

## Risk Factors Comparison 2025-02-07 to 2024-02-08 Form: 10-K

**Legend:** New Text Removed Text Unchanged Text Moved Text Section

An investment in our common stock or debt securities is subject to risks and uncertainties. Investors should consider the following factors, in addition to the other information contained in this annual report on Form 10-K, before deciding whether to purchase our securities. Investment risks can be market-wide as well as unique to a specific industry or company. The market risks faced by an investor in our securities are similar to the uncertainties faced by investors in a broad range of industries. There are some risks that apply more specifically to our business. Our revenue is concentrated with the U. S. government. This customer relationship involves some specific risks. In addition, our sales to non- U. S. customers expose us to different financial and legal risks. Despite the varying nature of our government and commercial operations and the markets they serve, each segment shares some common risks, such as the ongoing development of high- technology products and the price, availability and quality of commodities and subsystems. Risks Relating to Our Business and Industry The U. S. government provides a significant portion of our revenue. ~~In 2023, approximately~~ **Approximately** 70 % of our consolidated revenue was from the U. S. government. Levels of U. S. defense spending may be impacted by numerous factors, such as the domestic political environment, changes in national and international priorities, and threats to national security. Competing demands for federal funds can pressure various areas of spending. Decreases in U. S. government defense and other spending or changes in spending allocation or priorities could result in one or more of our programs being reduced, delayed or terminated, which could impact our financial performance. For additional information relating to U. S. government budget and funding matters, see the Business Environment section of Management' s Discussion and Analysis of Financial Condition and Results of Operations in Item 7. U. S. government contracts are not always fully funded at inception, and any funding is subject to disruption or delay. Our U. S. government revenue is funded by agency budgets that operate on an October- to- September fiscal year. Early each calendar year, the President of the United States presents to the Congress the budget for the upcoming fiscal year. This budget proposes funding levels for every federal agency and is **typically** the result of months of policy and program reviews throughout the executive branch. For the remainder of the year, the Appropriations and Authorization Committees of the Congress **typically** review the president' s budget proposals and establish the funding levels for the upcoming fiscal year. Once these levels are enacted into law, the Executive Office of the President administers the funds to the agencies. There are two primary risks associated with the U. S. government budget cycle. First, the annual process may be delayed or disrupted. If the annual budget is not approved by the beginning of the government fiscal year, portions of the U. S. government can shut down or operate under a continuing resolution that maintains spending at prior- year levels, which can impact funding for our programs and timing of new awards. Second, the Congress typically appropriates funds on a fiscal- year basis, even though contract performance may extend over many years. Future revenue under existing multi- year contracts is conditioned on the continuing availability of congressional appropriations. Changes in appropriations in subsequent years may impact the funding available for these programs. Delays or changes in funding can impact the timing of available funds or lead to changes in program content. Government contracts are subject to termination rights by the customer. U. S. government contracts generally permit the government to terminate a contract, in whole or in part, for convenience. If a contract is terminated for convenience, a contractor usually is entitled to receive payments for its allowable costs incurred and the proportionate share of fees or earnings for the work performed. The government may also terminate a contract for default in the event of a breach by the contractor. If a contract is terminated for default, the government in most cases pays only for the work it has accepted. Many foreign contracts have similar termination rights by customers. The termination of multiple or large programs could have a material adverse effect on our future revenue and earnings. Government contractors operate in a highly regulated environment and are subject to audit by the U. S. government. Numerous U. S. government agencies routinely audit and review government contractors. These agencies review a contractor' s performance under its contracts and compliance with applicable laws, regulations and standards. The U. S. government also reviews the adequacy of, and compliance with, internal control systems and policies, including the contractor' s purchasing, property, estimating, material, earned value management and accounting systems. In some cases, audits may result in delayed payments or contractor costs not being reimbursed or subject to repayment. If an audit or investigation were to result in allegations against a contractor of improper or illegal activities, civil or criminal penalties and administrative sanctions could result, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U. S. government. In addition, reputational harm could result if allegations of impropriety were made. In some cases, audits may result in disputes with the respective government agency that can result in negotiated settlements, arbitration or litigation. Moreover, new laws, regulations or standards, or changes to existing ones, can increase our performance and compliance costs and reduce our revenue and earnings. Our Aerospace segment is subject to changing customer demand for business aircraft. The business jet market is driven by the demand for business- aviation products and services by corporate, individual and government customers in the United States and around the world. Customer demand can be affected by a number of factors, including changes in general economic conditions, the availability and cost of credit, pricing pressures and trends in capital goods markets. An adverse change in customer demand for our business- aviation products and services could materially affect our future revenue and earnings. In addition, if customers default on existing contracts and the contracts are not replaced, the segment' s anticipated revenue and profitability could be reduced materially. Earnings and margin depend on our ability to perform on our contracts. When agreeing to contractual terms, our management team makes assumptions and projections about future conditions and events. The accounting for our contracts requires assumptions and estimates about these conditions and events. These projections and estimates assess, among other

things: • the productivity and availability of labor; • the complexity of the work to be performed; • the cost and availability of materials and components; and • schedule requirements. If there is a significant change in one or more of these circumstances, estimates or assumptions, or if the risks under our contracts are not managed adequately, the profitability of contracts could be adversely affected. This could affect earnings and margin materially. Revenue, earnings and margin depend in part on supplier performance. We rely on other companies and our government customers to provide materials, components and subsystems for our products. Suppliers, including subcontractors, sometimes perform some of the services that we provide to our customers. We depend on these suppliers and government entities to meet our contractual obligations in full compliance with customer requirements and applicable law. Misconduct by suppliers, such as a failure to comply with procurement regulations or engaging in unauthorized activities, may harm our future revenue, earnings and margin. We sometimes rely on only one or two sources of supply, and any disruption in our supply chain could have an adverse effect on our ability to meet our customer commitments **and could adversely affect our business, results of operations and financial condition**. For example, some of our operating segments rely on the supply of semiconductors for the manufacture of our products, and any inability of or delay by our suppliers to meet our order demands (including due to the suppliers' competing commercial priorities, any military conflict resulting in a disruption of manufacturing or trade relations, or any other business disruption) could delay or disrupt our ability to procure semiconductors. Our ability to perform our obligations to our customers, and our future revenue, earnings and margin, may be materially adversely affected if (1) any one or more of our suppliers is unable to **or otherwise fails to**, provide the agreed- upon materials or perform the agreed- upon services in a timely and cost- effective manner, or engages in misconduct or other improper activities or (2) we are unable to otherwise obtain necessary materials, components, subsystems or services in a timely and cost- effective manner. Our success depends in part on our ability to develop new products and technologies and maintain a qualified workforce to meet the needs of our customers. Many of the products and services we provide involve sophisticated technologies and engineering, with related complex manufacturing and system- integration processes. Our customers' requirements change and evolve regularly. Accordingly, our performance depends in part on our ability to continue to develop, manufacture and provide innovative products and services and bring those offerings to market quickly at cost- effective prices. Many of our new products must meet extensive and time- consuming regulatory requirements that are often outside our control and may result in unanticipated delays. Additionally, due to the highly specialized nature of our business, we must hire and retain the skilled and qualified personnel necessary to perform the services required by our customers and to develop and manufacture our products. To the extent that the demand for skilled personnel exceeds supply, we could experience higher labor, recruiting or training costs in order to attract and retain such employees. If we were unable to develop new products that meet customers' changing needs and satisfy regulatory requirements in a timely manner or successfully attract and retain qualified personnel, our future revenue and earnings may be materially adversely affected.

**Risks Relating to Our International Operations** Operations outside the United States are subject to various risks that may be associated with doing business in foreign countries. In some countries there is increased chance for economic, legal or political instability, and procurement procedures may be less robust or mature, which may complicate the contracting process. Our non- U. S. operations may be sensitive to and impacted by (1) changes in a foreign government' s national policies and priorities, political leadership and budgets, which may be influenced by changes in threat environments, geopolitical uncertainties, volatility in economic conditions and other economic and political factors including inflationary pressures; (2) changes in U. S., foreign, and international laws, regulations, and policies; (3) energy, natural resource and other commodity shortages; and (4) global trade disputes and supply chain disruptions. For example, the ongoing conflict between Russia and Ukraine has resulted in the imposition of numerous economic and trade sanctions, export controls, and other restrictions targeting Russia and Belarus, and the Russian government has implemented counter- sanctions and export controls targeting the U. S. and various foreign countries in which we operate. These actions have caused some economic disruptions around the world and have exacerbated global supply chain challenges. Changes and developments in any of these matters or factors may occur suddenly and could impact funding for programs or delay purchasing decisions or customer payments. Non- U. S. transactions can involve increased risks arising from foreign exchange rate variability, which could, among other things, negatively impact sales and the translation of our international revenue from local currencies into U. S. dollars, and differing legal systems. Our non- U. S. operations are subject to U. S. and foreign laws and regulations, including laws and regulations relating to import- export controls, technology transfers, the Foreign Corrupt Practices Act (FCPA) and other anti- corruption laws, and the International Traffic in Arms Regulations (ITAR). An unfavorable event or trend in any one or more of these factors or a failure to comply with U. S. or foreign laws could result in administrative, civil or criminal liabilities, including suspension or debarment from government contracts or suspension of our export privileges, and could materially adversely affect revenue and earnings. In addition, some non- U. S. government customers require contractors to enter into letters of credit, performance or surety bonds, bank guarantees and other similar financial arrangements. We may also be required to agree to specific in- country purchases, manufacturing agreements or financial support arrangements, known as offsets, that require us to satisfy investment or other commitments or face penalties. Offset requirements may extend over several years and could require us to team with local companies to fulfill these commitments. If we do not satisfy these financial or offset requirements, our future revenue and earnings may be materially adversely affected.

**Risks Relating to Our Acquisitions and Similar Investment Activities** We have made and expect to continue to make investments, including acquisitions and joint ventures, that involve risks and uncertainties. When evaluating potential acquisitions and joint ventures, we make judgments regarding the value of business opportunities, technologies and other assets, and the risks and costs of potential liabilities based on information available to us at the time of the transaction. Whether we realize the anticipated benefits from these transactions depends on multiple factors, including our integration of the businesses involved; the performance of the underlying products, capabilities, or technologies; market conditions following the acquisition; and acquired liabilities, including some that may not have been identified prior to the acquisition. These factors could materially adversely affect our financial results. Changes in business conditions may cause goodwill and other intangible

assets to become impaired. Goodwill represents the purchase price paid in excess of the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is not amortized and remains on our balance sheet indefinitely unless there is an impairment or a sale of a portion of the business. We review goodwill for impairment annually at each of our reporting units or when circumstances indicate that the likelihood of an impairment is greater than 50 %. Such circumstances include a significant adverse change in the business climate for one of our reporting units or a decision to dispose of a reporting unit or a significant portion of a reporting unit. We face some uncertainty in our business environment due to a variety of challenges, including the risk factors discussed in this section. We may experience unforeseen circumstances that adversely affect the value of our goodwill or intangible assets. Future write-offs of goodwill or other intangible assets as a result of an impairment in the business could materially adversely affect our results of operations and financial condition. Other Business and Operational Risks Our business could be negatively impacted by cybersecurity events and other disruptions. We face various cybersecurity threats, including threats to our IT infrastructure and attempts to gain unauthorized access to our proprietary or classified information, denial-of-service attacks, as well as threats to the physical security of our facilities and employees, and threats from terrorist acts. We also design and manage IT systems and products for various customers. We generally face the same security threats for these systems and products as for our own internal systems. In addition, we face cybersecurity threats from entities and persons that may seek to target us through our customers, suppliers and other third parties with whom we do business. Many of these cybersecurity threats are increasingly sophisticated and constantly evolving. Accordingly, we maintain information security staff, policies and procedures for managing risk to our information systems, and we review and update our policies, procedures and practices in light of evolving threats. We conduct employee training on cybersecurity to mitigate persistent and continuously evolving cybersecurity threats, and we report cybersecurity events or losses of customer data to affected customers and applicable regulatory authorities. However, there can be no assurance that any such actions, including the timeliness of our efforts to review, update or implement policies, procedures and practices in light of evolving threats, or the safeguards put in place by our customers, suppliers and other parties on which we rely, will be sufficient to detect, prevent and mitigate cybersecurity breaches or disruptions, or the unauthorized release of sensitive information or corruption of data. We have experienced cybersecurity events and disruptions such as viruses and attacks targeting our IT systems. Such prior events have not had a material impact on our financial condition, results of operations or liquidity. However, future threats could have a materially adverse impact on our company by, among other things, causing harm to our business, financial condition, results of operations or reputation; disrupting our operations; exposing us to potential liability, regulatory actions and loss of business; and challenging our eligibility for future work on sensitive or classified systems for government customers. Due to the evolving nature of these security threats, the potential impact of any future incident cannot be predicted. Our insurance coverage may not be adequate to cover all the costs related to cybersecurity attacks or disruptions resulting from such events. Our business may continue to be negatively impacted by the coronavirus (COVID- 19) pandemic and could be negatively impacted by other pandemics and outbreaks. The COVID- 19 pandemic has had, and could continue to have, a negative effect on our business, results of operations and financial condition.

**Other outbreaks of contagious diseases, including new variants of COVID-19, or other adverse public health developments in countries where we operate or our customers are located, could similarly adversely affect our business.**

This includes disruptions or restrictions on our employees' ability to work effectively, temporary closures of our facilities and the facilities of our customers, and the imposition of quarantine and travel restrictions that have and may in the future negatively affect demand for our products and services and result in supply-chain disruptions. Any such effects could materially adversely affect our ability to perform on our contracts. Any cost increases that result from these effects may not be fully recoverable on our contracts or adequately covered by insurance. ~~Other outbreaks of contagious diseases, including new variants of COVID-19, or other adverse public health developments in countries where we operate or our customers are located, could similarly adversely affect our business, results of operations and financial condition in the future.~~

Global climate change could negatively affect our business. Increased public awareness and concern regarding global climate change may result in state, federal or international requirements to reduce or mitigate global warming, such as the imposition of carbon pricing mechanisms, stricter limits on greenhouse gas emissions, or other business restrictions or compliance requirements regarding reducing or mitigating global climate change. If environmental or climate-change laws or regulations are adopted or changed that directly or indirectly impose significant new costs, operational restrictions or compliance requirements on our business, products, customers or suppliers, they could increase our costs, require additional capital expenditures, reduce our margins and adversely affect our business, results of operations and financial condition. Further, while we continuously evaluate and seek opportunities to improve our climate-related measures, there can be no assurance that changes in customer demand patterns and competition, as well as potential reputational risks, related to climate change will not adversely affect our business, results of operations and financial condition. FORWARD- LOOKING STATEMENTS This annual report on Form 10- K contains forward- looking statements that are based on management' s expectations, estimates, projections and assumptions. Words such as " expects, " " anticipates, " " plans, " " believes, " " forecasts, " " scheduled, " " outlook, " " estimates, " " should " and variations of these words and similar expressions are intended to identify forward- looking statements. Examples include projections of revenue, earnings, operating margin, segment performance, cash flows, contract awards, aircraft production, deliveries and backlog. In making these statements, we rely on assumptions and analyses based on our experience and perception of historical trends, current conditions and expected future developments as well as other factors we consider appropriate under the circumstances. We believe our estimates and judgments are reasonable based on information available to us at the time. Forward- looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward- looking statements due to a variety of factors, including the risk factors discussed in this Form 10- K. All forward- looking statements speak only as of the date of this report or, in the case of any document incorporated by

reference, the date of that document. All subsequent written and oral forward- looking statements attributable to General Dynamics or any person acting on our behalf are qualified by the cautionary statements in this section. We do not undertake any obligation to update or publicly release revisions to any forward- looking statements to reflect events, circumstances or changes in expectations after the date of this report. These factors may be revised or supplemented in future filings with the SEC.