

## Risk Factors Comparison 2024-03-05 to 2023-03-07 Form: 10-K

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In the ordinary course of our business, we face various strategic, operating, compliance and financial risks. These risks could have a material impact on our business, reputation, financial condition or results of operations. Our most significant risks are set forth below and elsewhere in this Report. These risk factors should be considered in addition to our cautionary comments concerning forward- looking statements in this Report, including statements related to markets for our products and trends in our business that involve a number of risks and uncertainties. **OPERATIONAL RISKS RELATED TO THE COVID-19 PANDEMIC** Our financial condition and results of operations have been and may continue to be adversely affected by public health issues, including epidemics or pandemics such as COVID-19. The COVID-19 pandemic subjected our business, operations, financial performance, cash flows and financial condition to a number of risks. We have faced increased operational challenges and costs from the need to protect employee health and safety, workplace disruptions and restrictions on the movement of people, raw materials and goods, both at our own facilities and at our customers and suppliers. The COVID-19 pandemic continues to create challenges for the global economy, and the ultimate impacts and significance of these challenges to our business, financial condition, results of operations, and cash flows will depend greatly on the future course of the COVID-19 pandemic. The COVID-19 pandemic drove changes in our customers' priorities and practices, as our customers in both the United States and globally confront competing budget priorities and more limited resources. To the extent that COVID-19 continues to impact demand for our products and solutions or impairs the viability of some of our customers, our financial condition, results of operations, and cash flows could be adversely affected, and those impacts could be material. The magnitude and duration of the impact of the COVID-19 pandemic on the global economy and the world's response continue to be uncertain. To the extent the pandemic continues to adversely affect portions of our business and our overall operating and financial results, it may also adversely affect our operating and financial results in a manner that is not presently known to us or that we currently do not expect to present significant risks to our operations or financial results. The extent of the pandemic's effect on our business will depend on future developments, including the duration, spread and intensity of the pandemic and the successful distribution, acceptance, and efficacy of vaccines for COVID-19, all of which are uncertain and difficult to predict. **OPERATIONAL RISKS** Our global sales and operations are subject to a variety of economic, market and financial risks and costs that could affect our profitability and operating results. We do business around the world and are continuing our strategy of enhancing our global optimization. Our international sales are primarily to customers in Europe, Canada and Asia-Pacific. In addition, our manufacturing operations, suppliers and employees are located in many places around the world. The future success of our business includes growth in our sales in non- U. S. markets. Our global operations are subject to numerous financial, legal and operating risks, such as political and economic instability; imposition of trade or foreign exchange restrictions, including in the U. S.; trade protection measures such as the imposition of or increase in tariffs and other trade barriers, including in the U. S.; unexpected changes in regulatory requirements, including in the U. S., prevalence of corruption in certain countries; enforcement of contract and intellectual property rights and compliance with existing and future laws, regulations and policies, including those related to tariffs, investments, taxation, trade controls, product content and performance, employment and repatriation of earnings. In addition, we are affected by changes in foreign currency exchange rates, inflation rates and interest rates. Our growth could suffer if the markets into which we sell our products and solutions decline. Our growth depends in part on the growth of the markets which we serve. Any decline or lower than expected growth in our served markets could diminish demand for our products and solutions, which would adversely affect our financial results. We operate in industries that may experience periodic, cyclical downturns. Demand for our products and solutions is also sensitive to changes in customer order patterns, which may be affected by announced price changes, changes in incentive programs, new product introductions and customer inventory levels. Any of these factors could adversely affect our growth and results of operations in any given period. We could experience a failure of a key information technology system, process or site or a breach of information security, including a cybersecurity breach or failure of one or more key information technology systems, networks, processes, associated sites or service providers. We rely extensively on information technology ("IT") systems for the storage, processing, and transmission of our electronic, business- related information assets used in or necessary to conduct business. We leverage our internal information technology infrastructures, and those of our business partners, to enable, sustain, and support our global business activities. In addition, we rely on networks and services, including internet sites, data hosting and processing facilities and tools and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and / or used by third- parties or their vendors, to assist in conducting our business. **All third parties contracted by the Company have been vetted and have significant reputations in the industry. As such, controls from the third party vendors have been deemed to be adequate prior to any goods or services having been provided.** The data we store, and process may include customer payment information, personal information concerning our employees, confidential financial information, and other types of sensitive business- related information. Numerous and evolving cybersecurity threats pose potential risks to the security of our IT systems, networks and services, as well as the confidentiality, availability and integrity of our technology systems and data. In addition, the laws and regulations governing security of data on IT systems **is are** evolving and adding another layer of complexity in the form of new requirements. In the past, we have had cybersecurity incidents and we have made, and continue to make investments, seeking to address these threats, including monitoring of networks and systems, hiring of experts to evaluate and test our systems, employee training and security policies for employees and third- party providers. The frequency and the techniques used in these attacks **has have**

increased significantly and may be difficult to detect for periods of time and we may face difficulties in anticipating and implementing adequate preventative measures. While the breaches of our IT systems to date have not been material to our business or results of operations, the costs of attempting to protect our IT systems and data will increase, and there can be no assurance that these added security efforts will prevent all breaches of our IT systems or thefts of our data. If our IT systems are damaged or cease to function properly, the networks or service providers we rely upon fail to function properly, or we or one of our third- party providers suffer a loss or disclosure of our business or stakeholder information due to any number of causes ranging from catastrophic events or power outages to improper data handling or security breaches (including ransomware, denial- of- service attacks, a malicious website, the use of social engineering and other means to affect the confidentiality, integrity and ~~availability~~ **availability** of our technology systems and data) and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to potential disruption in operations, loss of customers, reputational, competitive and business harm as well as significant costs from remediation, ransom payments, litigation and regulatory actions. We are also subject to an increasing number of evolving data privacy and security laws and regulations. Failure to comply with such laws and regulations could result in the imposition of fines, penalties and other costs. The European Union (“EU”) and United Kingdom’s General Data Protection Regulations and the EU’s pending ePrivacy Regulation could disrupt our ability to sell products and solutions or use and transfer data because such activities may not be in compliance with applicable laws. Additionally, cybersecurity incidents related to export control technology information of our Aerospace & Defense customers could subject us to additional reporting requirements, could disrupt our ability to sell products to those customers and could subject us to additional costs, penalties, and fines all of which may be material to our operating results. The Board of Directors and Audit Committee are responsible for information security oversight and the Audit Committee is comprised entirely of independent directors. Additionally, two members of the Company’s Board of Directors have relevant information security and cybersecurity experience. As part of their oversight, senior leadership meets with the Audit Committee at least annually to discuss information security and cybersecurity matters. Over the last three years, the Company has experienced one known information security breach, in connection with a ransomware incident that occurred in June 2021. Costs incurred related to the information security breach did not have a material adverse effect on our results of operations in the years ended December 31, **2023**, 2022, **and** 2021 ~~and 2020~~. However, as cybersecurity incidents continue to increase in scope, complexity, and frequency, we may be unable to prevent a significant incident in the future which may materially impact our results of operations. The Company regularly undertakes audits and evaluations (including to the National Institute of Standards and Technology (NIST) SP 800- 171 standards) and enhances its security framework based upon the results of those audits and evaluations. For new associates, and on an annual basis therefore the Company requires associates to take security awareness training and has an on- going phishing recognition training and testing programs. ~~We~~ **11** ~~We~~ rely on suppliers to provide equipment, components and services, which creates certain risks and uncertainties that may adversely affect our business. Our business requires that we buy equipment, components and services from third parties. Our reliance on suppliers involves certain risks, including poor quality or an insecure supply chain, which could adversely affect the reliability and reputation of our products and solutions; changes in the cost of these purchases due to inflation, exchange rates, tariffs, or other factors; shortages of components, commodities or other materials, which could adversely affect our manufacturing efficiencies and ability to make timely delivery. Any of these uncertainties could adversely affect our profitability and ability to compete. The effect of unavailability or delivery delays would be more severe if associated with our higher volume and more profitable products and solutions. Even where substitute sources of supply are available, qualifying the alternate suppliers and establishing reliable supplies could cost more or could result in delays and a loss of sales. Certain materials and components used in our products and solutions are required and qualified to be sourced from a single or a limited number of suppliers. As such, some materials and components could become in short supply resulting in limited availability and / or increased costs. Additionally, we may elect to develop relationships with a single or limited number of suppliers for materials and components that are otherwise generally available, because some customers require extensive certification of suppliers which is a considerable and time consuming undertaking. Although we believe that alternative suppliers are available to supply materials and components to replace those currently used, doing so may require redesign work and would require having those new sources qualified by our customers prior to making use of those new alternatives. Any interruption in the supply from any supplier that serves as a sole source could delay product shipments and have a material adverse effect on our business, financial condition and results of operations. ~~12~~ ~~Our~~ **12** ~~Our~~ profits may decline if the price of raw materials rise and we cannot recover the increases from our customers. We use various raw materials, such as copper, steel, zinc and rare earth magnets, in our manufacturing operations. The prices of these raw materials have been subject to volatility. As a result of price increases, we have generally implemented price surcharges to our customers; however, we may be unable to collect surcharges without suffering reductions in unit volume, revenue and operating income. There can be no assurance that we will be able to fully recover the price increases through surcharges in a timely manner. We are also subject to risks associated with U. S. and foreign legislation and regulations relating to imports, including quotas, duties, tariffs or taxes, and other charges or restrictions on imports, which could adversely affect our operations and our ability to import products at current or increased levels. We cannot predict whether additional U. S. and foreign customs quotas, duties, tariffs, taxes or other charges or restrictions, requirements as to where raw materials must be purchased, or other restrictions on our imports will be imposed upon the importation of our products and solutions in the future or adversely modified, or what effect such actions would have on our costs of operations. We face competition that could harm our business and we may be unable to compete successfully against new entrants and established companies with greater resources. Competition in connection with the manufacturing of our products and solutions may intensify in the future. The market for our technologies is competitive and subject to rapid technological change. We compete globally on the basis of product performance, customer service, availability, reliability, productivity and price. Our competitors may be larger and may have greater financial, operational, economies of scale, personnel, sales, technical and marketing resources than us. Certain of

our competitors also may pursue aggressive pricing or product strategies that may cause us to reduce the prices we charge for our original equipment and aftermarket products and services or lose sales. These actions may lead to reduced revenues, lower margins and / or a decline in market share, any of which may adversely affect our business, financial condition and results of operations. **Quality-12Quality** problems with our products and solutions could harm our reputation, erode our competitive advantage and could result in warranty claims and additional costs. Quality is important to us and our customers, and our products and solutions are held to high quality and performance standards. In the event our products and solutions fail to meet these standards, our reputation could be harmed, which could damage our competitive advantage, causing us to lose customers and resulting in lower revenues. We generally allow customers to return defective or damaged products for credit, replacement, repair or exchange. We generally warrant that our products and solutions will meet customer specifications and will be free from defects in materials and workmanship. We reserve for our exposure to warranty claims based upon recent historical experience and other specific information as it becomes available. However, these reserves may not be adequate to cover future warranty claims and additional warranty costs or inventory write-offs may be incurred which could harm our operating results. If we are unable to attract and retain qualified personnel, our ability to operate and grow our company will be in jeopardy. We are required to hire and retain skilled employees at all levels of our operations in a market where such qualified employees are in high demand and are subject to receiving competing offers. We believe that there is, and will continue to be, competition for qualified personnel in our industry, and there is no assurance that we will be able to attract or retain the personnel necessary for the management and development of our business. The inability to attract or retain employees currently or in the future may have a material adverse effect on our business. Our future success depends in part on the continued service of our engineering and technical personnel and our ability to identify, hire and retain personnel. Our success will depend in large part upon our ability to attract, train, retain and motivate highly skilled engineering and technical employees. There is currently aggressive competition for employees who have experience in technology and engineering. We may not be able to continue to attract and retain engineers or other qualified technical personnel ~~13necessary~~ **necessary** for the development and growth of our business or to replace personnel who may leave our employ in the future. The failure to retain and recruit key engineering and technical personnel could cause additional expense, potentially reduce the efficiency of our operations and could harm our business. We depend heavily upon a limited number of customers, and if we lose any of them or they reduce their business with us, we would lose a substantial portion of our revenues. A significant portion of our revenues and trade receivables are concentrated with a small group of customers. These customers have a variety of suppliers to choose from and therefore can make substantial demands on us, including demands on product pricing and on contractual terms, often resulting in the allocation of risk to us as the supplier. Our ability to maintain strong relationships with our principal customers is essential to our future performance. If we lose a key customer, if any of our key customers reduce their orders of our products and solutions or require us to reduce our prices before we are able to reduce costs, if a customer is acquired by one of our competitors or if a key customer suffers financial hardship, our operating results would likely be harmed as well as the collectability of accounts receivable. If we do not respond to changes in technology, our products and solutions may become obsolete and we may experience a loss of customers and lower revenues. We sell our products and solutions to customers in several industries that experience rapid technological changes, new product introductions and evolving industry standards. Without the timely introduction of new products and solutions, our offerings will likely become technologically obsolete over time and we may lose a significant number of our customers. Our product and solutions development efforts may be affected by a number of factors, including our ability to anticipate customer needs, allocate and process our research and development funding, innovate and develop new products, differentiate our offerings and commercialize new technologies, secure intellectual property protection for our products and manufacture products in a cost-effective manner. We would be harmed if we did not meet customer requirements and expectations. Our inability, for technological or other reasons, to successfully develop and introduce new and innovative products and solutions could result in a loss of customers and lower revenues. ~~We-13We~~ **We** face the challenge of accurately aligning our capacity with our demand. We have experienced capacity constraints and longer lead times for certain products and solutions in times of growing demand and have also experienced idle capacity as economies slow or demand for certain products decline. Accurately forecasting our expected volumes and appropriately adjusting our capacity have been, and will continue to be, important factors in determining our results of operations. We cannot guarantee that we will be able to increase manufacturing capacity **, and with the support of sufficiently skilled and cost-effective labor,** to a level that meets demand for our products and solutions, which could prevent us from meeting increased customer demand and could harm our business. However, if we overestimate our demand and overbuild our capacity, we may have significantly underutilized assets and we may experience reduced margins. If we do not accurately align our manufacturing capabilities with demand it could have a material adverse effect on our results of operations. The manufacture of many of our products and solutions is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial results could suffer. The manufacture of many of our products and solutions is an exacting and complex process. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors, and if not discovered before the product is released to market could result in recalls and product liability exposure. Because of the time required to develop and maintain manufacturing facilities, an alternative manufacturer may not be available on a timely basis to replace such production capacity. We have also undertaken certain manufacturing footprint rationalization activities, which may include new challenges related to management and monitoring of the manufacturing of our products and solutions. Any of these manufacturing problems could result in significant costs and liability, as well as negative publicity and damage to our reputation that could reduce demand for our products. ~~14We-We~~ **We** face the potential harms of natural disasters, pandemics, acts of war, terrorism, international conflicts or other disruptions to our operations. Natural disasters, pandemics, acts or threats of war or terrorism, international conflicts, political instability, and the actions taken by governments could cause damage to or disrupt

our business operations, our suppliers or our customers, and could create economic instability. Although it is not possible to predict such events or their consequences, these events could decrease demand for our products or make it difficult or impossible for us to deliver products. We face potential operational impacts associated with volatility in energy markets. Volatility in the supply and cost for energy exists in the locations where we operate, particularly Europe and China. As Europe continues to face impacts from the ~~conflict~~ **conflicts in the middle east and** in Ukraine and sanctions between the European Union and Russia, there are concerns about the availability and costs related to providing resources to meet the energy needs of Europe. Should these energy needs not be met, there are risks that the European operations of the Company may experience uncertainties related to the availability and cost of such resources. At times, China has experienced energy shortages, and has, in the past, resorted to rolling blackouts. Although these blackouts have not materially impacted **on** our operations, it remains a risk we may face in the future.

**STRATEGIC RISKS** Our strong organic growth has been and will continue to be enhanced by strategic acquisitions that complement, enhance or expand our business. We may not be able to find or complete these transactions, and, if completed, we may experience operational and financial risks in connection with our acquisitions that prevent us from realizing the anticipated benefits and may materially adversely affect our business, financial condition and operating results. ~~Acquisitions~~ **14Acquisitions** are part of our strategic growth plans. We may have difficulty finding these opportunities, or if we do identify these opportunities, we may not be able to complete the transactions for various reasons including a failure to secure financing. As we complete acquisitions, we face the operational and financial risks commonly encountered with an acquisition strategy. These risks include the challenge of integrating acquired businesses while managing the ongoing operations of each business, the challenge of combining the business cultures of each company, and the need to retain key personnel of our existing business and the acquired business. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the acquired business and our existing business. Members of our senior management may be required to devote considerable amounts of time to the integration process, which will decrease the time they will have to manage our businesses, service existing customers, attract new customers and develop new products. If our senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could be adversely affected. The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities. Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the company before we ~~acquired~~ **acquire** it. In most of these agreements, however, the liability of the former owners is limited, and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial results. We intend to develop new products and solutions and expand into new markets, which may not be successful and could harm our operating results. We intend to expand into new markets and develop new and modified products and solutions based on our existing technologies and engineering capabilities, including the continued expansion of our controlled motion systems and ~~15integrated~~ **integrated** electronics. These efforts have required and will continue to require us to make substantial investments, including significant research, development and engineering expenditures and capital expenditures for new, expanded or improved manufacturing facilities. Specific risks in connection with expanding into new products, solutions, and markets include longer product development cycles, the inability to transfer our quality standards and technology into new products, and the failure of our customers to accept the new or modified products and solutions. We may experience difficulties that could delay or prevent the successful development of new products or product enhancements under new and existing contracts, and new products and solutions or product enhancements may not be accepted by our customers. In addition, the development expenses we incur may exceed our cost estimates, and new products we develop may not generate sales sufficient to offset our costs. If any of these events occur, our sales and profits could be adversely affected. Our competitiveness depends on successfully executing our growth initiatives and our global optimization strategies. We continue to invest in initiatives to support future growth, such as the creation of a more effective corporate structure, implementation of our enterprise resource planning system, launch of a new integrated website, implementation of a structured approach to identify target markets, and the expansion of our AST (continuous improvement initiatives in quality, delivery, and cost). The failure to achieve our objectives on these initiatives could have an adverse effect on our operating results and financial condition. Our global optimization strategy includes localization of our products, solutions, and services to be closer to our customers and identified growth opportunities. Localization of our products and services includes expanding our capabilities, including supply chain and sourcing activities, product design, manufacturing, engineering, marketing and sales and support. These activities expose us to risks, including those related to political and economic uncertainties, transportation delays, labor market disruptions and challenges to protect our intellectual property.

**FINANCIAL** ~~15FINANCIAL~~ **RISKS** Foreign currency exchange rates may adversely affect our financial results. Sales and purchases in currencies other than the U. S. dollar expose us to fluctuations in foreign currencies relative to the U. S. dollar and may adversely affect our financial results. Increased strength of the U. S. dollar increases the effective price of our products sold in U. S. dollars into other countries, which may require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U. S. dollar could adversely affect the cost of materials, products and services we purchase from non- U. S. denominated locations. Sales and expenses of our non- U. S. businesses are also translated into U. S. dollars for reporting purposes and the strengthening or weakening of the U. S. dollar could result in unfavorable translation effects. The Company also faces exchange rate risk from its investments in subsidiaries owned and operated in foreign countries. Economic and credit market uncertainty could interrupt our access to capital markets, borrowings, or financial transactions to hedge certain risks, which could adversely affect our financial condition. To date, we have been able to access debt and equity financing that has allowed us to make investments in growth opportunities and fund working capital requirements. In addition, we enter into financial transactions to hedge certain risks, including foreign exchange and interest rate

risk. Our continued access to capital markets, the stability of our lenders and their willingness to support our needs, and the stability of the parties to our financial transactions that hedge risks are essential for us to meet our current and long-term obligations, fund operations, and fund our strategic initiatives. An interruption in our access to external financing or financial transactions to hedge risk could affect our business prospects and financial condition. Our indebtedness may limit our operations and our use of our cash flow, and any failure to comply with the covenants that apply to our indebtedness could adversely affect our liquidity and financial results. Our ability to service our indebtedness depends on our financial performance, which is affected by prevailing economic ~~16~~ ~~conditions~~ **conditions** and financial, business, regulatory and other factors. Some of these factors are beyond our control. Our debt level and related debt service obligations can have negative consequences, including requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes such as acquisitions and capital investment; reducing our flexibility in planning for or reacting to changes in our business and market conditions; and exposing us to interest rate risk since a portion of our debt obligations are at variable rates. In addition, certain of our indebtedness will have significant outstanding principal balances on their maturity dates, commonly known as balloon payments. Therefore, we will likely need to refinance at least a portion of our outstanding debt as it matures. We may incur more debt in the future, particularly to finance acquisitions, and there can be no assurance that our cost of funding will not substantially increase. Our existing credit agreements contain, and any future debt agreements we may enter into may contain, certain financial tests and other covenants that limit our ability to incur indebtedness, pay dividends, acquire other businesses and impose various other restrictions. If we breach any of the covenants and do not obtain a waiver from the lenders, the outstanding indebtedness could be declared immediately due and payable. If we are unable to obtain sufficient capital in the future, we may have to curtail our capital expenditures and other expenses. Any such actions could have a material adverse effect on our business, financial condition, results of operations and liquidity. ~~In addition, certain of our variable rate debt uses Term Standard Overnight Financing Rate ("SOFR") as a benchmark for establishing the interest rate, a portion of which is hedged with London Interbank Offering Rate ("LIBOR") based interest rate derivatives. LIBOR has been the subject of proposals for reform, and is currently scheduled to be discontinued on June 30, 2023. The Company expects to amend LIBOR-based interest rate derivative agreements by negotiating new SOFR-based agreements. The discontinuation of LIBOR is not expected to materially impact our interest rate exposure.~~ Unforeseen exposure to additional income tax liabilities may negatively affect our operating results. Our distribution of taxable income is subject to domestic tax and, as a result of our significant manufacturing and sales presence in foreign countries, foreign tax. Our effective tax rate may be affected by shifts in our mix of earnings in countries with varying statutory tax rates, changes in reinvested foreign earnings, alterations to tax rates, regulations or interpretations and outcomes of any audits performed on previous tax returns. ~~Our~~ ~~16~~ ~~Our~~ operating results could fluctuate significantly. Our quarterly and annual operating results are affected by a wide variety of factors that could materially adversely affect revenues and profitability, including: the timing of customer orders and the deferral or cancellation of orders previously received, the level of orders received which can be shipped in a quarter, fulfilling backlog on a timely basis, competitive pressures on selling prices, changes in the mix of products sold, the unavailability or delays in the receipt of critical inventories, the timing of investments in engineering and development, development of and response to new technologies, and delays in new product qualifications. As a result of the foregoing and other factors, we may experience material fluctuations in future operating results on a quarterly or annual basis which could materially and adversely affect our business, financial condition, operating results and stock price. We may never realize the full value of our substantial intangible assets. These intangible assets consist primarily of goodwill, customer lists, trade names and technology arising from our acquisitions. Goodwill is not amortized; it is tested at least annually or upon the occurrence of certain events which indicate that the assets may be impaired. Definite lived intangible assets are amortized over their estimated useful lives and are tested for impairment upon the occurrence of certain events which indicate that the assets may be impaired. We may not receive the recorded value for our intangible assets if we sell or liquidate our business or assets. In addition, intangible assets with definite lives will continue to be amortized. Amortization expenses relating to these intangible assets will continue to reduce our future earnings. ~~17~~ ~~Increased~~ **Increased** healthcare, pension and other costs under the Company's benefit plans could adversely affect the Company's financial condition and results of operations. We provide health benefits to many of our employees and the costs ~~to of provide~~ **providing** such benefits continue to increase annually. The amount of any increase or decrease in the cost of Company-sponsored health plans will depend on a number of different factors including new governmental regulations mandating types of coverage and reporting and other requirements. We also sponsor defined benefit pension, defined contribution pension, and other postretirement benefit plans. Our costs to provide such benefits generally continue to increase annually. We use actuarial valuations to determine the Company's benefit obligations for certain benefit plans, which require the use of significant estimates, including the discount rate, expected long-term rate of return on plan assets, mortality rates and the rates of increase in compensation and health care costs. Changes to these significant estimates could increase the cost of these plans, which could also have a material adverse effect on the Company's financial condition and results of operations. Failure of our internal controls over financial reporting could limit our ability to report our financial results accurately and timely or prevent fraud. We believe that effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. If we are unable to detect or correct any issues in the design or operating effectiveness of internal controls over financial reporting or fail to prevent fraud, current and potential customers and shareholders could lose confidence in our financial reporting, which could harm our business and the trading price of our stock. Our operating results depend in part on our ability to contain or reduce costs. There is substantial price competition in our industry and upward pressure on material and labor costs. Our success and profitability will depend on our ability to maintain a competitive cost and price structure. Our efforts to maintain and improve profitability depend in part on our ability to maintain or reduce the costs of materials, components, supplies and labor, including establishing production capabilities at our low cost regional subcontractors. While the failure of any single cost containment effort by itself would most likely not significantly

impact-17impact our results, we cannot give any assurances that we will be successful in controlling material and labor costs to maintain a competitive cost structure. There is substantial price competition in our industry, and our success and profitability will depend on our ability to maintain a competitive cost and price structure. We may have to reduce prices in the future to remain competitive. Also, our future profitability will depend in part upon our ability to continue to improve our manufacturing efficiencies and maintain a cost structure that will enable us to offer competitive prices in the face of upward pressure on material and labor costs. Our inability to maintain a competitive cost structure could have a material adverse effect on our business, financial condition and results of operations.

**LEGAL AND REGULATORY RISKS**Our international operations expose us to legal and regulatory risks, which could have a material effect on our business. Our profitability and international operations are, and will continue to be, subject to risks relating to changes in foreign legal and regulatory requirements. In addition, our international operations are governed by various U. S. laws and regulations, including Foreign Corrupt Practices Act (FCPA), the U. K. Bribery Act and other foreign anti- bribery laws. The FCPA generally prohibits companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Other countries in which we operate also have anti- bribery laws, some of which prohibit improper payments to government and non- government persons and entities. Any alleged or actual violations of these regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities and could negatively affect our business, reputation, operating results and financial condition.

18We-We are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations or embargos may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory. In addition to government regulations regarding sale and export, we are subject to other regulations regarding our products. For example, the U. S. Securities and Exchange Commission has adopted disclosure rules for companies that use conflict minerals in their products, with substantial supply chain verification requirements in the event that the materials come from, or could have come from, the Democratic Republic of the Congo or adjoining countries. These rules and verification requirements impose additional costs on us and on our suppliers, and may limit the sources or increase the cost of materials used in our products. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers that could place us at a competitive disadvantage, and our reputation may be harmed. Our inability to adequately enforce and protect our intellectual property or defend against assertions of infringement could prevent or restrict our ability to compete. We rely on patents, trademarks and proprietary knowledge and technology, both internally developed and acquired, in order to maintain a competitive advantage. Our inability to defend against the unauthorized use of these rights and assets could have an adverse effect on our results of operations and financial condition. Litigation may be necessary to protect our intellectual property rights or defend against claims of infringement. This litigation could result in significant costs and divert our management' s focus away from operations. We are subject to a variety of litigation and other legal and regulatory proceedings in the normal course of our business that could adversely affect our financial results. We are subject to a variety of litigation and other legal and regulatory proceedings incidental to our business, including claims for damages arising out of the use of products or services and claims relating to intellectual property, 18 employment, tax, commercial disputes, competition, sales and trading practices, environmental, personal injury, insurance coverage, acquisition, as well as regulatory investigations or enforcement. We may also become subject to lawsuits as a result of past or future acquisitions including liabilities retained from, or representations, warranties or indemnities provided in connection with these acquisitions. These lawsuits may include claims for compensatory damages, punitive and consequential damages and /or injunctive relief. The defense of these lawsuits may divert our management' s attention, we may incur significant expenses in defending these lawsuits and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our operations and financial results. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. We estimate loss contingencies and establish reserves based on our assessment where liability is deemed probable and reasonably estimable given the facts and circumstances known to us at a particular point in time. Subsequent developments may affect our assessment and estimates of the loss contingencies recorded as liabilities. We cannot guarantee that our liabilities in connection with litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial results and reputation. Our business is subject to environmental regulations that could negatively affect our operating results. Our worldwide operations are subject to environmental laws and regulations that impose various environmental controls on the manufacturing, transportation, storage, use and disposal of hazardous chemicals and other materials used in, and hazardous waste produced by the manufacturing of our products. Conditions relating to our historical operations may require expenditures for clean- up in the future and changes in environmental laws and regulations may impose costly compliance requirements on us or otherwise subject us to future liabilities. Additional or modified regulations relating to the manufacture, transportation, storage, use and disposal of materials used to manufacture our products or restricting disposal or transportation of our products may be imposed that may result in higher costs or lower operating results. In addition, we cannot predict the affect that additional or modified environmental regulations may have on us or our customers. 19