

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

**Form 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended December 31, 2024**  
**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period From \_\_\_\_ To \_\_\_\_**  
**Commission File Number: 001-13836**

**JOHNSON CONTROLS INTERNATIONAL PLC**

(Exact name of registrant as specified in its charter)

**Ireland**

(Jurisdiction of Incorporation)

**One Albert Quay, Cork, Ireland, T12 X8N6**

(Address of Principal Executive Offices and Postal Code)

**98-0390500**

(I.R.S. Employer Identification No.)

**(353) 21-423-5000**

(Registrant's Telephone Number)

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Ordinary Shares, Par Value \$0.01	JCI	New York Stock Exchange
1.375% Notes due 2025	JCI25A	New York Stock Exchange
3.900% Notes due 2026	JCI26A	New York Stock Exchange
0.375% Senior Notes due 2027	JCI27	New York Stock Exchange
3.000% Senior Notes due 2028	JCI28	New York Stock Exchange
5.500% Senior Notes due 2029	JCI29	New York Stock Exchange
1.750% Senior Notes due 2030	JCI30	New York Stock Exchange
2.000% Sustainability-Linked Senior Notes due 2031	JCI31	New York Stock Exchange
1.000% Senior Notes due 2032	JCI32	New York Stock Exchange
4.900% Senior Notes due 2032	JCI32A	New York Stock Exchange
3.125% Senior Notes due 2033	JCI33	New York Stock Exchange
4.250% Senior Notes due 2035	JCI35	New York Stock Exchange
6.000% Notes due 2036	JCI36A	New York Stock Exchange
5.70% Senior Notes due 2041	JCI41B	New York Stock Exchange
5.250% Senior Notes due 2041	JCI41C	New York Stock Exchange
4.625% Senior Notes due 2044	JCI44A	New York Stock Exchange
5.125% Notes due 2045	JCI45B	New York Stock Exchange
6.950% Debentures due December 1, 2045	JCI45A	New York Stock Exchange
4.500% Senior Notes due 2047	JCI47	New York Stock Exchange
4.950% Senior Notes due 2064	JCI64A	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>			Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Ordinary Shares Outstanding at December 31, 2024
Ordinary Shares, \$0.01 par value per share	660,594,161

**JOHNSON CONTROLS INTERNATIONAL PLC**

**FORM 10-Q**

**Report Index**

**Page**

**Part I. Financial Information**

Item 1. Financial Statements (unaudited)

Consolidated Statements of Income for the  
Three Month Periods Ended December 31, 2024 and 2023 3

Consolidated Statements of Comprehensive Income for the  
Three Month Periods Ended December 31, 2024 and 2023 4

Consolidated Statements of Financial Position at  
December 31, 2024 and September 30, 2024 5

Consolidated Statements of Cash Flows for the  
Three Month Periods Ended December 31, 2024 and 2023 6

Consolidated Statements of Shareholders' Equity for the  
Three Month Periods Ended December 31, 2024 and 2023 7

Notes to Consolidated Financial Statements 8

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations 36

Item 3. Quantitative and Qualitative Disclosures About Market Risk 46

Item 4. Controls and Procedures 46

**Part II. Other Information**

Item 1. Legal Proceedings 47

Item 1A. Risk Factors 47

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 49

Item 5. Other Information 49

Item 6. Exhibits 50

**Signatures** 51

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**Johnson Controls International plc**  
**Consolidated Statements of Income**  
(in millions, except per share data; unaudited)

	Three Months Ended December 31,	
	2024	2023
Net sales		
Products and systems	\$ 3,685	\$ 3,604
Services	1,741	1,605
	<u>5,426</u>	<u>5,209</u>
Cost of sales		
Products and systems	2,456	2,490
Services	1,044	941
	<u>3,500</u>	<u>3,431</u>
Gross profit	1,926	1,778
Selling, general and administrative expenses	1,399	1,334
Restructuring and impairment costs	33	35
Net financing charges	86	87
Equity loss	—	(2)
Income from continuing operations before income taxes	408	320
Income tax provision (benefit)	47	(20)
Income from continuing operations	361	340
Income from discontinued operations, net of tax (Note 3)	90	64
Net income	451	404
Income (loss) attributable to noncontrolling interests		
Continuing operations	(2)	—
Discontinued operations	34	30
Net income attributable to Johnson Controls	<u>\$ 419</u>	<u>\$ 374</u>
Income attributable to Johnson Controls		
Continuing operations	\$ 363	\$ 340
Discontinued operations	56	34
Total	<u>\$ 419</u>	<u>\$ 374</u>
Basic earnings per share attributable to Johnson Controls		
Continuing operations	\$ 0.55	\$ 0.50
Discontinued operations	0.08	0.05
Total	<u>\$ 0.63</u>	<u>\$ 0.55</u>
Diluted earnings per share attributable to Johnson Controls		
Continuing operations	\$ 0.55	\$ 0.50
Discontinued operations	0.08	0.05
Total	<u>\$ 0.63</u>	<u>\$ 0.55</u>

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

**Johnson Controls International plc**  
**Consolidated Statements of Comprehensive Income**  
(in millions; unaudited)

	Three Months Ended December 31,	
	2024	2023
Net income	\$ 451	\$ 404
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(146)	62
Realized and unrealized gains (losses) on derivatives	12	(42)
Pension and postretirement plans	(1)	(1)
Other comprehensive income (loss)	(135)	19
Total comprehensive income	316	423
Comprehensive income attributable to noncontrolling interests:		
Net income	32	30
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(61)	1
Realized and unrealized gains (losses) on derivatives	6	(4)
Other comprehensive loss	(55)	(3)
Comprehensive income attributable to noncontrolling interests	(23)	27
Comprehensive income attributable to Johnson Controls	\$ 339	\$ 396

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

**Johnson Controls International plc**  
**Consolidated Statements of Financial Position**  
(in millions, except par value; unaudited)

	December 31, 2024	September 30, 2024
<b>Assets</b>		
Cash and cash equivalents	\$ 1,237	\$ 606
Accounts receivable, less allowance for expected credit losses of \$236 and \$210, respectively	5,614	6,051
Inventories	1,739	1,774
Current assets held for sale	1,658	1,595
Other current assets	1,041	1,153
Current assets	<u>11,289</u>	<u>11,179</u>
Property, plant and equipment - net	2,418	2,403
Goodwill	16,412	16,725
Other intangible assets - net	3,963	4,130
Noncurrent assets held for sale	2,986	3,210
Other noncurrent assets	5,030	5,048
Total assets	<u>\$ 42,098</u>	<u>\$ 42,695</u>
<b>Liabilities and Equity</b>		
Short-term debt	\$ 882	\$ 953
Current portion of long-term debt	522	536
Accounts payable	3,214	3,389
Accrued compensation and benefits	917	1,048
Deferred revenue	2,211	2,160
Current liabilities held for sale	1,322	1,431
Other current liabilities	2,015	2,438
Current liabilities	<u>11,083</u>	<u>11,955</u>
Long-term debt	8,589	8,004
Pension and postretirement benefit obligations	192	217
Noncurrent liabilities held for sale	407	405
Other noncurrent liabilities	4,697	4,753
Noncurrent liabilities	<u>13,885</u>	<u>13,379</u>
Commitments and contingencies (Note 18)		
Ordinary shares, \$0.01 par value	7	7
Ordinary A shares, €1.00 par value	—	—
Preferred shares, \$0.01 par value	—	—
Ordinary shares held in treasury, at cost	(1,297)	(1,268)
Capital in excess of par value	17,543	17,475
Retained earnings	691	848
Accumulated other comprehensive loss	(1,044)	(964)
Shareholders' equity attributable to Johnson Controls	<u>15,900</u>	<u>16,098</u>
Noncontrolling interests	1,230	1,263
Total equity	<u>17,130</u>	<u>17,361</u>
Total liabilities and equity	<u>\$ 42,098</u>	<u>\$ 42,695</u>

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

**Johnson Controls International plc**  
**Consolidated Statements of Cash Flows**  
(in millions; unaudited)

	Three Months Ended December 31,	
	2024	2023
<b>Operating Activities of Continuing Operations</b>		
Income from continuing operations attributable to Johnson Controls	\$ 363	\$ 340
Loss from continuing operations attributable to noncontrolling interests	(2)	—
Income from continuing operations	361	340
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	193	208
Pension and postretirement income and contributions	(16)	(16)
Deferred income taxes	(54)	(80)
Noncash restructuring and impairment charges	8	9
Equity-based compensation	28	29
Other - net	8	(22)
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	284	40
Inventories	(15)	(106)
Other assets	(171)	(195)
Restructuring reserves	2	(14)
Accounts payable and accrued liabilities	(407)	(315)
Accrued income taxes	28	11
Cash provided (used) by operating activities from continuing operations	249	(111)
<b>Investing Activities of Continuing Operations</b>		
Capital expenditures	(116)	(82)
Other - net	11	18
Cash used by investing activities from continuing operations	(105)	(64)
<b>Financing Activities of Continuing Operations</b>		
Net proceeds from borrowings with maturities less than three months	12	1,116
Proceeds from debt	775	422
Stock repurchases and retirements	(330)	—
Payment of cash dividends	(245)	(252)
Employee equity-based compensation withholding taxes	(29)	(23)
Other - net	18	(27)
Cash provided by financing activities from continuing operations	201	1,236
<b>Discontinued Operations</b>		
Cash used by operating activities	(2)	(135)
Cash used by investing activities	(10)	(10)
Cash used by financing activities	—	(8)
Cash used by discontinued operations	(12)	(153)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	154	60
Change in cash, cash equivalents and restricted cash held for sale	4	5
<b>Increase in cash, cash equivalents and restricted cash</b>	491	973
Cash, cash equivalents and restricted cash at beginning of period	767	917
Cash, cash equivalents and restricted cash at end of period	1,258	1,890
Less: Restricted cash	21	91
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,237</b>	<b>\$ 1,799</b>

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

**Johnson Controls International plc**  
**Consolidated Statements of Shareholders' Equity**  
(in millions, except per share data; unaudited)

	Three Months Ended December 31,	
	2024	2023
<b>Shareholders' Equity Attributable to Johnson Controls</b>		
Beginning Balance	\$ 16,098	\$ 16,545
<b>Ordinary Shares</b> - Beginning and ending balance	7	7
<b>Ordinary Shares Held in Treasury, at Cost</b>		
Beginning balance	(1,268)	(1,240)
Employee equity-based compensation withholding taxes	(29)	(23)
Ending balance	(1,297)	(1,263)
<b>Capital in Excess of Par Value</b>		
Beginning balance	17,475	17,349
Share-based compensation expense	24	20
Other, including options exercised	44	12
Ending balance	17,543	17,381
<b>Retained Earnings</b>		
Beginning balance	848	1,384
Net income attributable to Johnson Controls	419	374
Cash dividends declared	(246)	(252)
Repurchases and retirements of ordinary shares	(330)	—
Ending balance	691	1,506
<b>Accumulated Other Comprehensive Income (Loss)</b>		
Beginning balance	(964)	(955)
Other comprehensive income (loss)	(80)	22
Ending balance	(1,044)	(933)
Ending Balance	15,900	16,698
<b>Shareholders' Equity Attributable to Noncontrolling Interests</b>		
Beginning Balance	1,263	1,149
Comprehensive income (loss) attributable to noncontrolling interests	(23)	27
Dividends attributable to noncontrolling interests	(13)	—
Other, including options exercised	3	—
Ending Balance	1,230	1,176
<b>Total Shareholders' Equity</b>	<u>\$ 17,130</u>	<u>\$ 17,874</u>
<b>Cash Dividends Declared per Ordinary Share</b>	<u>\$ 0.37</u>	<u>\$ 0.37</u>

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

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

## **1. BASIS OF PRESENTATION**

The consolidated financial statements include the consolidated accounts of Johnson Controls International plc, a public limited company organized under the laws of Ireland, and its subsidiaries (Johnson Controls International plc and all its subsidiaries, hereinafter collectively referred to as the "Company" or "Johnson Controls"). In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which include normal recurring adjustments) necessary to state fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2024 filed with the SEC on November 19, 2024. The results of operations for the three month period ended December 31, 2024 are not necessarily indicative of results for the Company's 2025 fiscal year because of seasonal and other factors.

### **Nature of Operations**

Johnson Controls International plc, headquartered in Cork, Ireland, is a global leader in smart, healthy and sustainable buildings, serving a wide range of customers around the globe. The Company's products, services, systems and solutions advance the safety, comfort and intelligence of spaces to serve people, places and the planet. The Company is committed to helping its customers win and creating greater value for all of its stakeholders through its strategic focus on buildings.

The Company is a global leader in engineering, manufacturing, commissioning and retrofitting building products and systems, including residential and commercial heating, ventilating, air-conditioning ("HVAC") equipment, industrial refrigeration systems, controls, security systems, fire-detection systems and fire-suppression solutions. The Company further serves customers by providing technical services, including maintenance, management, repair, retrofit and replacement of equipment (in the HVAC, industrial refrigeration, controls, security and fire-protection space) and energy-management consulting. The Company's OpenBlue digital software platform enables enterprises to better manage their physical spaces by combining the Company's building products and services with cutting-edge technology and digital capabilities to enable data-driven "smart building" services and solutions. The Company partners with customers by leveraging its broad product portfolio and digital capabilities, together with its direct channel service and solutions capabilities, to deliver outcome-based solutions across the lifecycle of a building that address customers' needs to improve energy efficiency, enhance security, create healthy environments and reduce greenhouse gas emissions.

As discussed in more detail in Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations", the Company has entered into a definitive agreement to sell its Residential and Light Commercial ("R&LC") HVAC business, including the North America Ducted business and the global Residential joint venture with Hitachi Global Life Solutions, Inc. ("Hitachi"), of which Johnson Controls owns 60% and Hitachi owns 40%. The R&LC HVAC business, which was previously reported in the Global Products segment, meets the criteria to be classified as a discontinued operation and, as a result, its historical financial results are reflected in the consolidated financial statements as a discontinued operation, and assets and liabilities are classified as held for sale for all periods presented. Unless otherwise noted, all activities and amounts reported in the following footnotes relate to the continuing operations of the Company and exclude activities and amounts related to the R&LC HVAC business.

### **Principles of Consolidation**

The consolidated financial statements include the consolidated accounts of Johnson Controls International plc and its subsidiaries that are consolidated in conformity with U.S. GAAP. The results of companies acquired or disposed of during the reporting period are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal. Investments in partially-owned affiliates are accounted for by the equity method when the Company exercises significant influence, which typically occurs when its ownership interest exceeds 20%, and the Company does not have a controlling interest.



**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

The Company consolidates variable interest entities ("VIE") when it has the power to direct the significant activities of the entity and the obligation to absorb losses or receive benefits from the entity that may be significant. The Company did not have any material consolidated or nonconsolidated VIE's for the presented reporting periods.

## **2. NEW ACCOUNTING STANDARDS**

### **Recently Adopted Accounting Pronouncements**

In September 2022, the FASB issued ASU 2022-04, "Disclosure of Supplier Finance Program Obligations," which is intended to enhance the transparency surrounding the use of supplier finance programs. Supplier finance programs may also be referred to as reverse factoring, payables finance, or structured payables arrangements. The amendments require a buyer that uses supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period, and associated rollforward information. Only the amount outstanding at the end of the period must be disclosed in interim periods. The Company adopted the new disclosures, other than the rollforward disclosure, as required at the beginning of fiscal 2024. The rollforward disclosure will be adopted as required in fiscal 2025.

Amounts outstanding related to supply chain financing ("SCF") programs are included in accounts payable in the consolidated statements of financial position. Accounts payable included in the SCF programs were approximately \$733 million and \$703 million as of December 31, 2024 and September 30, 2024, respectively.

### **Recently Issued Accounting Pronouncements**

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses," which is intended to enhance transparency into the nature and function of expenses. The amendments require that on an annual and interim basis, entities disclose disaggregated operating expense information about specific categories, including purchases of inventory, employee compensation, depreciation, amortization and depletion. The Company expects to adopt the new annual disclosures as required for fiscal 2028 and the interim disclosures as required beginning with the first quarter of fiscal 2029.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which is intended to enhance the transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments require that on an annual basis, entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, the amendments require that entities disclose additional information about income taxes paid as well as additional disclosures of pretax income and income tax expense, and remove the requirement to disclose certain items that are no longer considered cost beneficial or relevant. The Company expects to adopt the new annual disclosures as required for fiscal 2026.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment and contain other disclosure requirements. The Company expects to adopt the new annual disclosures as required for fiscal 2025 and the interim disclosures as required beginning with the first quarter of fiscal 2026.

Other recently issued accounting pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**3. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS**

In July 2024, the Company entered into a definitive agreement to sell its R&LC HVAC business, which includes the North America Ducted businesses and the global Residential joint venture with Hitachi, of which Johnson Controls owns 60% and Hitachi owns 40%, to Bosch Group for approximately \$8.1 billion in cash with the Company's portion of the aggregate consideration being approximately \$6.7 billion, inclusive of an upfront royalty payment for the licensing of the York tradename. The transaction is expected to close in the fourth quarter of fiscal 2025, subject to required regulatory approvals and other customary closing conditions. The R&LC HVAC business, which was previously reported in the Global Products segment, meets the criteria to be classified as discontinued operations as it represents a strategic shift in the Company's operations and results in the exit of substantially all of its residential and light commercial HVAC businesses. Results of the business are presented in discontinued operations for all periods presented.

The Company determined that the assets and liabilities for the R&LC HVAC business met the held for sale criteria during the fourth quarter of 2024. Accordingly, the businesses' assets and liabilities were reclassified in the consolidated balance sheets at December 31, 2024 and September 30, 2024 to held for sale, and the Company ceased recording depreciation and amortization for the held for sale assets.

The following table summarizes the results of the R&LC HVAC business which are reported as discontinued operations (in millions):

	Three Months Ended December 31,	
	2024	2023
Net sales	\$ 966	\$ 885
Cost of goods sold	731	671
Gross profit	235	214
Selling, general and administrative expenses	183	180
Restructuring and impairment costs	4	4
Net financing charges	(1)	11
Equity income	65	64
Income from discontinued operations before income taxes	114	83
Provision for income taxes on discontinued operations	24	19
Income from discontinued operations, net of tax	90	64
Income from discontinued operations attributable to noncontrolling interest, net of tax	34	30
Income from discontinued operations	<u>\$ 56</u>	<u>\$ 34</u>

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

The following table summarizes the assets and liabilities of the R&LC HVAC business which were classified as held for sale (in millions):

	December 31, 2024	September 30, 2024
Cash	\$ 2	\$ 5
Accounts receivable - net	539	592
Inventories	979	876
Other current assets	138	122
Current assets held for sale	<u>1,658</u>	<u>1,595</u>
Property, plant and equipment - net	743	793
Goodwill	1,130	1,182
Other intangible assets - net	94	96
Investments in partially-owned affiliates	833	949
Other noncurrent assets	186	190
Noncurrent assets held for sale	<u>2,986</u>	<u>3,210</u>
<b>Total assets classified as held for sale</b>	<u><u>\$ 4,644</u></u>	<u><u>\$ 4,805</u></u>
Accounts payable	\$ 887	\$ 917
Accrued compensation and benefits	99	113
Deferred revenue	112	84
Other current liabilities	224	317
Current liabilities held for sale	<u>1,322</u>	<u>1,431</u>
Pension and postretirement benefit obligations	25	28
Other noncurrent liabilities	382	377
Noncurrent liabilities held for sale	<u>407</u>	<u>405</u>
<b>Total liabilities classified as held for sale</b>	<u><u>\$ 1,729</u></u>	<u><u>\$ 1,836</u></u>

Assets and liabilities classified as held for sale are required to be recorded at the lower of carrying value or fair value less costs to sell. As of December 31, 2024, the estimated fair value less costs to sell of the held for sale businesses exceeded their carrying value, and therefore, no adjustment was necessary.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**4. REVENUE RECOGNITION**

**Disaggregated Revenue**

The following tables present the Company's revenues disaggregated by segment and by Products & Systems and Services revenue (in millions):

	Three Months Ended December 31,					
	2024			2023		
	Products & Systems	Services	Total	Products & Systems	Services	Total
Building Solutions North America	\$ 1,695	\$ 1,049	\$ 2,744	\$ 1,518	\$ 969	\$ 2,487
Building Solutions EMEA/LA	574	499	1,073	572	466	1,038
Building Solutions Asia Pacific	334	193	527	337	170	507
Global Products	1,082	—	1,082	1,177	—	1,177
Total	<u>\$ 3,685</u>	<u>\$ 1,741</u>	<u>\$ 5,426</u>	<u>\$ 3,604</u>	<u>\$ 1,605</u>	<u>\$ 5,209</u>

The following table presents further disaggregation of Global Products segment revenues by product type (in millions):

	Three Months Ended December 31,	
	2024	2023
HVAC	\$ 468	\$ 533
Fire & Security	522	547
Industrial Refrigeration	92	97
Total	<u>\$ 1,082</u>	<u>\$ 1,177</u>

**Contract Balances**

Contract assets relate to the Company's right to consideration for performance obligations satisfied but not billed. Contract liabilities relate to customer payments received in advance of satisfaction of performance obligations under the contract. Contract balances are classified as assets or liabilities on a contract-by-contract basis at the end of each reporting period.

The following table presents the location and amount of contract balances in the Company's consolidated statements of financial position (in millions):

	Location of contract balances	December 31, 2024	September 30, 2024
Contract assets - current	Accounts receivable - net	\$ 1,917	\$ 1,931
Contract assets - noncurrent	Other noncurrent assets	6	11
Contract liabilities - current	Deferred revenue	2,211	2,160
Contract liabilities - noncurrent	Other noncurrent liabilities	253	252

For the three months ended December 31, 2024 and 2023, the Company recognized revenue of \$878 million and \$839 million, respectively, that was included in the contract liability balance at the end of the prior fiscal year.

**Performance Obligations**

A performance obligation is a distinct good, service, or a bundle of goods and services promised in a contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. When contracts with customers require significant and complex integration, contain

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

goods or services which are highly interdependent or interrelated, or are goods or services which significantly modify or customize other promises in the contracts and, therefore, are not distinct, then the entire contract is accounted for as a single performance obligation. For any contracts with multiple performance obligations, the contract's transaction price is allocated to each performance obligation based on the estimated relative standalone selling price of each distinct good or service in the contract. For product sales, each product sold to a customer typically represents a distinct performance obligation.

Performance obligations are satisfied at a point in time or over time. The timing of satisfying the performance obligation is typically stipulated by the terms of the contract. As of December 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$20.9 billion, of which approximately 64% is expected to be recognized as revenue over the next two years. The remaining performance obligations expected to be recognized in revenue beyond two years primarily relate to large, multi-purpose construction contracts, which include services to be performed over the building's lifetime, with initial contract terms of 25 to 35 years. Future contract modifications could affect both the timing and the amount of the remaining performance obligations. The Company excludes the value of remaining performance obligations for service contracts with an original expected duration of one year or less and contracts that are cancellable without substantial penalty.

**Costs to Obtain or Fulfill a Contract**

The Company recognizes the incremental costs incurred to obtain or fulfill a contract with a customer as an asset when these costs are recoverable. These costs consist primarily of sales commissions and design costs that relate to a contract or an anticipated contract that the Company expects to recover. Costs to obtain or fulfill a contract are capitalized and amortized over the period of contract performance.

The following table presents the location and amount of costs to obtain or fulfill a contract recorded in the Company's consolidated statements of financial position (in millions):

	December 31, 2024	September 30, 2024
Other current assets	\$ 276	\$ 265
Other noncurrent assets	284	291
Total	<u>\$ 560</u>	<u>\$ 556</u>

During the three months ended December 31, 2024 and 2023, the Company recognized expense of \$84 million and \$57 million, respectively, related to costs to obtain or fulfill a contract. There were no impairment losses recognized in the three months ended December 31, 2024 and 2023.

**5. INVENTORIES**

Inventories consisted of the following (in millions):

	December 31, 2024	September 30, 2024
Raw materials and supplies	\$ 693	\$ 765
Work-in-process	140	130
Finished goods	906	879
Inventories	<u>\$ 1,739</u>	<u>\$ 1,774</u>

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**6. GOODWILL AND OTHER INTANGIBLE ASSETS**

The following table summarizes changes in the carrying amount of goodwill in each of the Company's reportable segments (in millions):

	Three Months Ended December 31, 2024				
	Building Solutions North America	Building Solutions EMEA/LA	Building Solutions Asia Pacific	Global Products	Total
Goodwill	\$ 10,050	\$ 2,039	\$ 1,227	\$ 4,604	17,920
Accumulated impairment loss	(659)	(277)	—	(259)	(1,195)
Balance at beginning of period	9,391	1,762	1,227	4,345	16,725
Foreign currency translation	(41)	(107)	(84)	(81)	(313)
Balance at end of period	<u>\$ 9,350</u>	<u>\$ 1,655</u>	<u>\$ 1,143</u>	<u>\$ 4,264</u>	<u>\$ 16,412</u>

Other intangible assets, primarily from business acquisitions, consisted of (in millions):

	December 31, 2024			September 30, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Definite-lived intangible assets						
Technology	\$ 1,570	\$ (973)	\$ 597	\$ 1,592	\$ (955)	\$ 637
Customer relationships	2,571	(1,534)	1,037	2,632	(1,517)	1,115
Miscellaneous	877	(479)	398	886	(480)	406
	<u>5,018</u>	<u>(2,986)</u>	<u>2,032</u>	<u>5,110</u>	<u>(2,952)</u>	<u>2,158</u>
Indefinite-lived intangible assets						
Trademarks/trade names	1,931	—	1,931	1,972	—	1,972
Total intangible assets	<u>\$ 6,949</u>	<u>\$ (2,986)</u>	<u>\$ 3,963</u>	<u>\$ 7,082</u>	<u>\$ (2,952)</u>	<u>\$ 4,130</u>

Amortization of other intangible assets included within continuing operations for the three months ended December 31, 2024 and 2023 was \$120 million and \$119 million, respectively.

**7. LEASES**

The following table presents supplemental consolidated statement of financial position information (in millions):

	Location of lease balances	December 31, 2024	September 30, 2024
Operating lease right-of-use assets	Other noncurrent assets	\$ 1,164	\$ 1,170
Operating lease liabilities - current	Other current liabilities	265	289
Operating lease liabilities - noncurrent	Other noncurrent liabilities	932	921

The following table presents supplemental noncash operating lease activity (in millions):

	Three Months Ended December 31,	
	2024	2023
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 130	\$ 76

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**8. DEBT AND FINANCING ARRANGEMENTS**

Short-term debt consisted of the following (in millions):

	December 31, 2024	September 30, 2024
Commercial paper	\$ 309	\$ 350
Term loans	569	603
Bank borrowings	4	—
	<u>\$ 882</u>	<u>\$ 953</u>
Weighted average interest rate on short-term debt outstanding	3.7 %	4.8 %

As of December 31, 2024, the Company had two syndicated committed revolving credit facilities, including \$2.5 billion which is scheduled to expire in December 2028 and \$500 million which is scheduled to expire in December 2025. There were no draws on the facilities as of December 31, 2024.

In December 2024, the Company and its wholly-owned subsidiary, Tyco Fire & Security Finance S.C.A, co-issued the following unsecured, unsubordinated senior notes:

- \$250 million 4.900% Senior Notes due December 2032. These notes are a further issuance of the \$400 million, 4.900% Senior Notes due 2032, which were originally issued in September 2022.
- €500 million 3.125% Senior Notes due December 2033.

**9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

**Cash Flow Hedges**

The Company has global operations and participates in foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. The Company selectively hedges anticipated transactions that are subject to foreign exchange rate risk primarily using foreign currency exchange forward contracts. The Company hedges 70% to 90% of the notional amount of each of its known foreign exchange transactional exposures.

The Company selectively hedges anticipated transactions that are subject to commodity price risk, primarily using commodity hedge contracts, to minimize overall price risk associated with the Company's purchases of copper and aluminum in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. The maturities of the commodity hedge contracts coincide with the expected purchase of the commodities.

As cash flow hedges under ASC 815, "Derivatives and Hedging," the hedge gains or losses due to changes in fair value are initially recorded as a component of accumulated other comprehensive income ("AOCI") and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates and commodity prices during the three months ended December 31, 2024 and 2023.

The Company had the following outstanding contracts to hedge forecasted commodity purchases (in metric tons):

Commodity	Volume Outstanding as of	
	December 31, 2024	September 30, 2024
Copper	2,880	2,676
Aluminum	2,471	2,450

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

The Company may enter into forward-starting interest rate swaps in conjunction with anticipated note issuances to manage exposure to interest rate changes. The forward-starting interest swaps are terminated when the anticipated notes are issued.

As of December 31, 2023, \$600 million of forward-starting interest swaps were outstanding on an \$800 million anticipated note issuance which was subsequently terminated in fiscal 2024 once the note issuance was no longer highly likely to occur. Accumulated amounts previously recorded in AOCI were not material and were recognized as net financing charges in the consolidated statements of income when the swaps were terminated.

**Net Investment Hedges**

The Company enters into cross-currency interest rate swaps and foreign currency denominated debt obligations to selectively hedge portions of its net investment in non-U.S. subsidiaries. The currency effects of the cross-currency interest rate swaps and debt obligations are reflected in the AOCI account within shareholders' equity attributable to Johnson Controls ordinary shareholders where they offset gains and losses recorded on the Company's net investments globally.

The following table summarizes net investment hedges (in billions):

	December 31, 2024	September 30, 2024
Euro-denominated bonds designated as net investment hedges in Europe	€ 2.9	€ 2.9
Yen-denominated debt designated as a net investment hedge in Japan	¥ 30	¥ 30

**Derivatives Not Designated as Hedging Instruments**

The Company holds certain foreign currency forward contracts not designated as hedging instruments under ASC 815 to hedge foreign currency exposure resulting from monetary assets and liabilities denominated in nonfunctional currencies. The changes in fair value of these foreign currency forward exchange derivatives are recorded in the consolidated statements of income where they offset foreign currency transactional gains and losses on the nonfunctional currency denominated assets and liabilities being hedged.



**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**Fair Value of Derivative Instruments**

The following table presents the location and fair values of derivative instruments and hedging activities included in the Company's consolidated statements of financial position (in millions):

	Derivatives and Hedging Activities Designated as Hedging Instruments		Derivatives and Hedging Activities Not Designated as Hedging Instruments	
	December 31, 2024	September 30, 2024	December 31, 2024	September 30, 2024
Other current assets				
Foreign currency exchange derivatives	\$ 42	\$ 19	\$ —	\$ 1
Interest rate swaps	—	2	—	—
Total assets	<u>\$ 42</u>	<u>\$ 21</u>	<u>\$ —</u>	<u>\$ 1</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 26	\$ 24	\$ 66	\$ 1
Commodity derivatives	3	1	—	—
Long-term debt				
Foreign currency denominated debt	3,186	3,424	521	—
Total liabilities	<u>\$ 3,215</u>	<u>\$ 3,449</u>	<u>\$ 587</u>	<u>\$ 1</u>

**Counterparty Credit Risk**

The use of derivative financial instruments exposes the Company to counterparty credit risk. The Company has established policies and procedures to limit the potential for counterparty credit risk, including establishing limits for credit exposure and continually assessing the creditworthiness of counterparties. As a matter of practice, the Company deals with major banks worldwide having strong investment grade long-term credit ratings. To further reduce the risk of loss, the Company generally enters into International Swaps and Derivatives Association ("ISDA") master netting agreements with substantially all of its counterparties. The Company enters into ISDA master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company has not elected to offset the fair value positions of the derivative contracts recorded in the consolidated statements of financial position.

The Company's derivative contracts do not contain any credit risk related contingent features and do not require collateral or other security to be furnished by the Company or the counterparties. The Company's exposure to credit risk associated with its derivative instruments is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. The Company does not anticipate any non-performance by any of its counterparties, and the concentration of risk with financial institutions does not present significant credit risk to the Company.

The gross and net amounts of derivative assets and liabilities were as follows (in millions):

	Fair Value of Assets		Fair Value of Liabilities	
	December 31, 2024	September 30, 2024	December 31, 2024	September 30, 2024
Gross amount recognized	\$ 42	\$ 22	\$ 3,802	\$ 3,450
Gross amount eligible for offsetting	(14)	(12)	(14)	(12)
Net amount	<u>\$ 28</u>	<u>\$ 10</u>	<u>\$ 3,788</u>	<u>\$ 3,438</u>

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**Derivatives Impact on the Statements of Income and Statements of Comprehensive Income**

The following table presents the pre-tax gains (losses) recorded in other comprehensive income (loss) related to cash flow hedges (in millions):

Derivatives in Cash Flow Hedging Relationships	Three Months Ended December 31,	
	2024	2023
Foreign currency exchange derivatives	\$ 17	\$ (13)
Commodity derivatives	(3)	1
Interest rate swaps	—	(35)
Total	<u>\$ 14</u>	<u>\$ (47)</u>

The following table presents the location and amount of the pre-tax gains (losses) on cash flow hedges reclassified from AOCI into the Company's consolidated statements of income (in millions):

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from AOCI into Income	Three Months Ended December 31,	
		2024	2023
Foreign currency exchange derivatives	Cost of sales	\$ 1	\$ (1)
Commodity derivatives	Cost of sales	—	(3)
Total		<u>\$ 1</u>	<u>\$ (4)</u>

The following table presents the location and amount of pre-tax gains (losses) on derivatives not designated as hedging instruments recognized in the Company's consolidated statements of income (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Ended December 31,	
		2024	2023
Foreign currency exchange derivatives	Cost of sales	\$ (7)	\$ (5)
Foreign currency exchange derivatives	SG&A	(2)	—
Foreign currency exchange derivatives	Net financing charges	(144)	(43)
Total		<u>\$ (153)</u>	<u>\$ (48)</u>

The following table presents pre-tax gains on net investment hedges recorded as foreign currency translation adjustments ("CTA") within other comprehensive income (loss) (in millions):

	Three Months Ended December 31,	
	2024	2023
Net investment hedges	\$ 238	\$ 145

No gains or losses were reclassified from CTA into income during the three months ended December 31, 2024 and 2023.

## 10. FAIR VALUE MEASUREMENTS

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

*Level 1:* Observable inputs such as quoted prices in active markets for identical assets or liabilities;

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

*Level 2:* Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

*Level 3:* Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

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

**Recurring Fair Value Measurements**

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value (in millions):

	Fair Value Measurements Using:			
	Total as of December 31, 2024	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 42	\$ —	\$ 42	\$ —
Other noncurrent assets				
Deferred compensation plan assets	57	57	—	—
Exchange traded funds (fixed income) <sup>(1)</sup>	76	76	—	—
Exchange traded funds (equity) <sup>(1)</sup>	201	201	—	—
Total assets	<u>\$ 376</u>	<u>\$ 334</u>	<u>\$ 42</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 92	\$ —	\$ 92	\$ —
Commodity derivatives	3	—	3	—
Contingent earn-out liabilities	13	—	—	13
Other noncurrent liabilities				
Contingent earn-out liabilities	14	—	—	14
Total liabilities	<u>\$ 122</u>	<u>\$ —</u>	<u>\$ 95</u>	<u>\$ 27</u>

<sup>(1)</sup> Classified as restricted investments for payment of asbestos liabilities. See Note 18, "Commitments and Contingencies," of the notes to the consolidated financial statements for further details.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

	Fair Value Measurements Using:			
	Total as of September 30, 2024	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 20	\$ —	\$ 20	\$ —
Commodity derivatives	2	—	2	—
Other noncurrent assets				
Deferred compensation plan assets	56	56	—	—
Exchange traded funds (fixed income) <sup>(1)</sup>	81	81	—	—
Exchange traded funds (equity) <sup>(1)</sup>	200	200	—	—
Total assets	<u>\$ 359</u>	<u>\$ 337</u>	<u>\$ 22</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 25	\$ —	\$ 25	\$ —
Commodity derivatives	1	—	1	—
Contingent earn-out liabilities	14	—	—	14
Other noncurrent liabilities				
Contingent earn-out liabilities	14	—	—	14
Total liabilities	<u>\$ 54</u>	<u>\$ —</u>	<u>\$ 26</u>	<u>\$ 28</u>

<sup>(1)</sup> Classified as restricted investments for payment of asbestos liabilities. See Note 18, "Commitments and Contingencies," of the notes to the consolidated financial statements for further details.

### Valuation Methods

*Commodity derivatives:* The commodity derivatives are valued under a market approach using publicized prices, where available, or dealer quotes.

*Contingent earn-out liabilities:* The contingent earn-out liabilities were established using a Monte Carlo simulation based on the forecasted operating results and the earn-out formula specified in the purchase agreements.

*Deferred compensation plan assets:* Assets held in the deferred compensation plans will be used to pay benefits under certain of the Company's non-qualified deferred compensation plans. The investments primarily consist of mutual funds which are publicly traded on stock exchanges and are valued using a market approach based on the quoted market prices. Unrealized gains (losses) on the deferred compensation plan assets are recognized in the consolidated statements of income where they offset unrealized gains and losses on the related deferred compensation plan liability.

*Exchange traded funds:* Investments in exchange traded funds are valued using a market approach based on quoted market prices, where available, or broker/dealer quotes of identical or comparable instruments. Refer to Note 18, "Commitments and Contingencies," of the notes to the consolidated financial statements for further information.

*Foreign currency exchange derivatives:* The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

The following table presents the portion of unrealized gains (losses) recognized in the consolidated statements of income that relate to equity securities still held at December 31, 2024 and 2023 (in millions):

	Three Months Ended December 31,	
	2024	2023
Deferred compensation plan assets	\$ (1)	\$ 4
Investments in exchange traded funds	(1)	22

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values.

The fair value of long-term debt at December 31, 2024 and September 30, 2024 was as follows (in billions):

	December 31, 2024	September 30, 2024
Public debt	\$ 8.4	\$ 8.1
Other long-term debt	0.2	0.2
Total fair value of long-term debt	<u>\$ 8.6</u>	<u>\$ 8.3</u>

The fair value of public debt was determined primarily using market quotes which are classified as Level 1 inputs within the ASC 820 fair value hierarchy. The fair value of other long-term debt was determined using quoted market prices for similar instruments and are classified as Level 2 inputs within the ASC 820 fair value hierarchy.

## 11. EARNINGS PER SHARE

The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share (in millions):

	Three Months Ended December 31,	
	2024	2023
<b>Income Available to Ordinary Shareholders</b>		
Income from continuing operations	\$ 363	\$ 340
Income from discontinued operations	56	34
Basic and diluted income available to shareholders	<u>\$ 419</u>	<u>\$ 374</u>
<b>Weighted Average Shares Outstanding</b>		
Basic weighted average shares outstanding	662.0	680.7
Effect of dilutive securities:		
Stock options, unvested restricted stock and unvested performance share awards	3.0	1.7
Diluted weighted average shares outstanding	<u>665.0</u>	<u>682.4</u>
<b>Antidilutive Securities</b>		
Stock options and unvested restricted stock	—	0.6

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following schedules present changes in AOCI attributable to Johnson Controls (in millions):

	Three Months Ended December 31,	
	2024	2023
<b>Foreign currency translation adjustments</b>		
Balance at beginning of period	\$ (956)	\$ (970)
Aggregate adjustment for the period	(85)	61
Balance at end of period	(1,041)	(909)
<b>Realized and unrealized gains (losses) on derivatives</b>		
Balance at beginning of period	(4)	15
Current period changes in fair value	8	(43)
Reclassification to income <sup>(1)</sup>	(1)	4
Net tax impact	(1)	1
Balance at end of period	2	(23)
<b>Pension and postretirement plans</b>		
Balance at beginning of period	(4)	—
Reclassification to income	(1)	(1)
Balance at end of period	(5)	(1)
Accumulated other comprehensive loss, end of period	<u>\$ (1,044)</u>	<u>\$ (933)</u>

<sup>(1)</sup> Refer to Note 9, "Derivative Instruments and Hedging Activities," of the notes to the consolidated financial statements for disclosure of the line items in the consolidated statements of income affected by reclassifications from AOCI into income related to derivatives.

**13. PENSION AND RETIREMENT PLANS**

Unless otherwise noted, all activities and amounts reported in this footnote include both continuing operations of the Company and activities and amounts related to the R&LC HVAC business. See Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations" for additional details regarding divestiture of the R&LC HVAC business.

The components of the Company's net periodic benefit cost (credit) associated with its defined benefit pension and postretirement plans, which are primarily recorded in selling, general and administrative expenses in the consolidated statements of income, are shown in the tables below in accordance with ASC 715, "Compensation – Retirement Benefits" (in millions):

	U.S. Pension Plans Three Months Ended December 31,	
	2024	2023
Interest cost	\$ 16	\$ 20
Expected return on plan assets	(24)	(30)
Net periodic benefit credit	<u>\$ (8)</u>	<u>\$ (10)</u>

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

	Non-U.S. Pension Plans	
	Three Months Ended December 31,	
	2024	2023
Service cost	\$ 4	\$ 4
Interest cost	16	17
Expected return on plan assets	(19)	(18)
Net periodic benefit cost	<u>\$ 1</u>	<u>\$ 3</u>

	Postretirement Benefits	
	Three Months Ended December 31,	
	2024	2023
Interest cost	\$ 1	\$ 1
Expected return on plan assets	(3)	(2)
Amortization of prior service credit	(1)	(1)
Net periodic benefit credit	<u>\$ (3)</u>	<u>\$ (2)</u>

#### 14. RESTRUCTURING AND RELATED COSTS

To better align its resources with its growth strategies and reduce the cost structure of its global operations in certain underlying markets, the Company commits to restructuring plans as necessary. Restructuring activities generally result in charges for workforce reductions, plant closures, asset impairments and other related costs which are reported as restructuring and impairment costs in the Company's consolidated statements of income. The Company expects the restructuring actions to reduce cost of sales and SG&A due to reduced employee-related costs, depreciation and amortization expense.

During the fourth quarter of fiscal 2024, the Company completed its previous restructuring plan and committed to a new multi-year restructuring plan to address stranded costs and further right-size its global operations as a result of previously announced portfolio simplification actions. It is expected that one-time restructuring costs, including severance and other employee termination benefits, contract termination costs, and certain other related cash and non-cash charges, of approximately \$400 million will be incurred over the course of fiscal 2025, 2026 and 2027. Restructuring costs will be incurred across all segments and Corporate functions.

The following table summarizes restructuring and related costs (in millions):

	Three Months Ended December 31, 2024
Building Solutions North America	\$ 6
Building Solutions EMEA/LA	11
Building Solutions Asia Pacific	2
Global Products	9
Corporate	5
Total	<u>\$ 33</u>

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

The following table summarizes changes in the current restructuring reserve, which is included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Total
Restructuring and related costs	\$ 25	\$ 8	\$ 33
Utilized—cash	(4)	—	(4)
Utilized—noncash	—	(8)	(8)
Balance at December 31, 2024	<u>\$ 21</u>	<u>\$ —</u>	<u>\$ 21</u>

The following table summarizes changes in the previous restructuring reserve, which is included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Other	Total
Balance at September 30, 2024	\$ 58	\$ 17	\$ 75
Utilized—cash	(27)	—	(27)
Other	—	1	1
Balance at December 31, 2024	<u>\$ 31</u>	<u>\$ 18</u>	<u>\$ 49</u>

## 15. INCOME TAXES

In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter.

The statutory tax rate in Ireland is being used as a comparison since the Company is domiciled in Ireland.

For the three months ended December 31, 2024, the Company's effective tax rate for continuing operations was 11.5% and was lower than the statutory tax rate of 12.5% primarily due to the benefits of continuing global tax planning, partially offset by tax rate differentials.

For the three months ended December 31, 2023, the Company's effective tax rate for continuing operations was (6.3)% and was lower than the statutory tax rate of 12.5% primarily due to Swiss tax reform and the benefits of continuing global tax planning, partially offset by the establishment of a deferred tax liability on the outside basis difference of the Company's investment in certain consolidated subsidiaries and tax rate differentials.

### Uncertain Tax Positions

At September 30, 2024, the Company had gross tax-effected unrecognized tax benefits of \$2.1 billion, of which \$1.5 billion, if recognized, would impact the effective tax rate. Accrued interest, net at September 30, 2024 was approximately \$398 million (net of tax benefit). Interest accrued during the three months ended December 31, 2024 and 2023 was approximately \$28 million and \$30 million (both net of tax benefit), respectively. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.



**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

In the U.S., fiscal years 2019 through 2020 are currently under audit and fiscal years 2017 through 2018 are currently under appeal with the Internal Revenue Service ("IRS") for certain legal entities. In addition, fiscal years 2016 through 2019 are also under exam by the IRS in relation to a separate consolidated filing group. Additionally, the Company is currently under exam in the following major non-U.S. jurisdictions for continuing operations:

Tax Jurisdiction	Tax Years Covered
Belgium	2016 - 2017; 2019 - 2020; 2022
Germany	2007 - 2021
Mexico	2016 - 2019
United Kingdom	2014 - 2015; 2018; 2020 - 2021

It is reasonably possible that tax examinations and/or tax litigation will conclude within the next twelve months, which could have a material impact on tax expense. Based upon the circumstances surrounding these examinations, the impact is not currently quantifiable.

### **Impacts of Tax Legislation**

On December 18, 2023, the president of Ireland signed into law the Finance (No. 2) Bill 2023, which included legislation regarding the implementation of the Pillar Two global minimum tax. The Pillar Two legislation is effective for the Company's fiscal year beginning October 1, 2024. The impact in the current fiscal year is not expected to be material, however, the Company is continuing to assess the future impact of the new legislation.

On September 11, 2023, the Schaffhausen parliament approved a partial revision of the cantonal act on direct taxation: Immediate Minimum Taxation Measure ("IMTM"). On November 19, 2023, IMTM was approved in a public referendum in the canton of Schaffhausen, was published in the cantonal official gazette on December 8, 2023, and was effective starting January 1, 2024. The IMTM increased Switzerland's combined statutory income tax rate to approximately 15%. As a result, in the three months ended December 31, 2023, the Company recorded a noncash discrete net tax benefit of \$80 million due to the remeasurement of deferred tax assets and liabilities related to Switzerland and the canton of Schaffhausen.

## **16. SEGMENT INFORMATION**

The Company conducts its business through four operating segments, all of which are reportable segments:

- *Building Solutions North America* which operates in the United States and Canada;
- *Building Solutions EMEA/LA* which operates in Europe, the Middle East, Africa and Latin America;
- *Building Solutions Asia Pacific* which operates in Asia Pacific; and
- *Global Products* which operates worldwide.

The Building Solutions segments:

- Design, sell, install and service HVAC, controls, building management, refrigeration, integrated electronic security and integrated fire-detection and suppression systems; and
- Provide energy-efficiency solutions and technical services, including data-driven "smart building" solutions as well as inspection, scheduled maintenance, and repair and replacement of mechanical and controls systems.

The Global Products segment designs, manufactures and sells:

- HVAC equipment, controls software and software services;
- Refrigeration equipment and controls;
- Fire protection and suppression; and
- Security products, including intrusion security, anti-theft devices, access control, and video surveillance and management systems.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

The Company's segments provide products and services primarily to commercial, institutional, industrial, data center, and governmental customers.

Management evaluates the performance of its segments primarily on segment earnings before interest, taxes and amortization ("EBITA"), which represents income from continuing operations before income taxes and noncontrolling interests, excluding corporate expenses, amortization of intangible assets, restructuring and impairment costs, the water systems AFFF settlement costs and insurance recoveries, net mark-to-market gains and losses related to pension and postretirement plans and restricted asbestos investments, and net financing charges.

Financial information relating to the Company's reportable segments is as follows (in millions):

	Net Sales	
	Three Months Ended December 31,	
	2024	2023
Building Solutions North America	\$ 2,744	\$ 2,487
Building Solutions EMEA/LA	1,073	1,038
Building Solutions Asia Pacific	527	507
Global Products	1,082	1,177
Total net sales	<u>\$ 5,426</u>	<u>\$ 5,209</u>
	Segment EBITA	
	Three Months Ended December 31,	
	2024	2023
Building Solutions North America	\$ 332	\$ 285
Building Solutions EMEA/LA	108	80
Building Solutions Asia Pacific	49	46
Global Products	<u>326</u>	<u>267</u>
Total segment EBITA	815	678
Corporate expenses	171	139
Amortization of intangible assets	120	119
Restructuring and impairment costs	33	35
Water systems AFFF insurance recoveries <sup>(1)</sup>	(4)	—
Net mark-to-market losses (gains)	1	(22)
Net financing charges	86	87
Income before income taxes	<u>\$ 408</u>	<u>\$ 320</u>

<sup>(1)</sup> Refer to Note 18, "Commitments and Contingencies," of the notes to the consolidated financial statements for further disclosure related to the water systems AFFF settlement.

## 17. GUARANTEES

Certain of the Company's subsidiaries at the business segment level guarantee the performance of third parties and provide financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from the current fiscal year through the completion of such transactions and would typically be triggered in the

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

event of nonperformance. Performance under the guarantees, if required, would not have a material effect on the Company's financial position, results of operations or cash flows.

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. Generally, the Company's warranties require the repair or replacement of defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical costs to repair or replace products and other known factors. The Company monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different than those estimates.

The Company's product warranty liability is recorded in the consolidated statements of financial position in other current liabilities for estimated costs to be incurred within 12 months and in other non-current liabilities for estimated costs to be incurred in more than one year.

The following table summarizes changes in the total product warranty liability (in millions):

Balance at September 30, 2024	\$	122
Accruals for warranties issued during the period		16
Settlements made during the period		(18)
Changes in estimates to pre-existing warranties		(2)
Currency translation		(3)
Balance at December 31, 2024	<u>\$</u>	<u>115</u>

## **18. COMMITMENTS AND CONTINGENCIES**

### **Environmental Matters**

The Company accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. The following table presents the location and amount of reserves for environmental liabilities in the Company's consolidated statements of financial position (in millions):

	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Other current liabilities	\$ 28	\$ 32
Other noncurrent liabilities	175	179
Total reserves for environmental liabilities	<u>\$ 203</u>	<u>\$ 211</u>

The Company periodically examines whether the contingent liabilities related to the environmental matters described below are probable and reasonably estimable based on experience and ongoing developments in those matters, including continued study and analysis of ongoing remediation obligations. The Company expects that it will pay the amounts recorded over an estimated period of up to 20 years. The Company is not able to estimate a possible loss or range of loss, if any, in excess of the established accruals for environmental liabilities at this time.

A substantial portion of the Company's environmental reserves relates to ongoing long-term remediation efforts to address contamination relating to Aqueous Film Forming Foam ("AFFF") containing perfluorooctane sulfonate ("PFOS"), perfluorooctanoic acid ("PFOA"), and/or other per- and poly-fluoroalkyl substances ("PFAS") at or near the Tyco Fire Products L.P. ("Tyco Fire Products") Fire Technology Center ("FTC") located in Marinette, Wisconsin and surrounding areas in the City of Marinette and Town of Peshtigo, Wisconsin, as well as the continued remediation of PFAS, arsenic and other contaminants at the Tyco Fire Products Stanton Street manufacturing facility also located in Marinette, Wisconsin (the "Stanton Street Facility").

PFOA, PFOS, and other PFAS compounds are being studied by the U.S. Environmental Protection Agency ("EPA") and other environmental and health agencies and researchers. In March 2021, EPA published its final determination to regulate

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

PFOS and PFOA in drinking water. On April 10, 2024, EPA announced the final National Primary Drinking Water Regulation ("NPDWR") for six PFAS compounds including PFOA and PFOS. The NPDWR established legally enforceable levels, called Maximum Contaminant Levels, of 4.0 parts per trillion ("ppt") for each of PFOA and PFOS, 10 ppt for each of PFHxS, PFNA, and HFPO-DA (commonly known as GenX Chemicals), and a Hazard Index of one for mixtures containing two or more of PFHxS, PFNA, HFPO-DA, and PFBA. In February 2024, EPA released two proposed rules relating to PFAS under the Resource Conservation and Recovery Act ("RCRA"): one rule proposes to list nine PFAS (including PFOA and PFOS) as "hazardous constituents," and a second rule proposes to clarify that hazardous waste regulated under the rule includes not only substances listed or identified as hazardous waste in the regulations, but also any substances that meet the statutory definition of hazardous waste.

In August 2022, EPA published a proposed rule that would designate PFOA and PFOS as "hazardous substances" under Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). In April 2023, EPA issued an Advanced Notice of Proposed Rulemaking ("ANPR") seeking input on whether it should expand the proposed rule to designate as "hazardous substances" under CERCLA: (1) seven additional PFAS; (2) the precursors to PFOA, PFOS, and the seven additional PFAS; or (3) entire categories of PFAS. On April 17, 2024, the EPA Administrator signed the final rule designating PFOA and PFOS, along with their salts and structural isomers, as "hazardous substances."

It is not possible to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the financial viability of other potentially responsible parties and third-party indemnitors, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, changes in environmental regulations, changes in permissible levels of specific compounds in soil, groundwater and drinking water sources, or changes in enforcement theories and policies, including efforts to recover natural resource damages, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. It is possible that technological, regulatory or enforcement developments, the results of additional environmental studies or other factors could change the Company's expectations with respect to future charges and cash outlays, and such changes could be material to the Company's future results of operations, financial condition or cash flows. Nevertheless, the Company does not currently believe that any claims, penalties or costs in addition to the amounts accrued will have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities. Conditional asset retirement obligations were \$7 million at both December 31, 2024 and September 30, 2024.

## **FTC-Related Matters**

### ***FTC Remediation***

The use of fire-fighting foams at the FTC was primarily for training and testing purposes to ensure that such products sold by the Company's affiliates, Chemguard, Inc. ("Chemguard") and Tyco Fire Products, were effective at suppressing high intensity fires that may occur at military installations, airports or elsewhere. During the three months ended June 30, 2024, Tyco Fire Products completed its previously announced plan to discontinue the production and sale of fluorinated firefighting foams, including AFFF products, and has transitioned to non-fluorinated foam alternatives.

Tyco Fire Products has been engaged in remediation activities at the Stanton Street Facility since 1990. Its corporate predecessor, Ansul Incorporated ("Ansul"), manufactured arsenic-based agricultural herbicides at the Stanton Street Facility, which resulted in significant arsenic contamination of soil and groundwater on the site and in parts of the adjoining Menominee River. In 2009, Ansul entered into an Administrative Consent Order (the "Consent Order") with the EPA to address the presence of arsenic at the site. Under this agreement, Tyco Fire Products' principal obligations are to contain the arsenic contamination on the site, pump and treat on-site groundwater, dredge, treat and properly dispose of contaminated sediments in the adjoining river areas, and monitor contamination levels on an ongoing basis. Activities completed under the Consent Order since 2009 include the installation of a subsurface barrier wall around the facility to contain contaminated groundwater, the installation and ongoing operation and monitoring of a groundwater extraction and

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

treatment system and the dredging and offsite disposal of treated river sediment. In addition to ongoing remediation activities, the Company is also working with the Wisconsin Department of Natural Resources ("WDNR") to investigate and remediate the presence of PFAS at or near the Stanton Street Facility as part of the evaluation and remediation of PFAS in the Marinette region.

Tyco Fire Products is operating and monitoring at the FTC a Groundwater Extraction and Treatment System ("GETS"), a permanent groundwater remediation system that extracts groundwater containing PFAS, treats it using advanced filtration systems, and returns the treated water to the environment. Tyco Fire Products has also completed the removal and disposal of PFAS-affected soil from the FTC. The Company's reserves for continued remediation of the FTC, the Stanton Street Facility and surrounding areas in Marinette and Peshtigo are based on estimates of costs associated with the long-term remediation actions, including the continued operation of the GETS, the implementation of long-term drinking water solutions for the area impacted by groundwater migrating from the FTC, continued monitoring and testing of groundwater monitoring wells, the operation and wind-down of other legacy remediation and treatment systems and the completion of ongoing investigation obligations.

***FTC-Related Litigation***

On June 21, 2019, the WDNR announced that it had received from the Wisconsin Department of Health Services ("WDHS") a recommendation for groundwater quality standards as to, among other compounds, PFOA and PFOS. The WDHS recommended a groundwater enforcement standard for PFOA and PFOS of 20 parts per trillion. Although Wisconsin approved final regulatory standards for PFOA and PFOS in drinking water and surface water in February 2022, the Wisconsin Natural Resources Board did not approve WDNR's proposed standards for PFOA and PFOS in groundwater. In August 2024, WDNR issued a new proposed rule to adopt the EPA Maximum Contaminant Levels for PFAS in drinking water. The WDNR initiated a rulemaking proceeding that would establish groundwater quality standards for PFOA, PFOS, perfluorobutane sulfonic acid and its potassium salt ("PFBS") and hexafluoropropylene oxide dimer acid and its ammonium salt ("HFPO-DA"). Pursuant to state law, the WDNR has stopped work on the proposed rule and notified the state legislature that, following economic analysis, the proposed costs would exceed statutory thresholds. As a result, the state legislature is required to authorize the WDNR to allow the rulemaking to continue.

In July 2019, the Company received a letter from the WDNR directing the expansion of the evaluation of PFAS in the Marinette region to include (1) biosolids sludge produced by the City of Marinette Waste Water Treatment Plant and spread on certain fields in the area and (2) the Menominee and Peshtigo Rivers. On October 16, 2019, the WDNR issued a "Notice of Noncompliance" to Tyco Fire Products and Johnson Controls, Inc. regarding the WDNR's July 2019 letter. The WDNR issued a further letter regarding the issue on November 4, 2019. In February 2020, the WDNR sent a letter to Tyco Fire Products and Johnson Controls, Inc. further directing the expansion of the evaluation of PFAS in the Marinette region to include investigation activities south and west of the previously defined FTC study area. In September 2021, the WDNR sent an additional "Notice of Noncompliance" to Tyco Fire Products and Johnson Controls, Inc. concerning land-applied biosolids, which reviewed and responded to the Company's biosolids investigation conducted to that date. On April 10, 2023, the WDNR issued a third "Notice of Noncompliance" to Tyco Fire Products and Johnson Controls, Inc. concerning land-applied biosolids in the Marinette region. Tyco Fire Products and Johnson Controls, Inc. believe that they have complied with all applicable environmental laws and regulations. The Company cannot predict what regulatory or enforcement actions, if any, might result from the WDNR's actions, or the consequences of any such actions, including the potential assessment of penalties.

In March 2022, the Wisconsin Department of Justice ("WDOJ") filed a civil enforcement action against Johnson Controls Inc. and Tyco Fire Products in Wisconsin state court relating to environmental matters at the FTC (*State of Wisconsin v. Tyco Fire Products, LP and Johnson Controls, Inc.*, Case No. 22-CX-1 (filed March 14, 2022 in Circuit Court in Marinette County, Wisconsin)). The WDOJ alleges that the Company failed to timely report the presence of PFAS chemicals at the FTC, and that the Company has not sufficiently investigated or remediated PFAS at or near the FTC. The WDOJ seeks monetary penalties and an injunction ordering these two subsidiaries to complete a site investigation and cleanup of PFAS contamination in accordance with the WDNR's requests. The parties are engaged in summary judgment and pretrial motions. The Court has continued the trial previously scheduled for March 3, 2025 and has not yet set a new trial date.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

In October 2022, the Town of Peshtigo filed a tort action in Wisconsin state court against Tyco Fire Products, Johnson Controls Inc., Chemguard, Inc., and ChemDesign, Inc. relating to environmental matters at the FTC (*Town of Peshtigo v. Tyco Fire Products L.P. et al.*, Case No. 2022CV000234 (filed October 18, 2022 in Circuit Court in Marinette County, Wisconsin)). The Town alleges that use of AFFF products at the FTC caused contamination of water supplies in Peshtigo. The Town seeks monetary penalties and an injunction ordering abatement of PFAS contamination in Peshtigo. The case has been removed to federal court and transferred to a multi-district litigation ("MDL") before the United States District Court for the District of South Carolina.

In November 2022, individuals filed six actions in Dane County, Wisconsin alleging personal injury and/or property damage against Tyco Fire Products, Johnson Controls Inc., Chemguard, and other unaffiliated defendants related to environmental matters at the FTC. Plaintiffs allege that use of AFFF products at the FTC and activities by third parties unrelated to the Company contaminated nearby drinking water sources, surface waters, and other natural resources and properties, including their personal properties. The individuals seek monetary damages for their personal injury and/or property damage. These lawsuits have been transferred to the MDL. Subsequently, several additional plaintiffs have direct-filed in the MDL complaints with similar allegations.

The Company is vigorously defending each of these cases and believes that it has meritorious defenses, but it is presently unable to predict the duration, scope, or outcome of these actions.

#### **Aqueous Film-Forming Foam ("AFFF") Matters**

##### ***AFFF Litigation***

Two of the Company's subsidiaries, Chemguard and Tyco Fire Products, have been named, along with other defendant manufacturers, suppliers and distributors, and, in some cases, certain subsidiaries of the Company affiliated with Chemguard and Tyco Fire Products, in a number of class action and other lawsuits relating to the use of fire-fighting foam products by the U.S. Department of Defense (the "DOD") and others for fire suppression purposes and related training exercises. Plaintiffs generally allege that the firefighting foam products contain or break down into the chemicals PFOS and PFOA and/or other PFAS compounds and that the use of these products by others at various airbases, airports and other sites resulted in the release of these chemicals into the environment and ultimately into communities' drinking water supplies neighboring those airports, airbases and other sites. Plaintiffs generally seek compensatory damages, including damages for alleged personal injuries, medical monitoring, diminution in property values, investigation and remediation costs, and natural resources damages, and also seek punitive damages and injunctive relief to address remediation of the alleged contamination.

In September 2018, Tyco Fire Products and Chemguard filed a Petition for Multidistrict Litigation with the United States Judicial Panel on Multidistrict Litigation ("JPML") seeking to consolidate all existing and future federal cases into one jurisdiction. On December 7, 2018, the JPML issued an order transferring various AFFF cases to the MDL. Additional cases have been identified for transfer to or are being directly filed in the MDL.

##### ***AFFF Municipal and Water Provider Cases***

Chemguard and Tyco Fire Products have been named as defendants in more than 980 cases in federal and state courts involving municipal or water provider plaintiffs that were filed in state or federal courts originating from 35 states and territories. The vast majority of these cases have been transferred to or were directly filed in the MDL, and it is anticipated that the remaining cases will be transferred to the MDL. These municipal and water provider plaintiffs generally allege that the use of the defendants' fire-fighting foam products at fire training academies, municipal airports, Air National Guard bases, or Navy or Air Force bases released PFOS and PFOA into public water supply wells and/or other public property, allegedly requiring remediation.

Tyco Fire Products and Chemguard are also periodically notified by other municipal entities that those entities may assert claims regarding PFOS and/or PFOA contamination allegedly resulting from the use of AFFF.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

*Water Systems AFFF Settlement Agreement*

On April 12, 2024, Tyco Fire Products agreed to a settlement with a nationwide class of public water systems that detected PFAS in their drinking water systems that they allege to be associated with the use of AFFF. Under the terms of the agreement, Tyco Fire Products agreed to contribute \$750 million to resolve these PFAS claims. The settlement releases these claims against Tyco Fire Products, Chemguard, and other related corporate entities. On November 22, 2024, the Court entered final approval of the settlement agreement. In accordance with the terms of the settlement agreement, Tyco Fire Products made its final required payment of \$415 million in December 2024 and has now paid the full settlement amount.

The class of public water systems included in this settlement broadly includes any public water system (as defined in the settlement agreement) that has detected PFAS in its drinking water sources as of May 15, 2024. The following systems are excluded from the settlement class: water systems owned and operated by a State or the United States government; systems that have not detected the presence of PFAS as of May 15, 2024; small transient water systems; privately-owned drinking water wells; and the water system in the city of Marinette, Wisconsin (which is included only if it so requests). The settlement does not resolve claims of public water systems that request exclusion from the class (“opt out”) pursuant to the process to be established by the MDL court. It also does not resolve potential future claims of public water systems that detect PFAS in their water systems for the first time after May 15, 2024, or certain claims not related to drinking water, such as separate alleged claims relating to real property damage or stormwater or wastewater treatment. Finally, this settlement does not affect the other categories of cases that remain at issue in the MDL, such as personal injury cases, property damage cases, other types of class actions, claims brought by state or territory attorneys general, or other types of damages alleged to be related to the historic use of AFFF manufactured and sold by Tyco Fire Products and Chemguard. While it is reasonably possible that the excluded systems or claims could result in additional future lawsuits, claims, assessments or proceedings, it is not possible to predict the outcome of any such matters, and as such, the Company is unable to develop an estimate of a possible loss or range of losses, if any, at this time.

The settlement does not constitute an admission of liability or wrongdoing by Tyco Fire Products or Chemguard.

***AFFF Putative Class Actions***

Chemguard and Tyco Fire Products are named in 45 pending putative class actions in federal courts originating from 18 states and territories. All of these cases have been direct-filed in or transferred to the MDL. In addition, six proposed class actions were filed in Canada (British Columbia, Manitoba, Quebec and Ontario) in the past year, which name Tyco Fire Products and other manufacturers as defendants, on behalf of various classes of members (including individuals and government entities) who seek to recover for remediation (past and future) costs, claim property or other environmental damages, or claim personal injuries or other harms arising from alleged exposure to or contamination with PFAS or PFAS-containing products (including AFFF).

***AFFF Individual or Mass Actions***

There are more than 8,800 individual or “mass” actions pending that were filed in state or federal courts originating from 52 states and territories against Chemguard and Tyco Fire Products and other defendants in which the plaintiffs generally seek compensatory damages, including damages for alleged personal injuries, medical monitoring, and alleged diminution in property values. The cases involve plaintiffs from various states including approximately 7,000 plaintiffs in Colorado and more than 8,800 other plaintiffs. The vast majority of these matters have been tagged for transfer to, transferred to, or directly-filed in the MDL, and it is anticipated that several newly-filed state court actions will be similarly tagged and transferred. There are several matters that are proceeding in state courts, including actions in Arizona, Illinois and Wisconsin.

Tyco and Chemguard are also periodically notified by other individuals that they may assert claims regarding PFOS and/or PFOA contamination allegedly resulting from the use of AFFF.

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

***AFFF State or U.S. Territory Attorneys General Litigation***

In June 2018, the State of New York filed a lawsuit in New York state court (*State of New York v. The 3M Company et al* No. 904029-18 (N.Y. Sup. Ct., Albany County)) against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at locations across New York, including Stewart Air National Guard Base in Newburgh and Gabreski Air National Guard Base in Southampton, Plattsburgh Air Force Base in Plattsburgh, Griffiss Air Force Base in Rome, and unspecified “other” sites throughout the State. The lawsuit seeks to recover costs and natural resource damages associated with contamination at these sites. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL.

In February 2019, the State of New York filed a second lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at additional locations across New York. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL. In July 2019, the State of New York filed a third lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at further additional locations across New York. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL. In November 2019, the State of New York filed a fourth lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at further additional locations across New York. This suit has been removed to federal court and transferred to the MDL.

In April 2021, the State of Alaska filed a lawsuit in the superior court of the State of Alaska against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFOS and PFOA damage of the State’s land and natural resources allegedly resulting from the use of firefighting foams at various locations throughout the State. The State’s case has been removed to federal court and transferred to the MDL. The State of Alaska has also named a number of manufacturers and other defendants, including affiliates of the Company, as third-party defendants in two cases brought by individuals against the State. These two cases have also been transferred to the MDL.

In early November 2021, the Attorney General of the State of North Carolina filed four individual lawsuits in the superior courts of the State of North Carolina against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFOS and PFOA damage of the State’s land, natural resources, and property allegedly resulting from the use of firefighting foams at four separate locations throughout the State. These four cases have been removed to federal court and transferred to the MDL. In October 2022, the Attorney General filed two similar lawsuits in the superior courts of the State of North Carolina regarding alleged PFAS damages at two additional locations. These two cases have also been removed to federal court and transferred to the MDL.

In addition, 33 other states and territories have filed 35 lawsuits against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFAS damage of each of those State's environmental and natural resources allegedly resulting from the manufacture, storage, sale, distribution, marketing, and use of PFAS-containing AFFF within each respective State. The states and territories are: Arkansas, Arizona, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Hawaii, Illinois, Indiana, Kentucky, Massachusetts, Maryland, Maine, Michigan, Mississippi, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Washington, Wisconsin, Guam, the Northern Mariana Islands, and Puerto Rico. All of these complaints, if not filed directly in the MDL, have been removed to federal court and transferred to the MDL.

***Other AFFF Related Matters***

In March 2020, the Kalispel Tribe of Indians (a federally recognized Tribe) and two tribal corporations filed a lawsuit in the United States District Court for the Eastern District of Washington against a number of manufacturers, including affiliates of the Company, and the United States with respect to PFAS contamination allegedly resulting from the use and



**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

disposal of AFFF by the United States Air Force at and around Fairchild Air Force Base in eastern Washington. This case has been transferred to the MDL.

In October 2022, the Red Cliff Band of Lake Superior Chippewa Indians (a federally recognized tribe) filed a lawsuit in the United States District Court for the Western District of Wisconsin against a number of manufacturers, including affiliates of the Company, with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF at Duluth Air National Guard Base in Duluth, Minnesota. This complaint has been transferred to the MDL.

In July 2023, the Fond du Lac Band of Lake Superior Chippewa (a federally recognized tribe) direct-filed a lawsuit in the MDL against a number of manufacturers, including affiliates of the Company, with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF at Duluth Air National Guard Base in Duluth, Minnesota.

The Company is vigorously defending all of the above AFFF matters and believes that it has meritorious defenses to class certification and the claims asserted, including statutes of limitations, the government contractor defense, various medical and scientific defenses, and other factual and legal defenses. The Company has a historical general liability insurance program and is pursuing coverage under the program from various insurers through insurance claims discussions and litigation pending in a state court in Wisconsin and a federal district court in South Carolina. The insurance litigation involves numerous factual and legal issues. There are numerous factual and legal issues to be resolved in connection with these claims. The Company is presently unable to predict the outcome or ultimate financial exposure beyond the water systems AFFF settlement discussed above, if any, represented by these matters, and there can be no assurance that any such exposure will not be material.

#### **Asbestos Matters**

The Company and certain of its subsidiaries, along with numerous other third parties, are named as defendants in personal injury lawsuits based on alleged exposure to asbestos containing materials. These cases have typically involved product liability claims based primarily on allegations of manufacture, sale or distribution of industrial products that either contained asbestos or were used with asbestos containing components.

The following table presents the location and amount of asbestos-related assets and liabilities in the Company's consolidated statements of financial position (in millions):

	December 31, 2024	September 30, 2024
Other current liabilities	\$ 58	\$ 58
Other noncurrent liabilities	344	350
Total asbestos-related liabilities	402	408
Other current assets	15	14
Other noncurrent assets	315	320
Total asbestos-related assets	330	334
Net asbestos-related liabilities	\$ 72	\$ 74

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

The following table presents the components of asbestos-related assets (in millions):

	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Restricted		
Cash	\$ 7	\$ 6
Investments	<u>277</u>	<u>281</u>
Total restricted assets	284	287
Insurance receivables for asbestos-related liabilities	<u>46</u>	<u>47</u>
Total asbestos-related assets	<u><u>\$ 330</u></u>	<u><u>\$ 334</u></u>

The amounts recorded for asbestos-related liabilities and insurance-related assets are based on the Company's strategies for resolving its asbestos claims, currently available information, and a number of estimates and assumptions. Key variables and assumptions include the number and type of new claims that are filed each year, the average cost of resolution of claims, the identity of defendants, the resolution of coverage issues with insurance carriers, amount of insurance, and the solvency risk with respect to the Company's insurance carriers. Other factors that may affect the Company's liability and cash payments for asbestos-related matters include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms of state or federal tort legislation and the applicability of insurance policies among subsidiaries. As a result, actual liabilities or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Company's calculations vary significantly from actual results.

#### **Self-Insured Liabilities**

The Company records liabilities for its workers' compensation, product, general and auto liabilities. The determination of these liabilities and related expenses is dependent on claims experience. For most of these liabilities, claims incurred but not yet reported are estimated by utilizing actuarial valuations based upon historical claims experience. The Company maintains captive insurance companies to manage a portion of its insurable liabilities.

The following table presents the location and amount of self-insured liabilities in the Company's consolidated statements of financial position (in millions):

	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Other current liabilities	\$ 98	\$ 92
Accrued compensation and benefits	20	20
Other noncurrent liabilities	<u>247</u>	<u>239</u>
Total self-insured liabilities	<u><u>\$ 365</u></u>	<u><u>\$ 351</u></u>

The following table presents the location and amount of insurance receivables in the Company's consolidated statements of financial position (in millions):

	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Other current assets	\$ 5	\$ 5
Other noncurrent assets	<u>13</u>	<u>13</u>
Total insurance receivables	<u><u>\$ 18</u></u>	<u><u>\$ 18</u></u>

**Johnson Controls International plc**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**  
**(unaudited)**

**Other Matters**

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other casualty matters. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Cautionary Statements for Forward-Looking Information

Unless otherwise indicated, references to "Johnson Controls," the "Company," "we," "our" and "us" in this Quarterly Report on Form 10-Q refer to Johnson Controls International plc and its consolidated subsidiaries.

The Company has made statements in this document that are forward-looking and therefore are subject to risks and uncertainties. All statements in this document other than statements of historical fact are, or could be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In this document, statements regarding the Company's future financial position, sales, costs, earnings, cash flows, other measures of results of operations, synergies and integration opportunities, capital expenditures, debt levels and market outlook are forward-looking statements. Words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," "forecast," "project" or "plan" and terms of similar meaning are also generally intended to identify forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. The Company cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond the Company's control, that could cause the Company's actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: The Company's ability to develop or acquire new products and technologies that achieve market acceptance and meet applicable quality and regulatory requirements; the ability of the Company to execute on its operating model and drive organizational improvement; the Company's ability to successfully execute and complete portfolio simplification, including the completion of the divestiture of the Residential and Light Commercial business, as well as the possibility that the expected benefits of such actions will not be realized or will not be realized within the expected time frame; the ability to hire and retain senior management and other key personnel, including successfully executing the Company's Chief Executive Officer succession plan; the ability to innovate and adapt to emerging technologies, ideas and trends in the marketplace, including the incorporation of technologies such as artificial intelligence; the ability to manage general economic, business and capital market conditions, including the impact of recessions, economic downturns and global price inflation; fluctuations in the cost and availability of public and private financing for the Company's customers; the ability to manage macroeconomic and geopolitical volatility, including supply chain shortages, restrictive trade measures and the conflict between Russia and Ukraine and the ongoing conflicts in the Middle East; managing the risks and impacts of potential and actual security breaches, cyberattacks, privacy breaches or data breaches, maintaining and improving the capacity, reliability and security of the Company's enterprise information technology infrastructure; the ability to manage the lifecycle cybersecurity risk in the development, deployment and operation of the Company's digital platforms and services; changes to laws or policies governing foreign trade, including economic sanctions, tariffs, foreign exchange and capital controls, import/export controls or other trade restrictions; fluctuations in currency exchange rates; changes or uncertainty in laws, regulations, rates, policies, or interpretations that impact the Company's business operations or tax status; the ability to adapt to global climate change, climate change regulation and successfully meet the Company's public sustainability commitments; the outcome of litigation and governmental proceedings; the risk of infringement or expiration of intellectual property rights; the Company's ability to manage disruptions caused by catastrophic or geopolitical events, such as natural disasters, armed conflict, political change, climate change, pandemics and outbreaks of contagious diseases and other adverse public health developments; any delay or inability of the Company to realize the expected benefits and synergies of recent portfolio transactions; the tax treatment of recent portfolio transactions; significant transaction costs and/or unknown liabilities associated with such transactions; labor shortages, work stoppages, union negotiations, labor disputes and other matters associated with the labor force; and the cancellation of or changes to commercial arrangements. A detailed discussion of risks related to Johnson Controls' business is included in the section entitled "Risk Factors" in Johnson Controls' Annual Report on Form 10-K for the year ended September 30, 2024 filed with the United States Securities and Exchange Commission ("SEC") on November 19, 2024, which is available at [www.sec.gov](http://www.sec.gov) and [www.johnsoncontrols.com](http://www.johnsoncontrols.com) under the "Investors" tab. The forward-looking statements included in this document are made only as of the date of this document, unless otherwise specified, and, except as required by law, Johnson Controls assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this document.

### Overview

Johnson Controls International plc, headquartered in Cork, Ireland, is a global leader in smart, healthy and sustainable buildings, serving a wide range of customers around the globe. The Company's products, services, systems and solutions advance the safety, comfort and intelligence of spaces to serve people, places and the planet. The Company is committed to helping its customers win and creating greater value for all of its stakeholders through its strategic focus on buildings.

The Company is a global leader in engineering, manufacturing, commissioning and retrofitting building products and systems, including residential and commercial heating, ventilating, air-conditioning ("HVAC") equipment, industrial refrigeration systems, controls, security systems, fire-detection systems and fire-suppression solutions. The Company further serves customers by providing technical services, including maintenance, management, repair, retrofit and replacement of equipment (in the HVAC, industrial refrigeration, controls, security and fire-protection space) and energy-management consulting. The Company's OpenBlue digital software platform enables enterprises to better manage their physical spaces by combining the Company's building products and services with cutting-edge technology and digital capabilities to enable data-driven "smart building" services and solutions. The Company partners with customers by leveraging its broad product portfolio and digital capabilities, together with its direct channel service and solutions capabilities, to deliver outcome-based solutions across the lifecycle of a building that address customers' needs to improve energy efficiency, enhance security, create healthy environments and reduce greenhouse gas emissions.

The following information should be read in conjunction with the September 30, 2024 consolidated financial statements and notes thereto, along with management's discussion and analysis of financial condition and results of operations included in the Company's Annual Report on Form 10-K for the year ended September 30, 2024 filed with the SEC on November 19, 2024. References in the following discussion and analysis to "Three Months," "First Quarter" or similar language refer to the three months ended December 31, 2024 compared to the three months ended December 31, 2023.

### **Macroeconomic Trends**

Much of the demand for the Company's products and solutions is heavily dependent on general economic conditions, localized demand for real estate and the availability of credit, public funding or other financing sources. Positive or negative fluctuations in these dependencies could have a corresponding impact on the Company's financial condition, results of operations and cash flows. While economic conditions in China stabilized in the three months ended December 31, 2024, industrial growth remains tempered, impacting the performance of the Building Solutions Asia Pacific segment. The Company expects economic conditions in China to continue to stabilize in fiscal 2025, however, if conditions do not stabilize, results of the Building Solutions Asia Pacific segment could be negatively impacted.

As a result of the Company's global presence, a significant portion of its revenues and expenses is denominated in currencies other than the U.S. dollar, which results in non-U.S. currency risks and exchange exposure. While the Company employs financial instruments to hedge some of its transactional foreign exchange exposure, these activities do not insulate it completely from those exposures. In addition, currency exposure from the translation of non-U.S. dollar functional currency subsidiaries cannot be hedged. Exchange rates can be volatile and a substantial weakening or strengthening of foreign currencies against the U.S. dollar could increase or reduce the Company's profit margin, respectively, and impact the comparability of results from period to period. Revenue and profits were negatively impacted by movements in foreign exchange rates against the U.S. dollar during the three months ended December 31, 2024.

The Company continues to observe trends demonstrating increased interest and demand for its products and services that enable smart, safe, efficient and sustainable buildings, which are driven in part by government tax incentives, building performance standards and other regulations designed to limit emissions and combat climate change. In particular, legislative and regulatory initiatives such as the U.S. Climate Smart Buildings Initiative, U.S. Inflation Reduction Act and EU Energy Performance of Buildings Directive include provisions designed to fund and encourage investment in decarbonization and digital technologies for buildings. This demand is supplemented by an increase in commitments in both the public and private sectors to reduce emissions and/or achieve net zero emissions. Combined with its investment in digital and product capabilities, including its OpenBlue platform, the Company seeks to capitalize on these trends to enable delivery of sustainable, high-efficiency products and tailored services to enable customers to achieve their sustainability goals. The Company is leveraging its install base, together with data-driven products and services, to offer outcome-based solutions to customers with a focus on generating accelerated growth in services and recurring revenue.

The Company has experienced, and could again experience, increased material cost inflation and component shortages, as well as disruptions and delays in its supply chain, as a result of global macroeconomic trends, including increased global demand, the imposition of tariffs and other restrictive trade measures, geopolitical and economic tensions, including the conflict between Russia and Ukraine and Israel and Hamas, and labor shortages. Recently, the United States has announced tariffs on products manufactured in several jurisdictions, including, Mexico, China and Canada, and has made announcements regarding the potential imposition of tariffs on other jurisdictions, such as the European Union. The United States has and may in the future pause, reimpose or increase tariffs, and countries subject to such tariffs have and in the future may impose reciprocal tariffs or

other restrictive trade measures in response to the imposition of tariffs by the United States. The Company is actively monitoring and evaluating the development and potential impacts of tariffs on its supply chain and results of operations.

The Company maintains operations worldwide, including the jurisdictions impacted by the recently announced and contemplated tariffs. If the actual and potential tariffs and reciprocal tariffs are implemented as currently proposed, the Company expects that such actions will negatively impact its revenue growth and margins in future periods. The net effect of these events will depend on the Company's ability to successfully mitigate and offset their impact. The Company has historically taken actions to mitigate trade restrictions, supply chain disruptions and inflation, including, price increases, expanding and redistributing its supplier network, supplier financing, accelerated purchasing and productivity improvements. These actions have generally been successful in offsetting some, but not all, of the impact of these trends.

The extent to which the Company's results of operations and financial condition are impacted by these and other factors in the future will depend on developments that are highly uncertain and cannot be predicted. See the section entitled "Risk Factors" in Johnson Controls' Annual Report on Form 10-K for the year ended September 30, 2024 filed with the United States Securities and Exchange Commission ("SEC") on November 19, 2024.

### **Portfolio Simplification Transactions**

The Company has been engaged in an ongoing evaluation of its non-core product lines in connection with its objective to be a pure-play provider of comprehensive solutions for commercial buildings. During the fourth quarter of fiscal 2024, the Company completed the sale of its Air Distribution Technologies business included within the Global Products segment. During the fourth quarter of fiscal 2024, the Company entered into a definitive agreement to sell its Residential and Light Commercial ("R&LC") HVAC business to Robert Bosch GmbH ("Bosch") for approximately \$8.1 billion in cash with the Company's portion of the aggregate consideration being approximately \$6.7 billion, inclusive of an upfront royalty payment for the licensing of the York tradename. The R&LC HVAC business includes the Company's North America Ducted business and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd., the Company's global residential joint venture with Hitachi Global Life Solutions, Inc. ("Hitachi"), of which the Company owns 60% and Hitachi owns 40%. The R&LC HVAC business, which was previously reported in the Global Products segment, meets the criteria to be classified as a discontinued operation and, as a result, its historical financial results are reflected in the consolidated financial statements as a discontinued operation, and assets and liabilities were reclassified as held for sale for all periods presented. The Company expects that the sale of the R&LC HVAC business will close in the fourth quarter of fiscal 2025.

### **Restructuring and Cost Optimization Initiatives**

During the fourth quarter of fiscal 2024, the Company committed to a multi-year restructuring plan to address stranded costs and further right-size its global operations as a result of previously announced portfolio simplification actions. It is expected that one-time restructuring costs, including severance and other employee termination benefits, contract termination costs, and certain other related cash and non-cash charges, of approximately \$400 million will be incurred over the course of fiscal 2025, 2026 and 2027, resulting in expected annual cost savings of approximately \$500 million upon full completion of the plan. The Company's ability to execute the most significant aspects of the restructuring plan will be dependent on the timing of the close of the R&LC HVAC business divestiture transaction. Accordingly, the Company is unable to estimate the specific costs to be incurred and savings to be achieved in fiscal 2025; however, depending on the timing of the closing of the transaction and the ability to execute more significant aspects of the planned restructuring actions, the impact of costs on net income could be material in fiscal 2025. Restructuring costs will be incurred across all segments and Corporate functions.

### **Cybersecurity Incident**

During the weekend of September 23, 2023, the Company became aware of a cybersecurity incident impacting its internal information technology ("IT") infrastructure and applications. The overall impact of the cybersecurity incident did not have a material impact on net income, net of insurance recoveries, or cash flows from operations in the first quarter of fiscal 2024. A substantial portion of its direct costs incurred related to containing, investigating and remediating the incident, as well as business interruption losses, was reimbursed through insurance recoveries.

The Company is completing its analysis of the impacted data and believes based on its assessment to date that certain data, including employee, job applicant, consultant and other third party personally identifiable information and other related data, was impacted by the incident. The Company will, as determined appropriate, notify impacted individuals and regulatory authorities.

Based on the information reviewed to date, the Company has not observed evidence of any impact to its digital products, services and solutions, including OpenBlue and Metasys.

### Net Sales

(in millions)	Three Months Ended December 31,		
	2024	2023	Change
Net sales	\$ 5,426	\$ 5,209	4%

The increase in net sales for the three months ended December 31, 2024 was due to higher organic sales (\$480 million), partially offset by the net impact of acquisitions and divestitures (\$230 million) and the unfavorable impact of foreign currency translation (\$33 million). Excluding the impact of foreign currency translation and business acquisitions and divestitures, net sales increased 10% over the prior year, driven by strong growth in Products and Systems in the Building Solutions North America and Global Products segments and growth in Services in all Building Solutions segments.

Refer to the "Segment Analysis" below within this Item 2 for a discussion of net sales by segment.

### Cost of Sales / Gross Profit

(in millions)	Three Months Ended December 31,		
	2024	2023	Change
Cost of sales	\$ 3,500	\$ 3,431	2%
Gross profit	1,926	1,778	8%
% of sales	35.5%	34.1%	

The increase in gross profit for the three months ended December 31, 2024 was primarily due to margin improvements in the Building Solutions segments as a result of strategically building backlog with long-term, higher margin Systems projects.

Refer to the "Segment Analysis" below within this Item 2 for a discussion of segment earnings before interest, taxes and amortization ("EBITA").

### Selling, General and Administrative Expenses

(in millions)	Three Months Ended December 31,		
	2024	2023	Change
SG&A	\$ 1,399	\$ 1,334	5%
% of sales	25.8%	25.6%	

For the three months ended December 31, 2024, increases in SG&A were primarily due to transformation costs and transaction/separation costs.

Refer to the "Segment Analysis" below within this Item 2 for a discussion of segment EBITA.

## Restructuring and Impairment Costs

(in millions)	Three Months Ended December 31,	
	2024	2023
Restructuring and impairment costs	\$ 33	\$ 35

Refer to Note 14, "Restructuring and Related Costs," of the notes to the consolidated financial statements for further disclosure related to the Company's restructuring actions.

## Net Financing Charges

(in millions)	Three Months Ended December 31,	
	2024	2023
Interest expense, net of capitalized interest costs	\$ 67	\$ 85
Other financing charges	6	22
Interest income, net of foreign exchange results	(3)	(5)
Net foreign exchange results for financing activities	16	(15)
Net financing charges	<u>\$ 86</u>	<u>\$ 87</u>

Refer to Note 8, "Debt and Financing Arrangements," of the notes to the consolidated financial statements for further disclosure related to the Company's debt.

## Income Tax Provision (Benefit)

(in millions)	Three Months Ended December 31,	
	2024	2023
Income tax provision (benefit)	\$ 47	\$ (20)
Effective tax rate	11.5%	(6.3)%

Refer to Note 15, "Income Taxes" of the notes to the consolidated financial statements for further disclosure related to the Company's income taxes.

## Segment Analysis

Management evaluates the performance of its segments primarily on segment earnings before interest, taxes and amortization ("EBITA"), which represents income from continuing operations before income taxes and noncontrolling interests, excluding corporate expenses, amortization of intangible assets, restructuring and impairment costs, the water systems AFFF settlement costs and insurance recoveries, net mark-to-market gains and losses related to pension and postretirement plans and restricted asbestos investments, and net financing charges.



## Net Sales

(in millions)	Three Months Ended December 31,		
	2024	2023	Change
Building Solutions North America	\$ 2,744	\$ 2,487	10%
Building Solutions EMEA/LA	1,073	1,038	3%
Building Solutions Asia Pacific	527	507	4%
Global Products	1,082	1,177	(8%)
	<u>\$ 5,426</u>	<u>\$ 5,209</u>	<u>4%</u>

- The increase in Building Solutions North America was primarily due to organic growth (\$260 million). Sales growth was led by high teens growth in Applied HVAC and Controls. Products and systems sales increased 12% and Services increased 9%.
- The increase in Building Solutions EMEA/LA was primarily due to organic growth (\$57 million), partially offset by the unfavorable impact of foreign currency translation (\$25 million). Excluding the impact of foreign currency translation, sales growth was primarily led by 10% growth in Services. Fire and Security sales increased high single digits.
- The increase in Building Solutions Asia Pacific was primarily due to organic growth (\$23 million). Sales growth was led by 14% growth in Services.
- The decrease in Global Products was primarily due to the impact of business divestitures (\$233 million), partially offset by organic growth (\$140 million). Excluding the impact of business divestitures and foreign currency, sales increased 15%, led by over 30% growth in Applied HVAC.

## Segment EBITA

(in millions)	Three Months Ended December 31,		
	2024	2023	Change
Building Solutions North America	\$ 332	\$ 285	16%
Building Solutions EMEA/LA	108	80	35%
Building Solutions Asia Pacific	49	46	7%
Global Products	326	267	22%

- The increase in Building Solutions North America was primarily due to higher margin backlog conversion, partially offset by impacts from ongoing growth investments.
- The increase in Building Solutions EMEA/LA was primarily driven by productivity improvements and positive mix from the growth in Services.
- The increase in Building Solutions Asia Pacific was primarily driven by positive mix from the Service business.
- The increase in Global Products was primarily due to increased volumes and enhanced operational efficiencies.

## Backlog and Orders

Backlog and orders are additional metrics that are meant to provide management with a deeper level of insight into the progress of specific strategic and growth initiatives. Backlog is applicable to sales of products and systems and services and totaled \$15.3 billion at December 31, 2024, including both the Building Solutions and Global Products segments. Orders provide management with a signal of customer demand for the Company's products and services, as well as an indication of future

revenues and performance. However, the timing and conversion of backlog and orders are subject to numerous uncertainties and risks and are not necessarily indicative of the amount of revenue to be earned in the upcoming fiscal year.

The following table summarizes backlog and orders for the Building Solutions segments:

(in billions)	Backlog		Orders	
	December 31, 2024	Year-over-Year Change <sup>(1)</sup>	Three months ended December 31, 2024	Year-over-Year Change <sup>(1)</sup>
Building Solutions North America	\$ 9.3	12%	\$ 3.0	18%
Building Solutions EMEA/LA	2.4	5%	1.2	6%
Building Solutions Asia Pacific	1.5	22%	0.6	32%
Total Building Solutions	<u>\$ 13.2</u>	<u>11%</u>	<u>\$ 4.8</u>	<u>16%</u>

<sup>(1)</sup> Change is compared to December 31, 2023 (backlog) and the three months ended December 31, 2023 (orders) and excludes the impact of mergers, acquisitions, dispositions and foreign currency.

Remaining performance obligations were \$20.9 billion at December 31, 2024. Differences between the Company's remaining performance obligations and backlog are primarily due to:

- Remaining performance obligations include large, multi-purpose contracts to construct hospitals, schools and other governmental buildings, which are services to be performed over the building's lifetime with average initial contract terms of 25 to 35 years for the entire term of the contract versus backlog which includes only the lifecycle period of these contracts which approximates five years;
- Remaining performance obligations exclude service contracts with an original expected duration of one year or less and contracts that are cancellable without substantial penalty versus backlog which includes short-term and cancellable contracts; and
- Remaining performance obligations include the full remaining term of service contracts with substantial termination penalties versus backlog which includes only one year for all outstanding service contracts.

## Liquidity and Capital Resources

### Working Capital

(in millions)	December 31, 2024	September 30, 2024	Change
Current assets	\$ 11,289	\$ 11,179	
Current liabilities	11,083	11,955	
Working capital	<u>\$ 206</u>	<u>\$ (776)</u>	*
Accounts receivable - net	\$ 5,614	\$ 6,051	(7)%
Inventories	1,739	1,774	(2)%
Accounts payable	3,214	3,389	(5)%

\* Measure not meaningful

- The increase in working capital at December 31, 2024 as compared to September 30, 2024 was primarily due to an increase in cash and cash equivalents, a decrease in other current liabilities due to a payment related to the AFFF settlement agreement and a decrease in accounts payable due to timing, which were partially offset by a decrease in accounts receivable.

### ***Cash Flows From Continuing Operations***

(in millions)	Three Months Ended December 31,	
	2024	2023
Cash provided (used) by operating activities	\$ 249	\$ (111)
Cash used by investing activities	(105)	(64)
Cash provided by financing activities	201	1,236

- The increase in cash provided by operating activities was primarily due to decreases in accounts receivable and higher cash used for inventory in the first quarter of fiscal 2024, partially offset by the timing of accounts payable and accrued liabilities payments.
- The increase in cash used by investing activities was primarily due to increased capital expenditures.
- The decrease in cash provided by financing activities was primarily due to changes in net debt activity and higher share repurchases, which were temporarily halted in the first quarter of fiscal 2024.

### ***Capitalization***

(in millions)	December 31, 2024	September 30, 2024
Short-term debt	\$ 882	\$ 953
Current portion of long-term debt	522	536
Long-term debt	8,589	8,004
Total debt	9,993	9,493
Less: Cash and cash equivalents	1,237	606
Net debt	<u>\$ 8,756</u>	<u>\$ 8,887</u>
Shareholders' equity attributable to Johnson Controls ordinary shareholders ("Equity")	\$ 15,900	\$ 16,098
Total capitalization (Total debt plus Equity)	25,893	25,591
Net capitalization (Net debt plus Equity)	24,656	24,985
Total debt as a % of Total capitalization	38.6%	37.1%
Net debt as a % of Net capitalization	35.5%	35.6%

- Net debt and net debt as a percentage of net capitalization are non-GAAP financial measures. The Company believes the percentage of net debt to net capitalization is useful to understanding the Company's financial condition as it provides a view of the extent to which the Company relies on external debt financing for its funding and is a measure of risk to its shareholders.
- As of December 31, 2024, approximately \$1.4 billion remains available under the Company's share repurchase authorization, which does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice. The Company expects to repurchase outstanding shares from time to time depending on market conditions, alternate uses of capital, liquidity, and the economic environment.
- The Company declared a dividend of \$0.37 per common share in the quarter ended December 31, 2024 and intends to continue paying dividends throughout fiscal 2025.
- The Company expects to receive net cash proceeds related to the sale of its R&LC HVAC business of approximately \$5.0 billion after tax and transaction-related expenses when the transaction closes, likely in the fourth quarter of fiscal 2025. Consistent with its capital allocation policy, the Company expects to use a portion of the proceeds to pay down debt to the extent required to retain its investment grade rating, with the remaining proceeds expected to be returned to shareholders through share repurchases.

- The Company believes its capital resources and liquidity position, including cash and cash equivalents of \$1.2 billion at December 31, 2024, are adequate to fund operations and meet its cash obligations for the foreseeable future.
  - The Company manages its short-term debt position in the U.S. and euro commercial paper and bank loan markets. Commercial paper outstanding totaled \$309 million as of December 31, 2024 and \$350 million as of September 30, 2024.
  - The Company maintains a shelf registration statement with the SEC under which it may issue additional debt securities, ordinary shares, preferred shares, depository shares, warrants purchase contracts and units that may be offered in one or more offerings on terms to be determined at the time of the offering. The Company anticipates that the proceeds of any offering would be used for general corporate purposes, including repayment of indebtedness, acquisitions, additions to working capital, repurchases of ordinary shares, dividends, capital expenditures and investments in the Company's subsidiaries.
  - The Company also has the ability to draw on its \$2.5 billion revolving credit facility which is scheduled to expire in December 2028 or its \$0.5 billion revolving credit facility which was renewed in December 2024 and is now scheduled to expire in December 2025. There were no draws on the revolving credit facilities as of December 31, 2024 and September 30, 2024.
- The Company's ability to access the global capital markets and the related cost of financing is dependent upon, among other factors, the Company's credit ratings. As of December 31, 2024, the Company's credit ratings and outlook were as follows:

Rating Agency	Short-Term Rating	Long-Term Rating	Outlook
S&P	A-2	BBB+	Stable
Moody's	P-2	Baa2	Positive

The security ratings set forth above are issued by unaffiliated third party rating agencies and are not a recommendation to buy, sell or hold securities. The ratings may be subject to revision or withdrawal by the assigning rating organization at any time.

- Financial covenants in the Company's revolving credit facilities require a minimum consolidated shareholders' equity attributable to Johnson Controls of at least \$3.5 billion at all times. The revolving credit facility also limits the amount of debt secured by liens that may be incurred to a maximum aggregated amount of 10% of consolidated shareholders' equity attributable to Johnson Controls for liens and pledges. For purposes of calculating these covenants, consolidated shareholders' equity attributable to Johnson Controls is calculated without giving effect to (i) the application of Accounting Standards Codification ("ASC") 715-60, "Defined Benefit Plans - Other Postretirement," or (ii) the cumulative foreign currency translation adjustment. As of December 31, 2024, the Company was in compliance with all covenants and other requirements set forth in its credit agreements and the indentures governing its notes, and expects to remain in compliance for the foreseeable future. None of the Company's debt agreements limit access to stated borrowing levels or require accelerated repayment in the event of a decrease in the Company's credit rating.
- The Company earns a significant amount of its income outside of the parent company. Outside basis differences in these subsidiaries are deemed to be permanently reinvested except in limited circumstances. However, in the first quarter of fiscal 2024, the Company recorded income tax expense related to a change in the Company's assertion over the outside basis differences of the Company's investment in certain consolidated subsidiaries as a result of the planned divestiture of its R&LC HVAC business. The Company currently does not intend nor foresee a need to repatriate undistributed earnings included in the outside basis differences other than in tax efficient manners. The Company's intent is to reduce basis differences only when it would be tax efficient. The Company expects existing U.S. cash and liquidity to continue to be sufficient to fund the Company's U.S. operating activities and cash commitments for investing and financing activities for at least the next twelve months and thereafter for the foreseeable future. In the U.S., should the Company require more capital than is generated by its operations, the Company could elect to raise capital in the U.S. through debt or equity issuances. The Company has borrowed funds in the U.S. and continues to have the ability to borrow funds in the U.S. at reasonable interest rates. In addition, the Company expects existing non-U.S. cash, cash equivalents, short-term investments and cash flows from operations to continue to be sufficient to fund the Company's non-U.S. operating

activities and cash commitments for investing activities, such as material capital expenditures, for at least the next twelve months and thereafter for the foreseeable future. Should the Company require more capital at its Luxembourg and Ireland holding and financing entities, other than amounts that can be provided in tax efficient methods, the Company could also elect to raise capital through debt or equity issuances. These alternatives could result in increased interest expense or other dilution of the Company's earnings.

- The Company may from time to time purchase its outstanding debt through open market purchases, privately negotiated transactions or otherwise. Purchases or retirement of debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.
- Refer to Note 8, "Debt and Financing Arrangements," of the notes to the consolidated financial statements for additional information on debt balances and items impacting capitalization.

### Co-Issued Securities: Summarized Financial Information

The following information is provided in compliance with Rule 13-01 of Regulation S-X under the Securities Exchange Act of 1934 with respect to the following unsecured, unsubordinated senior notes (collectively, ("the Notes") which were issued by Johnson Controls International plc ("Parent Company") and Tyco Fire & Security Finance S.C.A. ("TFSCA"):

- €500 million aggregate principal amount of 0.375% Senior Notes due 2027
- €600 million aggregate principal amount of 3.000% Senior Notes due 2028
- \$700 million aggregate principal amount of 5.500% Senior Notes due 2029
- \$625 million aggregate principal amount of 1.750% Senior Notes due 2030
- \$500 million aggregate principal amount of 2.000% Sustainability-Linked Senior Notes due 2031
- €500 million aggregate principal amount of 1.000% Senior Notes due 2032
- \$650 million aggregate principal amount of 4.900% Senior Notes due 2032
- €500 million aggregate principal amount of 3.125% Senior Notes due 2033
- €800 million aggregate principal amount of 4.250% Senior Notes due 2035

TFSCA is a corporate partnership limited by shares (*société en commandite par actions*) incorporated and organized under the laws of the Grand Duchy of Luxembourg ("Luxembourg") and is a wholly-owned consolidated subsidiary of the Company that is 99.924% owned directly by the Parent Company and 0.076% owned by TFSCA's sole general partner and manager, Tyco Fire & Security S.à r.l., which is itself wholly-owned by the Company. The Parent Company is incorporated and organized under the laws of Ireland. TFSCA is incorporated and organized under the laws of Luxembourg. The bankruptcy, insolvency, administrative, debtor relief and other laws of Luxembourg or Ireland, as applicable, may be materially different from, or in conflict with, those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could adversely affect noteholders' ability to enforce their rights under the Notes in those jurisdictions or limit any amounts that they may receive.

The following table presents the net loss attributable to the Parent Company and TFSCA (collectively, the "Obligor Group") and the net income (loss) attributable to intercompany transactions between the Obligor Group and subsidiaries of the Parent Company other than TFSCA (collectively, the "Non-Obligor Subsidiaries") which are excluded from the Net loss attributable to the Obligor Group (in millions):

	Three Months Ended December 31, 2024	Year Ended September 30, 2024
Net loss attributable to the Obligor Group	\$ 186	\$ 609
Net income (loss) attributable to intercompany transactions	(4)	511

The Obligor Group does not have sales, gross profit or amounts attributable to noncontrolling interests.

The following table presents summarized balance sheet information of the Obligor Group and intercompany balances between the Obligor Group and the Non-Obligor Subsidiaries which are excluded from the Obligor Group amounts (in millions):

	Obligor Group		Intercompany Balances	
	December 31, 2024	September 30, 2024	December 31, 2024	September 30, 2024
Current assets	\$ 696	\$ 1,339	\$ 460	\$ 823
Noncurrent assets	243	243	9,242	7,522
Current liabilities	7,536	6,726	999	2,789
Noncurrent liabilities	8,395	7,836	10,298	9,028

The same accounting policies as described in Note 1, "Summary of Significant Accounting Policies," of the Company's Annual Report on 10-K for the year ended September 30, 2024 are used by the Parent Company and each of its subsidiaries in connection with the summarized financial information presented above.

### **New Accounting Standards**

Refer to Note 2, "New Accounting Standards," of the notes to the consolidated financial statements.

### **Critical Accounting Estimates**

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. The Company's critical accounting estimates requiring significant judgement that could materially impact the Company's results of operations, financial position and cash flows are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended September 30, 2024. Since the date of the Company's most recent Annual Report, there have been no material changes in the Company's critical accounting estimates or assumptions.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of December 31, 2024, the Company had not experienced any adverse changes in market risk exposures that materially affected the quantitative and qualitative disclosures presented in its Annual Report on Form 10-K for the year ended September 30, 2024.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2024.

Based on such evaluations, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2024, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding disclosure.

### **Changes in Internal Control Over Financial Reporting**

There have been no significant changes in the Company's internal control over financial reporting during the three months ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

#### **Gumm v. Molinaroli, et al.**

In May 2024, stockholders of Johnson Controls, Inc., filed a putative class action Complaint against Johnson Controls, Inc., certain former officers and directors of Johnson Controls, Inc., and two related entities (Jagara Merger Sub LLC and Johnson Controls International plc) in Wisconsin state court relating to the 2016 merger of Johnson Controls and Tyco (Gumm et al. v. Molinaroli et al., Case No. 30106, filed May 23, 2024 in the Circuit Court for Milwaukee County, Wisconsin). The filing of the state court Complaint follows the dismissal of a related lawsuit originally filed in federal court in 2016, which dismissal was affirmed on appeal in November 2023. The 12-count state court Complaint asserts claims for (1) breach of fiduciary duty; (2) aiding and abetting breach of fiduciary duty; (3) unjust enrichment; (4) violations of Wisconsin Business Corporation Law §§ 180.1101-.1103; (5) breach of JCI's Articles of Incorporation; (6) conversion; (7) violations of Wisconsin Securities Act §§ 551.501 and 551.509; (8) breach of covenant of good faith and fair dealing; (9) promissory estoppel; (10) tortious interference with contract; (11) negligent or intentional misrepresentation/equitable fraud; and (12) statutory fraud. On September 13, 2024, defendants moved to dismiss the Complaint. A hearing on the motion is expected to take place in March 2025.

Refer to Note 18, "Commitments and Contingencies," of the notes to the consolidated financial statements for discussion of environmental, asbestos, self-insured liabilities and other litigation matters, which is incorporated by reference herein and is considered an integral part of Part II, Item 1, "Legal Proceedings."

### **ITEM 1A. RISK FACTORS**

Except as set forth herein, there have been no material changes to the disclosure regarding risk factors presented in Part I, Item 1A, of the Company's Annual Report on Form 10-K for the year ended September 30, 2024.

#### **Our business success depends on attracting and retaining qualified personnel.**

Our ability to sustain and grow our business requires us to hire, retain and develop a high-performance, customer-centric and diverse management team and workforce. Continuous efficient and timely customer service, customer support and customer intimacy are essential to enabling customer loyalty and driving our financial results. Our growth strategies require that we pivot to new talent capability investments and build the workforce of the future, with an emphasis on developing skills in digital and consultative, outcome-based selling. Failure to ensure that we have the leadership and talent capacity with the necessary skillset and experience could impede our ability to deliver our growth objectives, execute our strategic plan and effectively transition our leadership. Any unplanned turnover or inability to attract and retain key employees could have a negative effect on our results of operations.

The nature of our business requires us to maintain a labor force that is sufficiently large enough to support our manufacturing operations to meet customer demand, as well as provide on-site services and project support for our customers. This includes recruiting, hiring and retaining skilled trade workers to support our direct channel field businesses. We have in the past, and could in the future, experience shortages for skilled or unskilled labor. The impacts of such labor shortages could limit our ability to scale our operations to meet increased demand and convert backlog into revenue, which could negatively impact our growth and results of operations.

In February 2025, we announced that we had reached an agreement for Joakim Weidemanis to succeed George Oliver as our next Chief Executive Officer, effective immediately following our 2025 Annual General Meeting of Shareholders. If we are unable to successfully execute our Chief Executive Officer transition, we could experience disruption in the setting and execution of our operational and strategic objectives, which could have a material adverse effect on our results of operations, financial condition and cash flows. We also may have difficulty attracting and recruiting, or retaining, qualified senior leadership during the transition period.

**Data privacy, identity protection and information security compliance may require significant resources and presents certain risks.**

We collect, store, have access to and otherwise process certain confidential or sensitive data, including proprietary business information, customer data, personal data or other information that is subject to privacy and security laws, regulations and/or customer-imposed controls. Despite our efforts to protect such data, our business, data and our products have been and will in the future be vulnerable to security incidents, theft, misplaced or lost data, programming errors, or errors that could potentially lead to the compromise or further compromise of such data, improper use of our products, systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions. During September 2023, we became aware of a cybersecurity event consisting of unauthorized access, data exfiltration and deployment of ransomware to a portion of our internal IT infrastructure. The Company is completing its analysis of the impacted data and believes based on its assessment to date that certain data, including employee, job applicant, consultant and other third party personally identifiable information and other related data, was impacted by the incident. The Company will, as determined appropriate, notify impacted individuals and regulatory authorities.

The actual or perceived risk of theft, loss, fraudulent use or misuse of customer, employee or other data as a result of the foregoing or any other cybersecurity incident, as well as non-compliance with applicable industry standards or our contractual or other legal obligations or privacy and information security policies regarding such data, could result in litigation and/or regulatory activity and associated fines, damages, costs, awards, or settlements. In addition, we may be required to make certain third-party notifications to individuals and regulators following the completion of our analysis of the data impacted by the cybersecurity incident.

We could face similar consequences in the future if we, our employees, our suppliers, channel partners, customers or other third parties experience the actual or perceived risk of theft, loss, fraudulent use or misuse of data, including as a result of employee error or malfeasance, non-compliance with required or expected security practices, or as a result of the imaging, software, security and other products we incorporate into our products. Such an event could lead customers to select the products and services of our competitors. Both the September 2023 cybersecurity incident and any future incidents could harm our reputation, cause unfavorable publicity or otherwise adversely affect certain existing and potential customers' perception of the security and reliability of our services as well as our credibility and reputation, which could result in lost sales.

We operate in an environment in which there are different and potentially conflicting data privacy laws in effect in the various U.S. states and foreign jurisdictions in which we operate and we must understand and comply with each law and standard in each of these jurisdictions while ensuring the data is secured. For example, proposed regulations restricting the use of biometric security technology could impact the products and solutions offered by our security business. Similarly the Executive Order 14117, and its implementing regulations Preventing Access to Americans' Bulk Sensitive Personal Data and US Government Related Data By Countries of Concern, may limit our ability to share information with China and other designated countries. Government enforcement actions can be costly and interrupt the regular operation of our business, and violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements.

Some of our contracts do not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. While we maintain general liability insurance coverage and coverage for errors or omissions, such coverage might not be adequate or otherwise protect us from liabilities or damages with respect to claims alleging compromises, including relevant to compromises of our systems or data, that such coverage will continue to be available to us on acceptable terms or at all, or that such coverage will pay future claims including claims and other costs related to the September 2023 cybersecurity incident. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business.

**Changes in U.S. or foreign trade policies and other factors beyond our control may adversely impact our business and operating results.**

Geopolitical tensions and trade disputes can disrupt supply chains and increase the cost of our products. This could cause our products to be more expensive for customers, which could reduce the demand for or attractiveness of such products. In addition, a geopolitical conflict in a region where we operate could disrupt our ability to conduct business operations in that region. Countries also could adopt restrictive trade measures, such as tariffs, laws and regulations concerning investments and



limitations on foreign ownership of businesses, taxation, foreign exchange controls, capital controls, employment regulations and the repatriation of earnings and controls on imports or exports of goods, technology, or data, any of which could adversely affect our operations and supply chain and limit our ability to offer our products and services as intended. Changes in laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs or taxes on imports from countries where we manufacture products or from where we import products or raw materials (either directly or through our suppliers) could have an impact on our competitive position, business operations and financial results. For example, the U.S., China and other countries continue to implement restrictive trade actions, including tariffs, export controls, sanctions, legislation favoring domestic investment and other actions impacting the import and export of goods, foreign investment and foreign operations in jurisdictions in which we operate.

Recently, the United States has announced tariffs on products manufactured in several jurisdictions, including, Mexico, China and Canada, and has made announcements regarding the potential imposition of tariffs on other jurisdictions, such as the European Union. The United States has and may in the future pause, reimpose or increase tariffs, and countries subject to such tariffs have and in the future may impose reciprocal tariffs or other restrictive trade measures in response to the imposition of tariffs by the United States. We are actively monitoring and evaluating the development and potential impacts of tariffs on our supply chain and results of operations. We maintain operations worldwide, including the jurisdictions impacted by the recently announced and contemplated tariffs. If the actual and potential tariffs and reciprocal tariffs are implemented as currently proposed, we expect that such actions could negatively impact our revenue growth and margins in future periods through increased costs, decreased demand and other adverse economic impacts. The net effect of these actions will depend on our ability to successfully mitigate and offset their impact, which may not be effective.

Trade restrictions could be adopted with little to no advanced notice, and we may not be able to effectively mitigate the adverse impacts from such measures. Political uncertainty surrounding trade or other international disputes also could have a negative impact on customer confidence and willingness to spend money, which could impair our future growth. Any of these events could increase the cost of our products, create disruptions to our supply chain and impair our ability to effectively operate and compete in the countries where we do business.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As of December 31, 2024, approximately \$1.4 billion remains available under the share repurchase program which was authorized by the Company's Board of Directors in March 2021. The share repurchase authorization does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice. During the three months ended December 31, 2024, the Company repurchased and immediately retired \$330 million of its ordinary shares in open market transactions.

The following table presents information regarding the repurchase of the Company's ordinary shares by the Company as part of its publicly announced program during the three months ended December 31, 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased under the Programs
10/01/24 - 10/31/24	819,300	\$ 76.80	819,300	\$ 1,680,869,294
11/01/24 - 11/30/24	900,231	82.25	900,231	1,606,823,689
12/01/24 - 12/31/24	2,351,519	82.09	2,351,519	1,413,792,917

## ITEM 5. OTHER INFORMATION

### Director and Officer Rule 10b5-1 Plans

During the three months ended December 31, 2024, none of the Company's directors or Section 16 officers adopted, amended or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408(a) of Regulation S-K).

## ITEM 6. EXHIBITS

### INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
4.1	<a href="#"><u>Twelfth Supplemental Indenture, dated as of December 10, 2024, among Johnson Controls International plc, Tyco Fire &amp; Security Finance S.C.A. and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.3 to registrant's Current Report on Form 8-K filed on December 10, 2024).</u></a>
4.2	<a href="#"><u>Thirteenth Supplemental Indenture, dated as of December 11, 2024, among Johnson Controls International plc, Tyco Fire &amp; Security Finance S.C.A., U.S. Bank Trust Company, National Association, as trustee and U.S. Bank Europe DAC, as paying agent (incorporated by reference to Exhibit 4.2 to registrant's Current Report on Form 8-K filed on December 11, 2024).</u></a>
31.1	<a href="#"><u>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</u></a>
31.2	<a href="#"><u>Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</u></a>
32.1	<a href="#"><u>Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)</u></a>
101	The following materials from Johnson Controls International plc's Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Position, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Shareholders' Equity and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

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 thereunto duly authorized.

JOHNSON CONTROLS INTERNATIONAL PLC

Date: February 5, 2025

By: /s/ Marc Vandiepenbeeck

Marc Vandiepenbeeck

Executive Vice President and  
Chief Financial Officer