	Pro Forma Merger Adjustments (Notes 5 and 6)		Pro Forma Combined Company
Assets:							
Cash and cash equivalents	$ 8,001	$ (2,756)	$ 5,245	$ 3,118	$ —		$ 8,363
Accounts receivable, net	13,104	(4,198)	8,906	1,784	(43)	(a)	10,647
Contract assets, current	4,549	108	4,657	6,054	—		10,711
Inventory, net	11,506	(2,127)	9,379	699	—		10,078
Other assets, current	1,715	1,095	2,810	611	245	(b)	3,666
Total Current Assets	38,875	(7,878)	30,997	12,266	202		43,465
Customer financing assets	3,496	—	3,496	—	—		3,496
Future income tax benefits	1,444	(680)	764	529	(519)	(c)	774
Fixed assets, net	12,484	(2,326)	10,158	3,615	1,135	(d)	14,908
Operating lease right-of-use assets	2,624	(1,400)	1,224	909	43	(d)	2,176
Goodwill	47,481	(11,207)	36,274	14,879	5,889	(e)	57,042
Intangible assets, net	25,600	(1,476)	24,124	261	18,969	(f)	43,354
Other assets	7,568	(6,256)	1,312	1,251	(43)	(g)	2,520
Total Assets	$ 139,572	$ (31,223)	$ 108,349	$ 33,710	$ 25,676		$ 167,735
Liabilities and Equity:							
Short-term borrowings	$ 1,725	$ (67)	$ 1,658	$ —	$ —		$ 1,658
Accounts payable	10,976	(2,878)	8,098	1,489	(43)	(h)	9,544
Accrued liabilities	11,055	(848)	10,207	2,409	365	(i)	12,981
Contract liabilities, current	6,384	2,503	8,887	2,884	(43)	(j)	11,728
Long-term debt currently due	1,362	(218)	1,144	999	—		2,143
Total Current Liabilities	31,502	(1,508)	29,994	7,781	279		38,054
Long-term debt	43,232	(17,283)	25,949	3,262	439	(k)	29,650
Future pension and postretirement benefit obligations	3,225	1,355	4,580	8,043	2,607	(l)	15,230
Operating lease liabilities	2,126	(1,087)	1,039	738	—		1,777
Contract liabilities, long-term	5,554	(5,554)	—	—	—		—
Other long-term liabilities	11,903	(5,001)	6,902	625	2,512	(c)(m)	10,039
Total Liabilities	$ 97,542	$ (29,078)	$ 68,464	$ 20,449	$ 5,837		$ 94,750
Commitments and contingent liabilities							
Redeemable noncontrolling interest	$ 95	$ (95)	$ —	$ 34	$ —		$ 34
Shareowners' Equity:							
Capital Stock:							
Preferred stock	—	—	—	—	—		—
Common stock	23,099	2,425	25,524	22	10,886	(n)	36,432
Treasury Stock	(32,665)	—	(32,665)	—	22,268	(n)	(10,397)
Retained earnings	60,826	(4,668)	56,158	22,268	(22,378)	(n)	56,048
Unearned ESOP shares	(61)	—	(61)	—	—		(61)
Total Accumulated other comprehensive loss	(11,788)	1,059	(10,729)	(9,063)	9,063	(n)	(10,729)
Total Shareowners' Equity	39,411	(1,184)	38,227	13,227	19,839		71,293
Noncontrolling interest	2,524	(866)	1,658	—	—		1,658
Total Equity	$ 41,935	$ (2,050)	$ 39,885	$ 13,227	$ 19,839		$ 72,951
Total Liabilities and Equity	$ 139,572	$ (31,223)	$ 108,349	$ 33,710	$ 25,676		$ 167,735

See accompanying "Notes to Unaudited Pro Forma Condensed Combined Financial Information."

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Three months ended March 31, 2020
(Dollars and shares, in millions, except per share amounts)

	Historical United Technologies Corporation	Separation, Distributions and Related Transactions (Note 3)	Pro Forma United Technologies Corporation Post Separation	Historical Raytheon Company After Reclassifications (Note 4)	Pro Forma Merger Adjustments (Notes 5 and 7)		Pro Forma Combined Company
Net Sales:							
Product sales	$ 12,432	$ (4,266)	$ 8,166	$ 6,005	$ (74)	(o)	$ 14,097
Service sales	5,778	(2,584)	3,194	1,160	—		4,354
	18,210	(6,850)	11,360	7,165	(74)		18,451
Costs and Expenses:							
Cost of products sold	9,781	(3,148)	6,633	4,338	277	(p)	11,248
Cost of services sold	3,627	(1,686)	1,941	907	(1)	(p)	2,847
Research and development	671	(136)	535	161	1	(q)	697
Selling, general, and administrative	2,248	(1,319)	929	556	(47)	(r)	1,438
	16,327	(6,289)	10,038	5,962	230		16,230
Other income (expense), net	(76)	94	18	—	—		18
Operating profit	1,807	(467)	1,340	1,203	(304)		2,239
Non-service pension (benefit) cost	(188)	20	(168)	192	(300)	(s)	(276)
Debt extinguishment costs	660	(660)	—	—	—		—
Interest expense (income), net	380	(173)	207	57	(5)	(t)	259
Income (loss) from operations before income taxes	$ 955	$ 346	$ 1,301	$ 954	$ 1		$ 2,256
Income tax expense (income)	941	(662)	279	164	(3)	(u)	440
Net income (loss)	$ 14	$ 1,008	$ 1,022	$ 790	$ 4		$ 1,816
Less: Noncontrolling interest in subsidiaries' earnings from operations	97	(43)	54	2	—		56
Net income (loss) attributable to UTC common shareowners	$ (83)	$ 1,051	$ 968	$ 788	$ 4		$ 1,760
Pro forma earnings per share of common stock:							
Basic	$ (0.10)						$ 1.17
Diluted	$ (0.10)						$ 1.16
Pro forma weighted average common shares outstanding							
Basic	858.4					(v)	1,506.7
Diluted	858.4					(w)	1,517.6

See accompanying "Notes to Unaudited Pro Forma Condensed Combined Financial Information."

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1: Basis of presentation

Beginning in the second quarter of 2020, the Separation and the Distributions qualify as discontinued operations to the Company and are, therefore, presented in the unaudited pro forma condensed combined financial information in accordance with the guidance in ASC 205, *Financial Statement Presentation*. As such, the unaudited pro forma condensed combined financial statement of operations does not allocate any general corporate overhead expenses of UTC prior to the Merger to Otis and Carrier, including corporate overhead that had previously been reflected in the Carrier and Otis segment results as a part of UTC prior to the Merger. Additionally, certain assets and liabilities that were a part of the historical operations of Carrier and Otis but were reported within the Corporate segment of UTC prior to the Merger have been included in the unaudited pro forma condensed combined balance sheets of Otis and Carrier below as those balances will not be a part of the continuing operations of the Company. Based on this and other estimates and assumptions, the unaudited pro forma condensed combined financial information does not reflect what the results of operations would have been on a standalone basis and are not necessarily indicative of the future operations of the Company. Refer to Note 3 for further details on the Separation and the Distributions of Otis and Carrier.

The unaudited pro forma condensed combined financial information also reflects the Merger under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Management has determined that UTC is the acquirer for financial accounting purposes. In identifying UTC as the accounting acquirer, the Company considered the structure of the transaction and other actions contemplated by the Merger Agreement, relative outstanding share ownership and market values, the composition of the Company's board of directors, the relative size of UTC and Raytheon, and the designation of certain senior management positions of the Company. Under the acquisition method of accounting, the preliminary purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values, with any excess purchase price allocated to goodwill. To prepare the unaudited pro forma condensed combined financial information, management adjusted Raytheon's assets and liabilities to their estimated fair values based on preliminary valuations. As of the date of this filing, the Company has not completed the detailed valuations necessary to finalize the required estimated fair values and estimated useful lives of Raytheon's assets to be acquired and liabilities to be assumed and the related allocation of the purchase price. Accordingly, the final acquisition accounting adjustments may be materially different from the unaudited pro forma adjustments.

In order to obtain the regulatory approvals required to complete the Merger, both UTC and Raytheon were required by regulatory authorities to dispose of certain businesses, none of which were determined to be material to the operations of the Company and, accordingly, the anticipated disposals are not reflected in the unaudited pro forma condensed combined statement of operations. The unaudited pro forma condensed combined balance sheet reflects the Raytheon business at fair value less cost to sell.

The unaudited pro forma condensed combined financial information has been prepared in a manner consistent with UTC's pre-Merger accounting policies. Certain financial information of Raytheon as presented in its historical consolidated financial statements has been reclassified to conform to the presentation in UTC's pre-Merger consolidated financial statements for the purposes of preparing the unaudited pro forma condensed combined financial information. Now that the Merger has been completed, more detailed review of Raytheon's accounting policies could result in additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the Company's consolidated financial statements.

Note 2: Accounting policies

The unaudited pro forma condensed combined financial information reflects adjustments to conform Raytheon's results to UTC's pre-Merger accounting policies. Refer to Note 4 for detail of adjustments made. Additionally, in connection with the Separation and the Distributions and the Merger, the Company determined that the duration of its contracts or programs, which is generally longer than one year, would represent its operating cycle and accordingly contract-related assets and liabilities are presented as current in the unaudited pro forma condensed combined balance sheet. Refer to Note 3 for details of the adjustment made.

Note 3: The Separation, Distributions and Related Transactions

The following presents the adjustments to UTC's balance sheet as of March 31, 2020 to remove Otis and Carrier on a discontinued operations basis and adjust for pro forma impacts of the Related Transactions:

(Dollars, in millions)	Otis Distribution	Carrier Distribution	Related Transactions		Separation, Distributions and Related Transactions
Assets:					
Current Assets					
Cash and cash equivalents	$ 1,207	$ 768	$ 781	(vii)	$ 2,756
Accounts receivable, net	2,888	2,674	(1,364)	(iv)	4,198
Contract assets, current	518	651	(1,277)	(iv)	(108)
Inventories and contracts in progress, net	571	1,556	—		2,127
Other assets, current	290	279	(1,664)	(iv)	(1,095)
Total Current Assets	5,474	5,928	(3,524)		7,878
Customer financing assets	—	—	—		—
Future income tax benefits	359	321	—		680
Fixed assets, net	688	1,638	—		2,326
Operating lease right-of-use assets	535	865	—		1,400
Goodwill	1,608	9,599	—		11,207
Intangible assets, net	462	1,014	—		1,476
Other assets	289	2,440	3,527	(i) (iii) (iv)	6,256
Total Assets	$ 9,415	$ 21,805	$ 3		$ 31,223
Liabilities and Equity (Deficit):					
Current Liabilities					
Short-term borrowings	$ 67	$ —	$ —		$ 67
Accounts payable	1,102	1,776	—		2,878
Accrued liabilities	1,582	1,935	(2,669)	(ii) (iv) (v)	848
Contract liabilities, current	2,541	510	(5,554)	(iv)	(2,503)
Long-term debt currently due	—	218	—		218
Total Current Liabilities	5,292	4,439	(8,223)		1,508
Long-term debt	6,254	11,029	—		17,283
Future pension and postretirement benefit obligations	579	456	(2,390)	(vi)	(1,355)
Operating lease liabilities	379	708	—		1,087
Contract liabilities, non-current	—	—	5,554	(iv)	5,554
Other long-term liabilities	706	1,456	2,839	(iv)(vi)	5,001
Total Liabilities	$ 13,210	$ 18,088	$ (2,220)		$ 29,078
Commitments and contingent liabilities					
Redeemable noncontrolling interest	$ 95	$ —	$ —		$ 95
Shareowners' Equity:					
Capital Stock:	—	—	—		—
Common stock	(2,509)	—	84		(2,425)
Treasury Stock	—	—	—		—
Retained earnings	—	4,370	298		4,668
Unearned ESOP shares	—	—	—		—
Total Accumulated other comprehensive loss	(1,918)	(982)	1,841	(vi)	(1,059)
Total Shareowners' Equity	(4,427)	3,388	2,223		1,184
Noncontrolling interest	537	329	—		866
Total Equity	$ (3,890)	$ 3,717	$ 2,223		$ 2,050
Total Liabilities and Equity	$ 9,415	$ 21,805	$ 3		$ 31,223

i. Pursuant to the tax matters agreement entered into among UTC, Carrier and Otis, Carrier and Otis will be required to make payments to RTC, primarily representing the respective remaining net tax liabilities retained by RTC attributable to U.S. income tax on previously undistributed earnings of Carrier's and Otis' international subsidiaries resulting from the passage of the Tax Cuts and Jobs Act of 2017. Accordingly, UTC has a future receivable for amounts paid by UTC on behalf of Otis and Carrier, which is expected to be approximately $720 million that is recorded within Other assets.

ii. Pursuant to the tax matters agreement, certain tax liabilities which are attributable to separation activities and transferred to Carrier and Otis at separation will be paid by Carrier and Otis to UTC. Carrier and Otis will be reimbursed by RTC for such amounts paid. Accordingly, a payable in the amount of $151 million has been recorded by UTC within Accrued liabilities.

iii. Pursuant to the tax matters agreement, Otis and Carrier are responsible for unrecognized tax benefits retained by RTC to the extent a reserve relates exclusively to the Otis business or Carrier business, respectively. Accordingly, UTC has a $58 million receivable recorded in Other assets for amounts due from Otis and Carrier related to these unrecognized tax benefits.

iv. As noted above, in connection with the Separation and the Distributions and the Merger, RTC determined that the duration of its contracts and programs, the average duration of which exceeds one year, represents its operating cycle, and accordingly accounts receivable of $1.4 billion, contract assets of $1.3 billion, and other current assets of $1.7 billion were reclassified from Other assets to Accounts receivable, Contract assets, current, and Other assets, current, respectively. Additionally, $2.3 billion of accrued liabilities were reclassified from Other long-term liabilities to Accrued liabilities and $5.6 billion of contract liabilities were reclassified from Contract liabilities, long-term to Contract liabilities, current, respectively.

v. Reflects an adjustment for directly-attributable costs related to the Separation and the Distributions of $229 million, which were not yet incurred, and therefore accrued by UTC as of March 31, 2020. Such costs primarily represent costs to separate IT systems and professional services related to the separation.

vi. In the second quarter of 2020, the Company recognized a curtailment to its domestic defined benefit pension plan due to the Separation and the Distributions, which resulted in an increase to Future pension and postretirement benefit obligations of $2.4 billion, with a related increase in accumulated other comprehensive loss of $1.8 billion and decrease in deferred tax liabilities recorded within Other long-term liabilities of $550 million. The curtailment loss of approximately $19 million recorded by the Company in the second quarter of 2020 has been excluded from the unaudited condensed combined pro forma statement of operations.

vii. In connection with the Separation and the Distributions and the Merger, on April 1, 2020 and April 2, 2020, UTC distributed a total additional $781 million of cash to Carrier and Otis, representing excess cash required by UTC in order to achieve the net indebtedness required by the terms of the Merger Agreement as well as initial working capital needs of Carrier and Otis.

The following presents the adjustments to UTC's statement of operations for the three months ended March 31, 2020 to remove Otis and Carrier on a discontinued operations basis and for pro forma impacts of the Related Transactions:

(Dollars, in millions)	Otis Distribution	Carrier Distribution	Related Transactions		Separation, Distributions and Related Transactions
Net Sales:					
Product sales	$ 1,123	$ 3,143	$ —		$ 4,266
Service sales	1,843	741	—		2,584
	2,966	3,884	—		6,850
Costs and expenses:					
Cost of products sold	913	2,235	—		3,148
Cost of services sold	1,157	529	—		1,686
Research and development	38	98	—		136
Selling, general, and administrative	419	629	271	(ii)	1,319
	2,527	3,491	271		6,289
Other income (expense), net	(65)	(29)	—		(94)
Operating profit	374	364	(271)		467
Non-service pension (benefit) cost	(3)	(17)	—		(20)
Debt extinguishment costs	—	—	660	(ii)	660
Interest expense (income), net	5	37	131	(i)(ii)	173
Income (loss) from operations before income taxes	$ 372	$ 344	$ (1,062)		$ (346)
Income tax expense (income)	111	99	452	(i)(ii)	662
Net income (loss)	$ 261	$ 245	$ (1,514)		$ (1,008)
Less: Noncontrolling interest in subsidiaries' earnings	37	6	—		43
Net income (loss) attributable to UTC common shareowners	$ 224	$ 239	$ (1,514)		$ (1,051)

i. Reflects a reduction in interest expense of $125 million as result of UTC's paydown of debt to meet its targeted indebtedness, in connection with the Merger Agreement, calculated using a weighted average interest rate of 3.7%, based on the indebtedness of UTC during the year ended December 31, 2019 that is assumed to have been extinguished as of January 1, 2019, as well as a related reduction in tax benefit of $23 million. A 1/8% change in the estimated interest rate would increase or decrease the interest expense of UTC by $4.8 million.

ii. Reflects the elimination of non-recurring transaction costs incurred by UTC of $937 million, primarily related to debt extinguishment costs incurred in connection with the Financing Transactions as well as accounting, tax and other professional services costs pertaining to the separation and the establishment of Otis and Carrier as stand-alone public companies, facility relocation costs, costs to separate information systems and costs of retention bonuses. Additionally, net tax charges related to separation activities of $475 million were incurred during the three months ended March 31, 2020.

Note 4: Reclassification adjustments

Certain reclassifications have been made to the historical presentation of Raytheon's balance sheet and statement of operations to conform to the financial statement presentation of pre-Merger UTC.

Reclassifications to Raytheon's consolidated balance sheet as of March 29, 2020 are as follows:

(Dollars, in millions)	Before Reclassifications	Reclassifications	Notes	After Reclassifications
Assets:				
Current Assets				
Cash and cash equivalents	$ 3,118			$ 3,118
Accounts receivable, net	1,784			1,784
Contract assets, current	6,054			6,054
Inventories and contracts in progress, net	699			699
Other assets, current	611			611
Total Current Assets	12,266			12,266
Customer financing assets	—			—
Future income tax benefits	—	529	(i)	529
Fixed assets, net	3,366	249	(ii)	3,615
Operating lease right-of-use assets	909			909
Goodwill	14,879			14,879
Intangible assets, net	—	261	(iii)	261
Other assets	2,290	(1,039)	(i)(ii) (iii)	1,251
Total Assets	$ 33,710			$ 33,710
Liabilities and Equity:				
Short-term borrowings	$ —			$ —
Accounts payable	1,489			1,489
Accrued liabilities	—	2,409	(iv)(v) (vii) (viii)	2,409
Accrued employee compensation	1,062	(1,062)	(vii)	—
Contract liabilities, current	3,085	(201)	(viii)	2,884
Long-term debt currently due	999			999
Other current liabilities	1,293	(1,293)	(iv)	—
Total Current Liabilities	7,928			7,781
Long-term debt	3,262			3,262
Future pension and postretirement benefit obligations	—	8,043	(vi)	8,043
Other long-term liabilities	—	625	(v) (vi)	625
Accrued retiree benefits and other long-term liabilities	8,521	(8,521)	(vi)	—
Operating lease liabilities	738			738
Total Liabilities	$ 20,449			$ 20,449
Commitments and contingent liabilities				
Redeemable noncontrolling interest	$ 34			$ 34
Shareowners' Equity:				
Common Stock	3	19	(ix)	22
Treasury Stock	—			—
Retained earnings	22,268			22,268
Unearned ESOP shares	—			—
Additional Paid-in Capital	19	(19)	(ix)	—
Total Accumulated other comprehensive loss	(9,063)			(9,063)
Total Shareowners' Equity	13,227			13,227
Noncontrolling interest	—			—
Total Equity	$ 13,227			$ 13,227
Total Liabilities and Equity	$ 33,710			$ 33,710

i. Represents the reclassification of $529 million of non-current deferred income tax benefits from Other assets to Future income tax benefits.

ii. Represents the reclassification of $249 million of computer software developed for internal use from Other assets to Fixed assets, net.

iii. Represents the reclassification of $261 million of intangible assets from Other assets to Intangible assets, net.

iv. Represents the reclassification of Other current liabilities to Accrued liabilities.

v. Represents the reclassification of $106 million of long-term environmental remediation costs and $41 million of asset retirement obligations from Accrued liabilities to Other long-term liabilities.

vi. Represents the reclassifications of $8 billion from Accrued retiree benefits and other long-term liabilities to Future pension and postretirement benefit obligations and $478 million from Accrued retiree benefits and other long-term liabilities to Other long-term liabilities.

vii. Represents the reclassification of Accrued employee compensation to Accrued liabilities.

viii. Represents the reclassification of loss reserves from Contract liabilities, current to Accrued liabilities.

ix. Represents the reclassification of Additional paid-in capital to Common stock.

Reclassifications to Raytheon's consolidated statement of operations for the three months ended March 29, 2020 are as follows:

(Dollars, in millions)	Before Reclassifications	Reclassifications	Notes	After Reclassifications
Net Sales:				
Product sales	$ 6,005			$ 6,005
Service sales	1,160			1,160
	7,165			7,165
Costs and expenses:				
Cost of products sold	4,338			4,338
Cost of services sold	907			907
Research and development	—	161	(i)	161
Selling, general, and administrative	728	(172)	(i) (iv)	556
	5,973			5,962
Other income, net	—			—
Operating Profit	1,192			1,203
Non-service pension (benefit) cost	192			192
Interest expense (income), net	—	57	(ii) (iii)	57
Interest expense	43	(43)	(iii)	—
Interest income	(11)	11	(iii)	—
Other (income) expense, net	25	(25)	(ii)	—
Income (loss) before income taxes	$ 943			$ 954
Income tax expense (income)	153	11	(iv)	164
Net income	$ 790			$ 790
Less: Noncontrolling interest in subsidiaries' earnings (loss)	2			2
Net income (loss) attributable to Raytheon common stockholders	$ 788			$ 788

i. Represents the reclassification of $161 million of research and development costs from Selling, general, and administrative expenses to Research and development expenses.

ii. Represents the reclassification of Other (income) expense, net, which primarily relates to mark-to-market of marketable securities held in trusts associated with certain nonqualified deferred compensation and employee benefit plans, to Interest expense (income), net.

iii. Represents the reclassification of Interest expense and Interest income to Interest expense (income), net.

iv. Represents the reclassification of $11 million of state income taxes from Selling, general, and administrative expenses to Income tax expense (income).

Note 5: Purchase price accounting and estimated merger consideration

The unaudited pro forma condensed combined balance sheet has been adjusted to reflect a preliminary allocation of the purchase price to Raytheon's identifiable assets acquired and liabilities assumed, with the excess recorded as goodwill. The preliminary purchase price allocation in this unaudited pro forma condensed combined financial information is based upon an estimated purchase price of approximately $33.2 billion as determined by (1) the opening price per share of RTC common stock as of April 3, 2020 multiplied by the approximately 648 million shares of RTC common stock that were issued (400 million from Treasury stock) to Raytheon stockholders in connection with the Merger, and the approximately 6.2 million shares of RTC common stock that were issued to Raytheon equity award holders in exchange for awards that vested upon completion of the Merger, (2) the portion of the fair value attributable to pre-Merger completion service for replacement equity awards that were exchanged for the outstanding awards held by Raytheon employees, and (3) estimated cash consideration payable in lieu of fractional shares owed to Raytheon equity and equity award holders.

The pro forma purchase price adjustments are preliminary and are subject to change. Increases or decreases in the estimated fair value of assets and liabilities may result in adjustments that could materially impact the unaudited pro forma condensed combined financial information.

Total estimated merger consideration is calculated as follows:

(Dollars, in millions)	Amount
Fair value of RTC common stock issued for Raytheon outstanding common stock and vested equity awards	$ 33,063
Fair value attributable to pre-merger service for replacement equity awards	113
Total estimated merger consideration	$ 33,176

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

(Dollars and shares in millions, except per share amounts)	Amount
Number of Raytheon ordinary shares outstanding as of April 3, 2020	277.3
Number of Raytheon stock awards vested as a result of the Merger (i)	0.4
Total outstanding shares of Raytheon common stock and equity awards entitled to merger consideration	277.7
Exchange ratio (ii)	2.3348
Shares of RTC common stock issued for Raytheon outstanding common stock and vested equity awards	648.3
Price per share of RTC common stock (iii)	51.00
Fair value of RTC common stock issued for Raytheon outstanding common stock and vested equity awards	33,063

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

(ii) The exchange ratio is equal to 2.3348 in accordance with the Merger Agreement.

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

The fair value of RTC common stock issued to replace Raytheon outstanding equity awards is calculated as follows:

(Dollars and shares in millions, except per share amounts)	Amount
Number of Raytheon stock awards outstanding (i)	2.7
Exchange ratio (ii)	2.3348
RTC equity awards issued for Raytheon outstanding stock awards	6.2
Price per share of RTC common stock (iii)	51.00
Fair value of RTC equity awards issued for Raytheon outstanding stock awards	317
Less: Estimated fair value allocated to post acquisition compensation expense	(205)
Fair value of awards included in purchase accounting	113

(i) Represents Raytheon stock awards that were replaced with RTC stock awards upon completion of the Merger. Raytheon stock awards include awards issued under the Raytheon 2010 Stock Plan and Raytheon 2019 Stock Plan, inclusive of Raytheon restricted stock awards, Raytheon RSU awards, and Raytheon PSU awards.

(ii) The exchange ratio is equal to 2.3348 in accordance with the terms of the Merger Agreement.

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

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by UTC, as if the Merger had occurred on March 31, 2020:

(Dollars, in millions)		Amount
Current assets, including cash acquired	$	12,468
Fixed assets		4,750
Goodwill		20,768
Intangible assets		19,230
Other assets		2,170
Total Assets	$	59,386
Future pension and postretirement benefit obligations		10,650
Long-term debt, including current portion		4,700
Other liabilities assumed		10,826
Total Liabilities	$	26,176
Redeemable noncontrolling interest		34
Total consideration transferred	$	33,176

Note 6: Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

a) Accounts receivable, net: Represents the elimination of accounts receivable of $43 million owed to UTC from Raytheon.

b) Other assets, current: Represents elimination of deferred sales commissions of $22 million, an increase of $211 million for the fair value of Raytheon's assets that were sold on May 1, 2020 in order to obtain certain regulatory approvals required to complete the Merger and an increase of $56 million for the elimination of deferred state income taxes which under historical Raytheon policy reduced future recoverable amounts.

c) Future income tax benefits: Deferred income taxes are included in Future income tax benefits and Other long-term liabilities in the unaudited pro forma condensed combined balance sheet as of March 31, 2020. Deferred tax adjustments include a $519 million decrease in Future income tax benefits and a $2.5 billion increase in Other long-term liabilities. These are as a result of the estimated tax impact for the pro forma adjustments. Pro forma adjustments were tax effected at the applicable blended statutory tax rates, generally 23% in 2020. This estimate is preliminary and subject to change based upon final determination of fair values and tax rates. Additionally, the amounts recorded for deferred taxes relating to undistributed earnings may change now that the Separation and the Distributions have been completed.

d) Fixed assets, net: Represents the adjustment in carrying value of Raytheon's fixed assets from its recorded net book value to its preliminary estimated fair value. The estimated fair value is expected to be depreciated over the estimated useful lives of the assets, generally on a straight-line basis. The fixed assets acquired primarily consist of the following:

(Dollars, in millions)	Estimated Useful Life	Raytheon Historical Carrying Amount Before Reclassification	Fair Value Adjustment	Estimated Fair Value
Land		$ 81	$ 518	$ 599
Buildings and improvements	20 years	1,119	431	1,550
Machinery, tools and equipment	6 years	1,218	186	1,404
Other, including assets under construction		948	—	948
Total Fixed Assets		$ 3,366	$ 1,135	$ 4,501
Right of use assets		909	43	952
Total		$ 4,275	$ 1,178	$ 5,453

The pro forma adjustment to Fixed assets, net also reflects the elimination of Raytheon's historical accumulated depreciation of $5.2 billion against the gross carrying value of the related fixed assets of $8.6 billion.

e) Goodwill: Represents a net increase in goodwill of $5.9 billion, comprised of the elimination of Raytheon's historical goodwill balance of $14.9 billion, offset by $20.8 billion of goodwill resulting from the Merger. Goodwill resulting from the Merger represents the excess of estimated merger consideration over the preliminary fair value of the underlying tangible and identifiable intangible assets acquired and liabilities assumed. The estimated goodwill to be recognized is attributable primarily to expected synergies, expanded market opportunities, and other benefits that RTC believes will result from combining its operations with the operations of Raytheon. The goodwill created in the Merger is not deductible for tax purposes and is subject to material revision as the purchase price allocation is completed.

f) Intangible assets, net: Represents adjustments to record the preliminary estimated fair value of intangibles of approximately $19.2 billion, which represents an increase of $19 billion over Raytheon's net book value of intangible assets prior to the Merger. The estimated fair values of identifiable intangible assets are preliminary and are determined based on assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). The final fair value determinations for identifiable intangible assets may differ from this preliminary determination, and such differences could be material. The intangible assets acquired primarily consist of the following:

(Dollars, in millions)	Estimated Useful Life	Amortization method	Estimated Fair Value
Amortized:			
Customer relationships and other	25 years	Pattern of economic benefit	$ 12,900
Developed technology and royalty agreements	6-8 years	Pattern of economic benefit	890
Unamortized:			
Trademarks and other			5,440
Total			$ 19,230

Pro forma amortization expense of the acquired intangible assets was $375 million for the three months ended March 31, 2020. The following table summarizes the expected pro forma amortization expense of the acquired intangible assets for the years 2020 through 2025, which has been prepared to reflect the Merger as if it occurred on January 1, 2019. The finalization of the detailed valuation work may have a material impact on the valuation of intangible assets and the purchase price allocation.

	Remaining					
(Dollars, in millions)	April 1, 2020 – December 31, 2020	2021	2022	2023	2024	2025 and thereafter
Amortization expense	$ 1,122	$ 920	$ 1,025	$ 1,111	$ 971	$ 6,780

g) Other assets: Represents the elimination of deferred sales commissions of $29 million and a $14 million decrease of the pension and postretirement benefit assets based upon the application of purchase accounting.

h) Accounts payable: Represents the elimination of accounts payable of $43 million owed to UTC by Raytheon.

i) Accrued liabilities: Represents adjustment for directly attributable transaction costs related to the Merger not yet accrued by UTC and Raytheon of approximately $110 million and $80 million, respectively, a $153 million increase related to the recognition of onerous contracts at fair value, a $28 million accrual for change in control payments due to certain Raytheon personnel shortly after the Merger and a $6 million decrease of pension and postretirement liabilities based upon the application of purchase accounting.

j) Contract liabilities, current: Reflects a decrease in deferred revenue of $43 million as a result of fair value purchase accounting.

k) Long-term debt: Reflects an increase of $439 million in Raytheon indebtedness to fair value in connection with preliminary purchase price allocation.

l) Future pension and postretirement benefit obligations: Represents an increase of the pension and postretirement benefit obligation based upon the application of purchase accounting.

m) Other long-term liabilities: Reflects a $2.5 billion increase as a result of the estimated deferred tax impact of pro forma adjustments and a $5 million decrease in deferred revenue as a result of fair value purchase accounting.

n) Total Shareowners' Equity: Represents the elimination of Raytheon common stock, additional paid-in capital, retained earnings, and accumulated other comprehensive loss, as well as the following adjustments to reflect the capital structure of the Company.

(Dollars, in millions)	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss
Fair value of RTC common stock issued for Raytheon common stock and equity awards (i)	$ 10,908	$ —	$ —	$ —
Issuance of RTC treasury shares for Raytheon common stock and equity awards (i)	—	22,268	—	—
Elimination of Raytheon historical shareholders' equity (i)	(22)	—	(22,268)	—
Adjustments related to pensions and postretirement benefits (ii)	—	—	—	(8,892)
Recognition of Merger-related transaction costs (iii)	—	—	(110)	—
Elimination of cash flow hedge and treasury rate lock losses (iv)	—	—	—	(2)
Elimination of foreign currency translation adjustment (v)	—	—	—	(169)
Total	$ 10,886	$ 22,268	$ (22,378)	$ (9,063)

(i) Represents an adjustment to increase the common stock and additional paid-in capital of the Company for 248 million of additional shares issued and the use of 400 million treasury shares for the total of the 648 million shares issued as consideration for the Merger, and to eliminate the par value of the Raytheon common stock acquired.

(ii) Represents an adjustment to eliminate unamortized prior service costs and actuarial losses, as a result of fair value purchase accounting.

(iii) Represents recognition of approximately $110 million of anticipated transaction costs that are directly attributable to the Merger but that were not incurred by UTC as of March 31, 2020.

(iv) Represents elimination of accumulated other comprehensive losses associated with Raytheon cash flow hedges and treasury rate locks in connection with purchase accounting.

(v) Represents adjustment to eliminate foreign currency translation associated with the translation of non-USD denominated entities to USD, which was recorded by Raytheon, as a result of fair value purchase accounting.

Note 7: Adjustments to Pro Forma Condensed Combined Statement of Operations

o) Product sales: Represents a decrease for the elimination of $69 million in revenues earned by UTC on sales to Raytheon that would be considered intercompany transactions and will be eliminated in the consolidated financial statements of the Company following completion of the Merger, as well as a $5 million decrease related to the preliminary fair value of Raytheon's deferred revenue in purchase accounting. The pro forma adjustment related to the reduction in deferred revenue reflects the difference between prepayments related to extended arrangements and the preliminary fair value of the assumed performance obligations as they are satisfied, assuming the Merger was completed on January 1, 2019.

p) Cost of products and services sold: Represents adjustments to cost of products and services sold comprised of the following:

1. Cost of products sold:		Three Months Ended
(Dollars, in millions)		**3/31/2020**
Amortization of acquired intangible assets (i)	$	354
Depreciation of fixed assets step-up (ii)		10
Adjustment to pension service cost (iii)		(8)
Elimination of costs related to intercompany sales from UTC to Raytheon (iv)		(69)
Amortization of onerous contracts (v)		(10)
Total pro forma adjustment to cost of products sold	$	277

2. Cost of services sold:		Three Months Ended
(Dollars, in millions)		**3/31/2020**
Depreciation of fixed assets step-up (ii)	$	1
Adjustment to pension service cost (iii)		(2)
Total pro forma adjustment to cost of services sold	$	(1)

(i) Represents net impact of removal of historical amortization expense and amortization expense recognized due to the identification of definite-lived intangible assets in purchase accounting.

(ii) Represents adjustment to depreciation expense due to the recognition of Raytheon's fixed assets at their preliminary fair values in purchase accounting, depreciated over their estimated remaining useful lives, determined in accordance with UTC policy.

(iii) Represents the impact of the pension and postretirement service cost expense as determined under UTC's plan assumptions.

(iv) Represents elimination of cost of sales relating to transactions between UTC and Raytheon that would be considered intercompany transactions and will be eliminated in the consolidated financial statements of the Company following the Merger.

(v) Represents amortization of onerous contracts recorded at their preliminary fair values in purchase accounting.

q) Research and development expenses: Reflects an increase of $1 million in depreciation expense due to the recognition of Raytheon's fixed assets at their preliminary fair values in purchase accounting.

r) Selling, general and administrative expenses: Represents adjustments to selling, general and administrative expenses comprised of the following:

		Three Months Ended
(Dollars, in millions)		**3/31/2020**
Depreciation of fixed assets step-up (i)	$	—
Adjustment to pension service cost (ii)		(1)
Elimination of deferred commissions amortization (iii)		(7)
Elimination of transaction costs (iv)		(39)
Total pro forma adjustment to selling, general, and administrative expenses	$	(47)

(i) Represents adjustment to depreciation expense due to the recognition of Raytheon's fixed assets at their preliminary fair values in purchase accounting, depreciated over their estimated remaining useful lives, determined in accordance with UTC policy.

(ii) Represents the impact of the pension and postretirement service cost expense as determined under UTC's plan assumptions.

(iii) Represents elimination of amortization recognized on deferred commissions that are eliminated in purchase accounting.

(iv) Represents the elimination of non-recurring transaction costs incurred related to the Merger.

s) Non-service pension (benefit) cost: Reflects an adjustment to Non-service pension (benefit) cost for the elimination of prior service cost and actuarial loss amortization, which was recorded by Raytheon, as a result of the application of purchase accounting.

t) Interest expense (income), net: reflects the amortization of the incremental fair value of assumed debt recognized in connection with purchase accounting.

u) Income tax expense (income): reflects the tax effect of pro forma adjustments. The pro forma adjustments were tax effected at the applicable blended statutory tax rate, generally 23%. RTC's effective tax rate may be materially different after conclusion of final acquisition accounting, removal of one-time items reflected in historical amounts, analysis of the post-closing geographical mix of income, and other factors. Adjustments to tax assets and liabilities will occur in conjunction with the finalization of the purchase accounting, and these items could be material.

v) Basic weighted average number of shares outstanding: Reflects the pro forma issuance of 648 million shares of RTC common stock issued in exchange for Raytheon outstanding common stock and equity awards that vested immediately upon closing of the Merger in accordance with the Merger Agreement.

w) Diluted weighted average number of shares outstanding: Reflects 7.4 million dilutive UTC shares as of March 31, 2020 that were excluded from the pre-Merger UTC calculation of diluted EPS due to UTC's net loss recorded for the three months ended March 31, 2020, as well as the pro forma issuance of 3.5 million shares of RTC common stock issued in exchange for Raytheon outstanding common stock and equity awards that vested immediately upon closing of the Merger and the issuance of shares of common stock under replacement equity awards issued in accordance with the Merger Agreement. In connection with the Merger, unvested awards held by certain Raytheon employees were converted to RTC restricted stock awards, such that the total value of equity awards held by Raytheon employees post-Merger is substantially economically equivalent to the value of such awards prior to the Merger.