

Risk Factors Comparison 2024-01-25 to 2023-01-26 Form: 10-K

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Our consolidated financial position, results of operations and cash flows are subject to various risks, many of which are not exclusively within our control, that may cause actual performance to differ materially from historical or projected future performance. We encourage you to consider carefully the risk factors described below in evaluating the information contained in this report as the outcome of one or more of these risks could have a material adverse effect on our financial position, results of operations and / or cash flows. Industry and Economic Risks ~~→~~ We depend heavily on a single customer, the U. S. government, for a substantial portion of our business. Changes in this customer’s priorities and spending could have a material adverse effect on our financial position, results of operations and / or cash flows. Our primary customer is the U. S. government, from which we derived 86 percent of our sales in ~~2022~~ **2023**; we have a number of large programs with the U. S. Department of the Air Force, in particular. The U. S. government has the ability to delay, modify or cancel ongoing competitions, procurements and programs, as well as to change its future acquisition strategy. We cannot predict the impact on existing, follow- on, replacement or future programs from potential changes in the threat **and global security** environment, defense spending levels, government **and budgetary** priorities, political leadership, procurement practices and strategy, inflation and other macroeconomic trends, military strategy; or broader changes in social, economic, **security** or political demands and priorities. The U. S. government has the ability to terminate contracts, in whole or in part, for its convenience or for default based on performance. In the event of termination for convenience, contractors are generally protected by provisions covering reimbursement for costs incurred and profit on those costs up to the amount authorized under the contract, but not the anticipated profit that would have been earned. In the event of termination due to default, contractors may be required to pay for re- procurement costs in excess of the original contract price, net of the value of work accepted from the original contract, as well as other damages. Termination due to our default (or that of a teammate) could have a material adverse effect on our reputation, our ability to compete for other contracts and our financial position, results of operations and / or cash flows. **Where program cost estimates exceed certain thresholds, our customer has been, and may in the future be, required to provide congressional notification of significant or critical cost increases (or breaches) under the Nunn- McCurdy Act, which, in some circumstances, could result in program restructure or termination. For example, in January 2024 the customer provided congressional notification that the Ground Based Strategic Deterrent (“ Sentinel ”) program is currently under a Nunn- McCurdy breach review.** The U. S. government also has the ability to stop work under a contract for a limited period of time for its convenience. The U. S. government has invoked and could invoke this ability across a limited or broad number of contracts. In the event of a stop work order, contractors are typically protected by provisions covering reimbursement for costs incurred to date and for costs associated with the temporary stoppage of work plus a reasonable fee. However, such temporary stoppages often introduce inefficiencies and result in financial and other damages for which contractors may not be able to negotiate full recovery. In some cases, they have also ultimately resulted and could result in termination of a contract for convenience or reduced future orders. A significant shift in government priorities, programs or strategies could have a material adverse effect on our financial position, results of operations and / or cash flows. ~~→~~ Significant delays or reductions in appropriations for our programs and U. S. government funding more broadly, including a prolonged continuing resolution or breach of the debt ceiling, can negatively impact our business and programs and could have a material adverse effect on our financial position, results of operations and / or cash flows. U. S. government programs are subject to annual congressional budget authorization and appropriation processes. For many programs, Congress appropriates funds annually even though the program performance period may extend over several years. Programs are often partially funded initially, with additional funds committed only as Congress makes further appropriations. When we or our subcontractors incur costs in excess of funds obligated on a contract, we are generally at risk for reimbursement unless and until additional funds are obligated to the contract. We cannot ~~-9- NORTHROP GRUMMAN CORPORATION~~ predict what funding will ultimately be approved for individual programs. In addition, pressures on, as well as laws and plans relating to the federal budget, potential changes in priorities and defense spending, the timing and substance of the appropriations process, use of continuing resolutions (with restrictions, e. g., on new starts) and the federal debt limit (including a breach **of the federal debt ceiling**), have adversely affected and could adversely affect the amount and timing of funding for individual programs and delay purchasing or payments by our customers. In the event government ~~-10- NORTHROP GRUMMAN CORPORATION~~ funding for our significant programs is reduced, delayed or unavailable, or orders are reduced, our contracts or subcontracts, or competitions for such programs have at times been, and in the future may be, terminated or changed. The U. S. continues to face an uncertain and changing political environment, along with substantial fiscal **and**, economic **and security** challenges, which affect funding **and budgetary priorities**. The budget and macroeconomic **environment, global security** environment, political instability, and uncertainty surrounding the appropriations processes and the debt ceiling, remain significant short and long- term risks. See “ Overview ” in MD & A. **In addition, high deficit levels and high debt servicing costs could drive cuts to federal spending.** Considerable uncertainty exists regarding how future budget and program decisions will unfold. If annual appropriations bills are not timely enacted, the U. S. government may continue to operate under a continuing resolution **(potentially of extended duration)**, restricting new contract or program starts, presenting resource allocation challenges and placing limitations on budgets ~~, and we~~. **We also** may face a prolonged government shutdown that could lead to program cancellations, disruptions and / or stop work orders and could limit the U. S. government’s ability to progress programs and make timely payments. A prolonged shutdown could limit our ability to perform on our contracts and successfully compete for new work. If the statutory

debt limit is not increased adequately, we could be obligated to work without receiving timely payments ~~–A,~~ and a prolonged breach could have far-reaching adverse consequences. If current macroeconomic pressures (especially from inflation and labor and supply chain challenges) are prolonged or worsen, and increased costs continue, then existing or anticipated appropriated and contracted funds may not be sufficient to cover costs incurred on existing or future programs. ~~The National Defense Authorization Act for FY 2023 grants DoD discretionary authority under limited circumstances to provide extraordinary relief to contractors to address certain inflationary impacts under the current macroeconomic environment for FY 2023. This or other relief may not be available or adequate to address the significant impacts of the broader macroeconomic environment.~~ Future funding for certain programs in which we participate may be reduced, delayed or cancelled. Budget cuts globally could adversely affect the viability of our subcontractors and suppliers. While we believe that our business is well-positioned in areas for future defense spending, changing priorities, budget pressures, defense spending cuts, challenges in the appropriations process, the possibility of a ~~year-long~~ **long-term** continuing resolution **(or series of continuing resolutions)** and breach of the debt ceiling, ongoing fiscal debates and the global economic **and security** environment increase uncertainties and risk. Significant delays or reductions in appropriations for our current and future programs; long-term funding under a continuing resolution; an extended debt ceiling breach or government shutdown; and / or future budget and program decisions, among other items, may negatively impact our business and programs and could have a material adverse effect on our financial position, results of operations and / or cash flows. ~~–B~~ We use estimates when accounting for contracts. Contract cost growth or changes in estimated contract revenues and costs can affect our profitability and our overall financial position. Contract accounting requires judgment, including in assessing risks, estimating contract revenues and costs, and predicting future performance. Given the size and nature of our many contracts, estimating total revenues and costs at completion is complex and subject to many variables. When there is sufficient information to assess expected future performance, we consider performance related incentives, awards and penalties in estimating revenue and profit rates. Suppliers' expected performance, and the availability and costs of labor, materials and components, are also considered. Our operating income can be adversely affected when estimated contract costs increase, especially without comparable increases in revenue. There are many reasons estimated contract costs can increase ~~–C~~. They include: macroeconomic trends (including inflation, labor shortages and **challenges**, supply chain challenges ~~), and~~ **market and exchange rate volatility**; delays or limitations in customer funding; design or other development challenges; production challenges (including from technical or quality issues and other performance concerns); inability to realize learning curves or other cost savings; changes in laws or regulations; actions necessary for long-term customer satisfaction; **challenges caused by the global health environment** pandemics, such as COVID-19; and natural disasters or environmental matters ~~–D~~. For example, as discussed in greater detail in Note 12 to the consolidated financial statements, our latest estimated cost to complete the low-rate initial production (LRIP) phase of the B-21 program reflects updated estimates for adverse impacts from these macroeconomic factors, as well as potential opportunities to address them. We aim to mitigate this risk through contract terms, and we have ~~filed~~ **submitted** and may ~~file~~ **submit** requests for equitable adjustment **(REAs), engineering change proposals** or **other** claims to seek recovery in whole or in part for our increased costs. We have also sought, and will seek, other avenues, as appropriate, to compensate the company for certain unexpected cost increases. However, our contracts may not enable full recovery, and / or the government may disagree with our requests and may not have funding to cover them. ~~–E~~ ~~10~~ Our risk varies with the type of contract. Fixed-price contracts inherently tend to have more financial risk than cost-type contracts, including as a result of inflationary pressures, labor rates and shortages, and supplier challenges. In ~~2022~~ **2023**, approximately half of our sales were derived from fixed-price contracts. We have more often entered into fixed-price contracts where costs can be more reasonably estimated based on actual experience, such as for mature production programs. However, our customers **have sought, and** may ~~also~~ **in the future** seek ~~fixed-price contracts for development programs, combined development and production programs, or low-rate initial production programs, where the risks are greater. In addition, our contracts contain provisions relating to cost controls and audit rights. If we do not achieve our estimates or meet terms in our contracts, our profitability has at times been and may be reduced, and we have incurred and may incur losses. Certain of our fixed-price contracts include or may include fixed-price development work. This work is inherently more uncertain, and, as a result, there is typically more variability in estimates of the costs to complete the development stage. As work progresses into production, the risks associated with estimating total costs are typically reduced. While management uses its best judgment to estimate costs associated with fixed-price contracts, future events could result in significant adjustments. Under cost-type contracts, allowable costs are generally subject to reimbursement plus a fee. We often enter into cost-type contracts for development programs with complex design and technical challenges. These cost-type programs typically may have award or incentive fees that are uncertain and may be earned over extended periods or towards the end of the contract. In these cases, the financial risks are typically in recognizing profit, which ultimately may not be earned, or program cancellation if cost, schedule, or technical performance issues arise. We also face additional financial risk when solicitations require us to bid on cost-type development work and fixed-price production lots and / or options in one submission, or cost-type development work requiring us to provide certain items at our expense or with little or no fee. Ongoing macroeconomic challenges increase these risks. Because of the significance of management's judgments and the estimation processes, and the difficulties inherent in estimating future costs, particularly in a challenging macroeconomic environment, it is possible that we could see materially different results. Changes in underlying assumptions, circumstances or estimates, and the failure to ~~prevail~~ **recover on requests for equitable adjustments, engineering change proposals or other** claims could have a material adverse effect on the profitability of one or more of our contracts and on our overall financial position, results of operations and / or cash flows. See "Critical Accounting Policies ~~–and~~ Estimates and Judgments" in MD & A and Note 12 to the consolidated financial statements. ~~–F~~ The global macroeconomic environment could negatively impact our business and our financial position, results of operations and / or cash flows could be materially adversely affected. Our business, financial position, results of operations and / or cash flows have been and may continue to be adversely impacted by the global macroeconomic environment ~~,~~ **which**. The global~~

macroeconomic environment has experienced, and continues to experience, extraordinary challenges, including high rates of inflation; increased interest rates; widespread disruptions in supply chains; workforce challenges, including labor shortages; and market volatility, including exchange rate volatility. These challenges have, among other things, led to increased costs, labor and supply shortages, and delays and disruption in performance, as well as competing demands for scarce resources. Those challenges have adversely impacted our customers, our industry, our company, our suppliers and others with whom we do business. While some aspects of the macroeconomic environment have improved appear to be improving, and we have been able to mitigate some of the challenges (especially with respect to labor shortages), other challenges persist. We cannot predict the future trajectory or duration of this risk, including how the macroeconomic environment will evolve or how it will continue to impact us. We (including our suppliers and other partners) have and may continue to experience inflationary pressures, supply chain disruption and labor and material cost increases at a rate higher than anticipated. Given the nature of our business and our contracts (many of which are fixed price and of long duration), we may be unable to recover some of these increased costs or to offset such costs with greater than expected efficiencies. Our government customers are likely to continue to face competing priorities and increased demands for their limited resources. We cannot predict how long these challenges will persist or how they will change over time. We continue to work proactively to mitigate these the challenges caused by the macroeconomic environment, including, in some cases, seeking the inclusion of economic price adjustment clauses or seeking to recover on requests for equitable adjustments, engineering change proposals or other claims. However, if we are unable to do so successfully, our financial position, results of operations and / or cash flows could be materially adversely affected. • Competition within our markets and bid protests may affect our ability to win new contracts and result in reduced revenues and market share. We operate in highly competitive markets and our competitors may have more financial capacity or more extensive or specialized engineering, manufacturing, or marketing or servicing capabilities. They may be willing to accept more risk or lower profitability in competing for contracts. We have seen, and anticipate we will continue to see, increased competition in some of our core markets, especially as a result of our customers' budget pressures, their focus on affordability and competition, and our own success in winning business. We are facing increasing competition in the U. S. and outside the U. S. from U. S., foreign and multinational firms, including new entrants, and anticipate that acquisitions within our industry could further increase competition. We are also facing increasing competition for, and more limited access to various critical products, services and other supplies. In some instances, foreign companies may receive loans, subsidies and other assistance from their governments that may not be available to U. S. companies and foreign companies may be subject to fewer restrictions on technology transfer. Some customers, including the DoD, are turning to commercial contractors, rather than traditional defense contractors, for some products and services, and continue to utilize small business contractors or determine to source work internally. Our In addition, our success in competing and depends, in part, on our ability to remaining remain cost- competitive depends, accurately anticipate in part, on our ability customers' needs and successfully to effect our digital transformation strategy and to adopt and integrate new digital manufacturing and operating technologies into our products and services. Bid protests can result in contract modifications or the award decision being reversed and loss of the contract award. Even where a bid protest does not result in such a loss, it can delay execution the start of contract activities and earnings. If we are unable to continue to compete successfully against our current or future competitors, or prevail in protests, or to prevail against other attempts to interfere with our ability to obtain and retain awards, we may experience declines in future revenues and market share, which could have a material adverse effect on our financial position, results of operations and / or cash flows.

Legal and Regulatory Risks • We are subject to various investigations, claims, disputes, enforcement actions, litigation, and other legal proceedings that could ultimately be resolved against us. The size, nature and complexity of our business make us particularly susceptible to investigations, claims, disputes, enforcement actions, prosecutions, litigation and other legal proceedings (collectively " legal proceedings "), particularly those involving governments, which have at times been, and may continue to be, increasingly aggressive. We are and may become subject to legal proceedings globally (including criminal, civil and administrative) and across a broad array of matters, including, but not limited to, government contracts, cost accounting, financial accounting or and reporting, commercial transactions, false statements or claims, cybersecurity and pension accounting, antitrust, compliance with government orders, mischarging, security (cyber and physical), performance, fraud, procurement integrity, securities laws and requirements, products liability, warranties, hazardous materials, personal injury claims, environmental (including remediation and toxic torts), shareholder derivative actions, M & A, intellectual property, tax, corporate law, employees, export / import, anti- corruption, debt and equity, labor, health and safety, the other COVID-19 pandemic and the company's response to it, accidents, launch failures, employee benefits benefit and plans, including pension plans and plan administration, improper payments, and privacy, as well as matters relating to the Orbital ATK Federal Trade Commission (FTC) decision and order. These matters can divert resources; result in administrative, civil or criminal fines, penalties or other sanctions (including judgments, convictions, consent or other voluntary decrees or agreements), compensatory, treble or other damages, non- monetary relief, or other liabilities; and otherwise harm our business and our ability to obtain and retain awards. Certain allegations may lead to suspension or debarment from government contracts or suspension of export / import privileges for the company or one or more of its components. Suspension or debarment or criminal resolutions in particular could have a material adverse effect on the company because of our reliance on government contracts and export authorizations. An investigation, claim, dispute, enforcement action or litigation, even if pending or not ultimately substantiated or if fully indemnified or insured, can negatively impact our reputation among our customers and the public, and make it substantially more difficult for us to compete effectively for business, obtain and retain awards, ensure adequate funding for our programs or obtain adequate insurance in the future. Investigations, claims, disputes, enforcement actions, litigation or other legal proceedings could have a material adverse effect on our financial position, results of operations and / or cash flows. See Note 11 to the consolidated financial statements for information regarding investigations, claims and litigation. • The improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate can impact

our reputation, our ability to do business and our financial position, results of operations and / or cash flows. We have implemented policies, training and other compliance controls, and have negotiated **contractual** terms designed to prevent misconduct by employees, agents or others working with us or on our behalf that would violate the applicable laws of the jurisdictions in which we operate, including laws governing improper payments to government officials, the protection of export controlled or classified information, false claims, procurement integrity, cost accounting and billing, competition, information security and data privacy, intellectual property and ~~-13-~~ contract terms. However, we cannot ensure that we will prevent all such misconduct committed by our employees, agents, suppliers, partners or others working with us or on our behalf. We have in the past experienced and may in the future experience such misconduct, despite a vigorous compliance program, our values and strong culture. This risk of improper conduct may increase as we continue to expand globally, with greater opportunities and demands to do more business with local and new partners, and in new environments. At the same time, law enforcement agencies are continuing to focus collaboratively on combating global corruption and other misconduct. In the ordinary course we form and are members of joint ventures (with that term used throughout to refer to joint efforts or **other** business arrangements of any type) **and / or invest in third parties with whom we do business**. Notwithstanding our robust processes, we ~~are~~ **may be** unable to prevent ~~any and all~~ misconduct or violations of applicable laws by these joint ventures (including their officers, directors and employees) or our ~~- 12-~~ partners. Improper actions by our employees or those with whom or through whom we do business subjects us to risk of administrative, civil or criminal investigations and enforcement actions; monetary and non- monetary penalties; liabilities; and the loss of privileges and other sanctions, including suspension and debarment, which could negatively impact our reputation and ability to conduct business and could have a material adverse effect on our financial position, results of operations and / or cash flows. ~~As a U. S. government contractor, we and our partners are~~ subject to various procurement and other laws, regulations and contract terms applicable to our industry, as well as those more broadly applicable to industry, and we could be adversely affected by changes in such laws, regulations or terms, or any negative findings by the U. S. government as to our compliance with them. We also may be adversely affected by changes in our customers' business practices globally. U. S. government contractors (including their subcontractors and others with whom they do business) must comply with various specific procurement laws, regulations, rules and other legal requirements, as well as ones more broadly applicable. These various legal requirements, although sometimes customary in government contracting, increase costs and risks. They have been and are evolving at a significant pace. The costs are not always fully recoverable. New laws or other requirements, or changes to existing ones (including, for example, related to cyber, information protection, cost accounting, ~~climate~~, environment, **sustainability** ~~COVID-19~~, securities, competition, compensation costs, taxes, counterfeit parts, pensions, and use of certain non- US equipment) or **more expansive interpretations or other** changes in how government agencies ~~interpret~~ **construe** existing ones, can significantly increase our costs and risks and reduce our profitability. We operate in a highly regulated environment and are routinely audited and reviewed by the U. S. government and its agencies, such as the DCAA, Defense Contract Management Agency (DCMA) and the DoD Inspector General. These agencies review performance under our contracts, our cost structure and accounting, and our compliance, and the adequacy of our systems in meeting government requirements. Costs ultimately found to be unallowable or improperly allocated may not be reimbursed or may be refunded. When an audit uncovers improper or illegal activities, we are subject to possible civil and criminal penalties, sanctions, or suspension or debarment. Whether or not illegal activities are alleged, the U. S. government has the ability to decrease or withhold certain payments when it deems systems to be inadequate, with significant financial impact, regardless of the ultimate outcome. In addition, we risk serious reputational harm in situations involving allegations of impropriety made against us or our business partners. Our industry has experienced, and we expect it will continue to experience, significant changes to business practices globally, in part as a result of changes in the global security and threat environment and an increased focus on affordability, efficiencies, business systems, recovery of costs and a reprioritization of available defense funds. We have experienced and may continue to experience an increased number of audits and challenges to our claims and our business systems for current and past years, as well as longer periods to close audits, broader requests for information and an increased risk of withholdings of payments. ~~For example, the thresholds for certain allowable costs have been reduced; and the allowability of other costs and how the company treated them, including certain costs related to pensions, and certain assumptions used by the company to determine pension expense, are being challenged and investigated, all with risks and costs to the company.~~ The U. S. government is also pursuing alternatives to shift additional responsibility and performance risks to the contractor. The U. S. government has been pursuing and may continue to pursue policies that could negatively impact our profitability, **including those that shift additional responsibility and performance risks to the contractor**. Changes in procurement practices, including those favoring incentive- based fee arrangements; fixed price development or long- term production programs; different award criteria; non- traditional contract provisions; and contract negotiation offers that indicate what our costs should be, have affected and may in the future affect our profitability and predictability. We (~~again~~, including our subcontractors and others with whom we do business) also are subject to, and expected to perform in compliance with, a vast array of federal, state and local laws, regulations, contract terms and requirements related to our industry, our products and the businesses we operate, as well as those more broadly applicable to industry, such as securities laws and regulations. These ~~laws and regulations include, but are not~~ ~~- 14-~~ limited to, the Truthful Cost or Pricing Data Act, False Claims Act, Procurement Integrity Act, CAS, FAR / DFAR, export controls and international sanctions, FCPA (and similar anti- corruption provisions) and SEC rules and regulations, as well as those related to pandemics. These requirements, whether specific to our industry or broadly applicable, may limit our ability to achieve our goals. If we are found to have violated any such requirements, or are found not to have acted responsibly, we may be subject to a wide array of actions, including contract modifications or termination; payment withholdings; the loss of export / import privileges; administrative, civil or criminal judgments or penalties (including convictions, agreements, fines, damages and non- monetary relief); or suspension or debarment. If we or those with whom we do business do not comply with the laws, regulations, rules, contract terms and processes to which we are subject or if

customer business practices or requirements change significantly, including with respect to allowable costs, it could affect our ability to compete and have a material adverse effect on our financial position, results of operations and / or cash flows. **13-** Environmental matters, including **climate change**, unforeseen costs associated with compliance and remediation efforts, and government and third party claims, could have a material adverse effect on our reputation and our financial position, results of operations and / or cash flows. Our operations are subject to and affected by a variety of federal, state, local and foreign environmental laws and regulations, including as they may be expanded, otherwise changed or enforced differently over time. Compliance with these existing and evolving environmental laws and regulations requires, and is expected to continue to require, significant operating and capital costs. **For example, some of these recently enacted laws and regulations prohibit the use of certain chemicals or other substances that are used in our business, which may require us to identify alternate sources, result in additional costs and / or otherwise impact our business and operations. New and evolving laws, regulations and rule makings globally are expected to impose different and more restrictive standards and require greater disclosures. They could also require capital investments, could adversely impact our ongoing operations, and could require changes on a more accelerated time frame. Our suppliers are expected to face similar challenges and incur additional compliance costs that may be passed on to us. These direct and indirect costs may adversely impact our results of operations and financial condition, and, if we are unable to comply with legislative and regulatory requirements or meet our sustainability objectives, our reputation and ability to do business could be negatively impacted. In addition, our customers' requirements, priorities and ways of doing business with respect to environmental matters, and climate change specifically, also may have an impact on our business, operations and financial success. For example, in 2022, the SEC and FAR council issued proposed rule- makings on climate change. The proposed rules, depending on how they are finally adopted, as well as other changes the government might implement, could impose significant new burdens on the company and our suppliers, with significant potential costs and operational impacts, and adversely impact our ability to win business and operate successfully. Environmental matters may significantly impact our business and operations and present evolving risks and challenges. Environmental impacts, including climate change specifically, create short and long- term financial risks to our business globally. We have significant operations located in regions that have been, and may in the future be, exposed to significant weather events and other natural disasters. Increased worldwide focus on climate change has led to legislative and regulatory efforts to combat both potential causes and adverse impacts of climate change, including regulation of greenhouse gas emissions. New or more stringent laws and regulations related to greenhouse gas emissions and other climate change related concerns have affected and will likely continue to affect us, our suppliers and our customers. The company has set a goal to achieve net zero greenhouse gas emissions in our operations by 2035 and is committed to working to achieve its climate change and other sustainability goals. We are working to identify opportunities to utilize alternatives to fossil- based energy sources, to decrease our greenhouse gas emissions, to reduce our consumption of water and generation of waste, and to ensure our compliance with environmental regulations where we operate, enhancing our record of environmental sustainability. However, the costs of doing so may be greater than expected, and there can be no assurance the company will achieve its objectives, or meet the evolving sustainability expectations and standards of our investors and other external stakeholders.** We may be subject to substantial administrative, civil or criminal fines, penalties or other sanctions (including suspension and debarment) for violations **of environmental laws**. If we are found to be in violation of the Federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation could be placed by the Environmental Protection Agency on a list of facilities that generally cannot be used in performing on U. S. government contracts until the violation is corrected. We incur, and expect to continue to incur, substantial remediation costs related to the cleanup of pollutants previously released into the environment. Stricter or different remediation standards or enforcement of existing laws and regulations; new requirements, including regulation of new substances; discovery of previously unknown or more extensive contamination or new contaminants; imposition of fines, penalties, or damages (including natural resource damages); a determination that certain remediation or other costs are unallowable; rulings on allocation or insurance coverage; and / or the insolvency, inability or unwillingness of other parties to pay their share, could require us to incur material additional costs in excess of those anticipated. We are and may become a party to various legal proceedings and disputes involving government and private parties (including individual and class actions) relating to alleged impacts from pollutants released into the environment, including bodily injury and property damage. These matters could result in material compensatory or other damages, remediation costs, penalties, and non- monetary relief, and adverse determinations on allowability or insurance coverage. **14-** ~~The company is engaged in remediation activities relating to environmental conditions allegedly resulting from historic operations at the former United States Navy and Grumman facilities in Bethpage, New York. We have incurred, and expect to continue to incur, as included in Note 12, substantial remediation costs related to the legacy Bethpage environmental conditions. It is also possible that applicable remediation standards and other requirements to which we are subject may continue to change, and our costs may increase materially. In 2022, the company entered into a consent decree with the State of New York and reached agreements with the Department of Defense and Bethpage and South Farmingdale Water Districts to resolve claims involving these parties. In addition, we are a party to, and may become a party to, various legal proceedings with individual and class action plaintiffs alleging personal injury and property damage, as well as with insurance carriers and other parties. Government and private parties also seek to hold us responsible for liabilities or obligations related to former operations that have been divested or spun-off and / or for which we believe other parties have agreed to be responsible and / or to indemnify us. These rights may not be sufficient to protect us. The impact of these factors is difficult to predict, but one or more of them could harm our reputation and business and have a material adverse effect on our financial position, results of operations and / or cash flows. **15-** Unanticipated changes in our tax provisions or exposure to additional tax liabilities could affect our profitability and cash flow. We are subject to income and other taxes in the U. S. and foreign jurisdictions. Changes in applicable tax laws and regulations, or their~~

interpretation and application, including the possibility of retroactive effect, have affected and ~~–15–~~ could affect our tax expense. In addition, the final determination of any tax audits or related litigation, in particular with regard to our positions on research credits and timing of revenue recognition under IRC Section 451 (b), could be materially different from our historical income tax provisions and accruals. **We** ~~As a result of our acquisition of OATK in 2018, we~~ may be subject to future tax audits and legal challenges involving OATK, **which we acquired in 2018,** (including its subsidiaries and their successors) or the spinoff of its then subsidiary Vista Outdoor, and we may be unable to obtain indemnification or we may be required to indemnify Vista. Changes in our tax provisions or an increase in our tax liabilities, whether due to changes in applicable laws and regulations, the interpretation or application thereof, or a final determination of tax audits or litigation or agreements, could have a material adverse effect on our financial position, results of operations and / or cash flows. **Business and Operational Risks** **•** ~~We face various risks related to health epidemics, pandemics and similar outbreaks, which may have material adverse effects on our business, financial position, results of operations and / or cash flows. We face a wide variety of risks related to health epidemics, pandemics and similar outbreaks, especially of infectious diseases, including COVID-19. Since first reported in late 2019, the COVID-19 pandemic has dramatically impacted the global health and economic environment, including millions of confirmed cases and deaths, business slowdowns or shutdowns, labor shortages, supply chain challenges, changes in government spending and requirements, regulatory challenges, inflationary pressures and market volatility. As discussed in our prior and current Form 10-K and 10-Q filings, our operations have been and we expect will continue to be impacted by the COVID-19 pandemic and its related economic challenges. However, the company has worked hard to address and mitigate adverse impacts from COVID-19, and we do not currently anticipate significant additional direct impacts from the pandemic itself on our operations. Nonetheless, we cannot predict the future course of events. If, for example, the COVID-19 pandemic worsens, due to spread, new or additional variants, or if a new health epidemic or outbreak were to occur, we likely would experience broad and varied impacts, including potentially to our workforce and supply chain, with inflationary pressures and increased costs (which may or may not be fully recoverable or insured), schedule or production delays, market volatility and other financial impacts. If any or all of these items were to occur, we could experience adverse impacts on our overall performance, operations and financial results. Given the tremendous uncertainties and variables, we cannot at this time predict the impact of the global COVID-19 pandemic, or any future health epidemics, pandemics or similar outbreaks, but any one could have a material adverse effect on our business, financial position, results of operations and / or cash flows.~~ ~~Our business could be negatively impacted by cyber and other security threats or disruptions. As a defense contractor, we face significant cyber and other security threats. They include, among other things, attempts to gain unauthorized access to sensitive information or otherwise compromise the integrity, confidentiality and / or availability of our systems, hardware and networks, and the information on them; insider threats; ransomware; threats to the safety of our directors, officers and employees; threats to our facilities, infrastructure, products (we produce and use), and subcontractors or other suppliers (referred to inclusively as suppliers); and threats from terrorist acts, espionage, civil unrest and other acts of aggression. We are also subject to increasing government, customer and other cyber and security requirements, including disclosure obligations. We have robust measures in place to address and mitigate cyber- related risks. However, we have experienced cyber attacks and expect we will continue to experience additional attacks in the future, including from nation states and **criminal non- state** actors. We continue to invest in the cybersecurity and resiliency of our networks and products and to enhance our internal controls and processes, which are designed to help protect our systems and infrastructure, and the information they contain. These include timely detection of incidents through monitoring, training, incident response capabilities, and mitigating cyber and security risks to our data, systems, products and services. We also partner with the government and others in our industry to help protect national security. However, given the complex, **continuing** and evolving nature of cyber and other security threats, including threats from targeting by more advanced and persistent adversaries, including nation states **and other actors**, these efforts may not be fully effective, particularly against previously unknown vulnerabilities that could go undetected for an extended period. Our customers and partners (including our suppliers and joint ventures) to whom we entrust confidential data, and on whom we rely to provide products and services, face similar threats and growing requirements, including ones for which others may seek to hold us responsible. We depend on our customers, suppliers, and other business partners to implement **and verify** adequate controls and safeguards to protect against and report cyber incidents. If they fail to deter, detect ~~–16–~~ or report cyber incidents in a timely manner, we may suffer financial and other harm, including to our information, operations, performance, employees and reputation. Although we implement various measures and controls to monitor and mitigate risks associated with these threats and to increase the cyber resiliency of our infrastructure and products, there can be no assurance that these processes will be sufficient. Successful attacks could lead to losses or misuse of sensitive information or capabilities; theft or corruption of data; harm to personnel, infrastructure or products; financial costs and liabilities; protracted disruptions in our operations and performance; and the misuse of our products, as well as damage to our reputation as a provider of cyber- related or cyber-protected goods and services. We have not always been able to and may in the future not always be able to obtain adequate insurance to cover our losses. Cyber threats, both on premises and in the cloud, are evolving and include, but are not limited to: malicious software, destructive malware, ransomware, attempts to gain unauthorized access to systems or data, disruption to **15-** operations, critical systems or denial of service attacks; unauthorized release of confidential, personal or other protected information (ours or that of our employees, customers or partners); corruption of data, networks or systems; harm to individuals; and loss of assets. We have been and could be impacted by cyber threats or other disruptions or vulnerabilities found in products or services we use or in our internal, partners' or customers' systems that are used in connection with our business. Some of these threats are zero- day attacks associated with previously unknown vulnerabilities in third party software or products we utilize in our business. Cyber events, if not prevented or effectively mitigated, have caused and could cause harm and require remedial actions. They could also damage our reputation, disrupt performance, impact our ability to obtain future insurance coverage, and lead to loss of business, regulatory actions, liabilities or other financial losses, for which we do not have adequate~~

sources of recovery. We also face threats to our physical security..... remediate impacts and lost business. We provide systems, products and services to various customers who also face cyber threats. Our systems, products and services may not be able to detect or deter threats, or effectively to mitigate resulting losses. These losses could adversely affect our customers and our company. We also face increasing and evolving disclosure obligations related to cyber and other security events. Despite rigorous processes, we risk failing to meet all of our existing or future disclosure obligations and / or having our disclosures misinterpreted certain circumstances. We also face threats to our physical security, including to our facilities and the safety and well-being of our people. These threats could involve terrorism, insider threats, workplace violence, civil unrest, natural disasters, damaging weather, or fires, which could adversely affect our company. Our customers and suppliers face similar risks that, if realized, could also adversely impact our operations. Such acts could cause delays, manufacturing downtime, or other impacts that could detrimentally impact our ability to perform our operations. We could also incur unanticipated costs to remediate impacts and lost business. We. The occurrence and impact of these various risks are difficult to predict, but one or more of them could have a material adverse effect on our financial position, results of operations and / or cash flows. • Our ability to win new competitions and meet the needs of our customers depends, in part, on our ability to maintain a qualified workforce. Our operating results and growth opportunities are heavily dependent upon our ability to attract and retain sufficient qualified and diverse personnel who are or can reasonably be cleared (and obtain program access), who have the requisite skills in multiple areas, including science, technology, engineering and math, and who share our values and are able to operate effectively consistent with our culture. Outside the U. S., it is increasingly important that we are also able to attract and retain personnel with relevant local qualifications and experience. We continue to face increased competition for talent, both with traditional defense companies and commercial companies, globally, and with increasing wage rates. Although In addition, during the COVID-19 pandemic, we have realized faced labor shortages, as a result of both absenteeism among our workforce and a tight labor market more broadly, among other factors. While we continue to have labor challenges, they seem to be lessening, as we are realizing benefits from extensive hiring and retention programs. Of course in recent years, the risk of insufficient personnel may again increase, either broadly or with respect to select critical staffing requirements. If necessary qualified personnel are more scarce or more difficult to attract or retain under reasonable terms, or if we experience a high level of attrition, generally or in particular areas, or if such personnel are increasingly unable to obtain security clearances or program access on a timely basis or are unable to be timely and effectively trained, we would expect higher labor- related costs and we could face challenges performing on various of our programs and meeting financial expectations. In addition, the macroeconomic environment, including continued challenges in the global labor market, may further affect our ability to hire, - 17- develop and retain the necessary talented and diverse workforce, and to maintain performance levels and our corporate culture. These challenges may be further compounded by a significant element of remote work. There is also the risk that we are unable to achieve our diversity environmental, equity social and governance (ESG) inclusion objectives or, more broadly, to meet sustainability goals increasingly which may be required by certain of our shareholders, employees, the government and other stakeholders, which could adversely impact our reputation, business and ability to hire and retain talent. Certain of our employees are covered by collective agreements. We generally have been able to renegotiate renewals to expiring agreements without significant disruption of operating activities. However, the environment appears to be shifting, and if, for example, we experience difficulties with renewals and renegotiations of existing collective agreements, or if our employees pursue new collective representation, we could incur additional expenses and impacts on operating efficiency and may be subject to work stoppages or other labor- related disruptions. Any such expenses or delays could adversely affect our performance and results. - 16- If we are unable to attract and retain a qualified workforce, we may be unable to maintain our competitive position or achieve our results, and it could have a material adverse effect on our financial position, results of operations and / or cash flows. • Our earnings and profitability depend, in part, on subcontractor and supplier performance and financial viability as well as raw material and component availability and pricing. We rely on other companies to provide raw materials, chemicals, parts and components and subsystems for our products, produce hardware elements and sub- assemblies, provide software and intellectual property, provide information about the parts they supply to us, and perform some of the services we need for our operations or provide to our customers, and to do so in compliance with all applicable laws, regulations and contract terms, while maintaining strong values and cultures. Disruptions or performance problems with our subcontractors or other suppliers (referred to inclusively as suppliers), unanticipated cost growth for the products and services they provide, failure to meet regulatory or contractual requirements, unethical behavior, or a misalignment between our contractual obligations to our customers and our agreement with our suppliers, have had and may continue to have various adverse impacts on the company, including on our ability to meet our commitments to customers and financial expectations. This risk of delays and disruptions in the supply chain, and supply chain challenges more broadly, has been and continues to be significantly heightened globally, in the current macroeconomic environment. Our ability to perform our obligations on time is adversely affected if one or more of our suppliers is unable to provide the agreed- upon products, materials or information, or perform the agreed- upon services in a timely, compliant and cost- effective manner. We also may experience challenges performing if we are unable to use certain raw materials, chemicals or other substances due to laws or other regulations that restrict or prohibit the use of such items and cannot obtain a reasonable substitute on a cost- effective basis. Changes in political or economic conditions, including changes in demand, changes in the macroeconomic environment (including inflation and labor and supply chain challenges), changes in defense budgets and / or priorities, changes in the global security environment, changes in export / import restrictions, evolving requirements, or changes in access to critical technology and materials (including metals and components), among others, have adversely affected and could in the future adversely affect the financial stability of our suppliers and / or their ability to perform effectively. The inability of our suppliers to perform effectively has required and may require us to provide them additional support and / or to transition to alternate suppliers, if available, with additional costs and delays. We expect we will need to continue to provide additional resources to support certain of our suppliers in performing

under our contracts. In addition, if we are unable to do that, we may face additional losses and liabilities under our current contracts and adversely impact the prospects for certain new ones. In connection with our U. S. government contracts, we are required to procure certain materials, components and parts from supply sources approved by the customer **and / or are restricted from procuring products or services from certain sources**. For example, we require assured access to certain microelectronics. Our ability to produce and / or deliver products will be significantly impacted if the microelectronics manufacturing supply chain is cut off or significantly delayed. **For some components, there has been or may be only one supplier, or one domestic supplier. If that supplier cannot meet our needs or if we are unable to procure components from certain suppliers due to regulatory restrictions, we may be unable to find a suitable alternative and to meet our obligations**. We and our suppliers are also facing increased regulatory requirements globally. We may be held responsible not only for our compliance, but that of our suppliers. ~~For some components, there has been or may be only one supplier, or one domestic supplier. If that supplier cannot meet our needs, we may be unable to find a suitable alternative and to meet our obligations.~~ Our procurement practices are intended to reduce the risk we procure counterfeit, unauthorized or otherwise non-compliant parts or materials. We rely on our suppliers also to comply with applicable laws and contract terms, to ensure the quality of their components and effectively to mitigate the risk of cyber and security threats or other disruptions to their performance. If our suppliers are not financially viable, incur increased costs of delays, fail to comply with legal requirements, or otherwise fail to address these risks ~~and-or~~ meet their obligations to us, it could have a material adverse effect on our financial position, results of operations and / or cash flows. ~~-18-~~ **Risks associated with environmental, social and..... and / or cash flows.**

Our international business exposes us to additional risks, including risks related to geopolitical and economic factors, laws and regulations. Sales to customers outside the U. S. are an important component of our strategy. Our international business (including our participation in joint ventures, requirements for local content, and our global supply chain) is subject to numerous political and economic factors, legal requirements, cross- cultural considerations and other risks associated with doing business globally. These risks differ in some respects from those associated with our U. S. ~~- 17-~~ business and our exposure to such risks is expected to increase if and as our international business continues to grow. Our international business is generally subject to both U. S. and foreign laws, regulations and practices ~~, including, without limitation, ones relating to export / import controls, sanctions, technology transfers, government contracts and procurement, local participation, data privacy and protection, exchange rates and controls, the FCPA and other anti-corruption laws, anti-boycott provisions, securities laws, labor and employment, works councils and other labor groups, taxes, environment, security restrictions and intellectual property.~~ Failure by us, our employees, partners or others with whom we work to comply with applicable laws and regulations could result in administrative, civil, commercial or criminal liabilities, including suspension or debarment from government contracts or suspension of export / import privileges. Failure to comply with local practices can adversely impact our ability to win and perform business. **New regulations and requirements, or changes to existing ones in countries in which we operate can significantly increase our costs and risks of doing business internationally.** Our customers outside of the U. S. also often have the ability to terminate contracts for convenience as well as for default based on performance. Suspension or debarment, or termination of a contract due to default could have a material adverse effect on our reputation, our ability to compete for other contracts and our financial position, results of operations and / or cash flows. ~~New regulations and requirements, or changes to existing ones in countries in which we operate can significantly increase our costs and risks of doing business internationally.~~ Despite robust processes, we also face risks related to the unintended or unauthorized use of our products and resources. Changes in laws, political leadership and environment, and / or security risks may dramatically affect our ability to conduct or continue to conduct profitable business in international markets. Our international business is impacted by changes in U. S. and non- U. S. national policies and priorities, and geopolitical relationships, any of which may be influenced by changes in the **global** threat environment, political leadership, geopolitical and economic uncertainties, world events, government budgets, inflationary pressures, **sanctions imposed in countries where we do business or seek to do business,** and economic and political factors more generally. The U. S. and its allies continue to face a global security environment of heightened tensions and instability, threats from state and non- state actors, including major global powers, as well as terrorist organizations, emerging nuclear tensions, and diverse regional security concerns. Any of these factors may impact demand for our products and services, funding for programs, our ability to perform, our supply chain, export authorizations, purchasing decisions or customer payments. Global macroeconomic conditions, as well as fluctuations in foreign currency exchange rates and credit, are also likely to further impact our business. Our contracts with non- U. S. customers in some cases include terms and reflect legal requirements that create additional risks. They may include requirements to hire, invest, manufacture or purchase locally, or specific financial obligations, including offset obligations, and they may provide for significant penalties if we fail to meet such requirements. They may also require us to enter into letters of credit, performance bonds, bank guarantees or other financial arrangements. If we are dependent on **certain in-country suppliers, as in the U. S.**, we face risks related to their failure to perform in accordance with legal requirements, particularly where we rely on a sole source supplier. Our ability to sell products globally could be adversely affected if we are unable to design our products on a cost effective basis or to obtain and retain all necessary export authorizations, which the U. S. government can deny, change or revoke **for reasons outside our control**. Our business outside of the U. S. also depends on our ability to attract and retain sufficient qualified personnel with the skills and / or security clearances in the markets in which we do business. We may need to partner successfully with non- U. S. companies, including through joint ventures, teaming agreements, co- production or other arrangements. This risk includes the ability to identify and negotiate appropriate arrangements with qualified and acceptable local partners, potential exposure for their actions, and the ability effectively to terminate these arrangements. This risk is complicated further when we partner with government-affiliated entities. ~~-20-~~ The products and services we provide, including those provided by suppliers and joint ventures, are sometimes in countries with unstable governments, economic or fiscal challenges, military or political conflicts, different business practices and / or developing legal systems. This may increase the risk to our employees, suppliers or other third

parties, including for their safety, and increase our risk to a wide range of financial consequences and other liabilities, as well as loss of property or damage to our products. The occurrence and impact of these factors is difficult to predict, but one or more of them could have a material adverse effect on our financial position, results of operations and / or cash flows. **• We face various risks related to health epidemics, pandemics and similar outbreaks, which may have material adverse effects on our business, financial position, results of operations and / or cash flows. We face a wide variety of risks related to health epidemics, pandemics and similar outbreaks, especially of infectious diseases. The global health environment has contributed to business slowdowns or shutdowns, labor shortages, supply chain challenges, changes in government spending and requirements, regulatory challenges, inflationary pressures and market volatility. Although we aim to mitigate impacts of adverse changes in the global health environment, these changes can be unpredictable and we may be unable to effectively mitigate them. If a health- 18- epidemic, pandemic or similar outbreak were to occur or worsen, we likely would experience broad and varied impacts, including potentially to our workforce and supply chain, with inflationary pressures and increased costs (which may or may not be fully recoverable or insured), schedule and / or production delays, market volatility and other financial impacts. If ~~Many~~ any of our ~~or~~ or all of these items were to occur, we could experience material adverse impacts on our business, financial position, results of operations and / or cash flows. • Our future success depends, in part, on our ability to innovate, develop new products and technologies, progress and benefit from digital transformation and maintain technologies, facilities and equipment to win new competitions and meet the needs of our customers. Failure to do so or meet our** ~~contracts contractual~~ **contain performance** obligations that require innovative design capabilities, are technologically complex, require state- of- the- art manufacturing expertise or are dependent upon factors not wholly within our control. Failure to meet our contractual obligations could adversely affect our profitability, reputation and future prospects. We design, develop and manufacture technologically advanced and innovative products and services, which are applied by our customers in a variety of environments, including highly demanding operating conditions, to accomplish challenging missions .Our success depends upon our ability to develop technologically advanced,innovative and cost- effective products and services and market these products and services to our customers globally.Our ability to develop innovative and technologically advanced products depends on the talent of our workforce,continued funding for,and investment in,research and development projects,continued access to assured suppliers of important technologies and components ,**our ability to compete (including with commercial companies)** and our ability to provide the people,technologies,facilities,equipment and financial capacity needed to develop and deliver those products and services with maximum efficiency.To perform on our contracts and to win new business,we also depend increasingly on our ability to progress successfully on our digital transformation.It is increasingly necessary to meet evolving customer requirements,to differentiate our offerings,and to achieve efficiencies that we and our suppliers / partners successfully develop digital based solutions and transform our operations .~~While we are committing significant resources to these efforts,and are making good progress,our company and our suppliers / partners face various substantial challenges and we may not be fully successful with digital transformation.Our customers increasingly require us to be agile and efficient,digitally enabled and able to harness integrated digital technologies and capabilities to deliver solutions with agility and affordability~~.If we are unable to continue to develop new products and technologies in a timely fashion,and **progress successfully to effect digital solutions and transformation,or if we fail to achieve market acceptance more rapidly than our competitors,we may be unable to maintain our competitive position and our future success could be materially adversely affected.We aim to ensure that our technical solutions are responsibly developed,tested and operated** . Problems and delays in the successful development and delivery of our solutions, including as a result of issues with our design, technology or operations, digital transformation, inability to achieve learning curve assumptions, artificial intelligence, manufacturing materials or components, or subcontractor (or other supplier) performance can prevent us from meeting requirements and create significant risk and liabilities. Similarly, failures to perform on schedule or otherwise to fulfill our contractual obligations can negatively impact our financial position, reputation and ability to win future business. In addition, our products cannot be tested and proven in all situations and are otherwise subject to unforeseen problems that can negatively affect revenue, schedule and profitability, and result in loss of life or property. They include loss on launch or flight of spacecraft, loss of aviation platforms, premature failure of products that cannot be accessed for repair or replacement, unintended explosions, problems with design, quality and workmanship, country of origin of procured materials, inadequate supplier components and degradation of product performance. Factors that may affect revenue and profitability also include: inaccurate cost estimates, design issues, human factors, unforeseen costs and expenses, diversion of management focus, loss of follow- on work, replacement obligations, and repayment to the government customer of certain contract cost and fee payments previously received. Certain contracts, primarily involving space satellite systems, contain provisions that entitle the customer to recover fees in the event of failure of the system upon launch or subsequent deployment for less than a specified period of time. Under such terms, we are generally required to forfeit fees previously recognized and / or collected. If we are unable to meet our obligations, including due to issues regarding the design, development or manufacture of our products or services, or we experience launch, platform ~~or~~ ,satellite system **or other** failures, it could have a material adverse effect on our reputation, our ability to compete for other contracts and our financial position, results of operations and / or cash flows. ~~••~~ **••** Our business is subject to disruption caused by natural disasters that could adversely affect our profitability and our overall financial position. We have significant operations, including centers of excellence, located in regions that have been, and may in the future be, exposed to hurricanes, earthquakes, water levels, wildfires, windstorms, and other natural disasters. ~~For example, in recent years, our facilities in Lake Charles, LA, and Melbourne, FL, were damaged by hurricanes, which temporarily interrupted site operations and had significant adverse impacts on our employees, their families and the local communities, as well as our costs and performance.~~We expect our facilities, operations, employees and communities in the future, particularly at facilities in coastal areas and areas prone to extreme weather events and water scarcity to continue to be at risk for future natural disasters or **- 19-** other weather events (which may

be exacerbated by climate change). ~~and may in the future be exposed to significant weather events and other natural disasters.~~ Climate related changes can impact natural disasters, including weather patterns, with the increased frequency and severity of significant weather events (e.g., flooding, hurricanes and tropical storms), natural hazards (e.g., increased wildfire risk), rising mean temperature and sea levels, and long-term changes in precipitation patterns (e.g., drought, desertification, and / or poor water quality). ~~Increased worldwide focus on climate change has led to legislative~~ **If a natural disaster occurs, our operations could be interrupted, our employees could be impacted, we could incur significant costs** and ~~regulatory efforts to our performance could be adversely affected.~~ Our subcontractors and other suppliers have also been, and may in the future be, subject to natural disasters that could cause disruption and affect their ability to deliver or perform. Disruptions also impact the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs, or result in a lack of available coverage. Although we take steps to mitigate these risks, including considering them in determining where to put new businesses, the damage and disruption resulting from natural disasters, which may increase, as well as delays in recovery, may be significant. If insurance or other sources are unavailable or insufficient to recover all costs or if we experience a significant disruption to our business due to a natural disaster, it could have a material adverse effect on our financial position, results of operations and / or cash flows. ~~• -21-~~ We provide products and services, including related to hazardous and high risk operations, which subjects us to various environmental, regulatory, financial, reputational and other risks. We provide products and services related to hazardous and high risk operations. Among other such operations, our products and services are used in nuclear-related activities (including nuclear-powered platforms) and used in support of nuclear-related operations of third parties. In addition, certain of our products are provided with space and missile launches. We use and provide energetic materials, including in propulsion systems, which include products that involve highly explosive or flammable elements. We develop missile systems, and counter systems, including strategic deterrents, as well as subsystems and components. These and other activities subject us to various extraordinary risks, including (1) potential liabilities relating to nuclear or non-nuclear launch-related incidents, unintended initiation of energetic materials and explosions, including risk of personal injury, property damage and environmental harm; (2) harmful effects on the environment and human health that may result from nuclear-related activities, operations or incidents; the storage, handling and disposal of radioactive materials; and the development, testing and use of energetics, including in propulsion systems, and unintended explosions or releases and (3) to failed launches. We may be subject to reputational harm and potential liabilities arising out of such incidents or hazardous operations, whether or not the cause was within our control, and insurance may not be reasonably available. Under some circumstances, the U. S. government and prime contractors may provide for certain indemnification and other protection, including pursuant to, or in connection with, Public Law 85- 804, 10 U. S. C. ~~2354~~ **3861**, the Price- Anderson Nuclear Industries Indemnity Act, the NASA Space Act, the Commercial Space Launch Act and the Terrorism Risk Insurance Reauthorization Act, for certain risks, but those protections may not be available or adequate. Certain of our products, such as medium and large caliber ammunition and propulsion systems, involve the use, manufacture and / or handling of a variety of explosive and flammable materials **or other hazardous substances**. These activities have resulted and may result in incidents that cause workplace injuries and fatalities, the temporary shut down or other disruption of manufacturing, production delays, environmental harm and expense, fines and liabilities to third parties. We have safety and loss prevention programs, which provide for pre-construction reviews, along with safety audits of operations involving explosive materials, to attempt to mitigate some such incidents, as well as potentially insurance coverage and indemnification, but they may not be successful. In addition, our customers may use ~~or misuse~~ our products and services in ways that can be unusually hazardous or risky, or in ways that are not intended, which may create potential liabilities for our company, as well as reputational harm. If any of these risks were to materialize (e. g. if there was a nuclear incident, or an incident related to launch activities or the use of energetics or propulsion systems), and if insurance coverage or indemnification or other protection was not fully available, it could adversely affect our reputation and have a material adverse effect on our financial position, results of operations and / or cash flows. ~~• -~~ We may be unable fully to exploit or adequately to protect intellectual property rights, which could materially affect our ability to compete, our reputation and our financial position, results of operations and / or cash flows. To perform on our contracts and to win new business, we depend on our ability to develop, protect and exploit our intellectual property and also to access the intellectual property of others under reasonable terms. Increasing demands from our customers to access and obtain rights in our intellectual property, and positions taken by our suppliers and competitors challenge our ability to exploit, protect and access intellectual property. ~~- 20-~~ We own many forms of intellectual property, including U. S. and foreign patents, trademarks, copyrights and trade secrets and we license or otherwise obtain access to various intellectual property rights of third parties. The U. S. government and certain foreign governments hold licenses or other rights to certain intellectual property that we develop in performance of government contracts, and at times seek to use or authorize others to use such intellectual property, including in competition with us and including where we do not believe they are entitled to do so. Governments continue to increase efforts to assert or obtain more extensive rights in intellectual property, which could reduce our ability to develop, protect and exploit certain of our intellectual property rights and to compete. Governments also decline at times to make intellectual property of others available to us under acceptable terms. We rely significantly upon proprietary technology, information, processes and know-how. We typically seek to protect this information, including by entering into intellectual property agreements with our employees and other parties such as consultants, teammates and subcontractors. These agreements and other measures may not provide adequate protection for our trade secrets and other proprietary information. In the event of an infringement of such intellectual property rights, a breach of a confidentiality agreement, a misuse or theft of our intellectual property or ~~-22-~~ divulgence of proprietary information, we may not have adequate legal remedies. In addition, our trade secrets or other proprietary information may otherwise become known or be independently developed by competitors. In some instances, our ability to win or perform contracts requires us to use third party intellectual property. This may require the government or our customer to provide rights to such third party intellectual property, or that we are able to negotiate directly with third parties to obtain necessary rights on reasonable terms.

That may not be practicable. Our intellectual property is subject to challenge, invalidation, misappropriation or circumvention by third parties. Our access to and use of intellectual property licensed or otherwise obtained from third parties is also subject to challenges. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management's attention. Moreover, the laws concerning intellectual property rights vary among countries and the protection provided to our intellectual property by foreign laws and courts may not be favorable. If we are unable adequately to exploit our intellectual property rights, to protect our intellectual property rights, to obtain rights to intellectual property of others, it could have a material adverse effect on our reputation, ability to compete for and perform on contracts, financial position, results of operations and / or cash flows. **Our future success depends, in..... operations and / or cash flows.** General and Other Risk Factors **Our insurance coverage, customer indemnifications or other liability protections may be unavailable or inadequate to cover all of our significant risks, which could adversely affect our profitability and overall financial position. We endeavor to obtain insurance from financially solid, responsible, highly rated counterparties in established markets to cover significant risks and liabilities (including, for example, natural disasters, space launches and on- orbit operations, cyber security, hazardous operations, energetics and products liability). Not every risk or liability can be insured, and insurance coverage is not always reasonably available. The policy limits and terms of coverage reasonably obtainable may not be sufficient to cover actual losses or liabilities. For example, the space and property insurance markets are experiencing increased price volatility and capacity constraint. Due to recent increases in the frequency and severity of losses, insurers are decreasing limits, increasing pricing and some may exit the market.** Even if insurance coverage is available, we are not always able to obtain it at a price or on terms acceptable to us or without increasing exclusions. Disputes with insurance carriers over the availability of coverage, and the insolvency of one or more of our insurers has affected and may continue to affect the availability or timing of recovery, as well as our ability to obtain ~~23~~ insurance coverage at reasonable rates in the future. In some circumstances we may be entitled to certain legal protections or indemnifications from our customers through contractual provisions, laws or otherwise. However, these protections are not always available, are difficult to negotiate and obtain, are typically subject to certain terms or limitations, including the availability of funds, and may not be sufficient to cover our losses or liabilities. If insurance coverage, customer indemnifications and / or other legal protections are not available or are not sufficient to cover risks or losses, it could have a material adverse effect on our financial position, results of operations and / or cash flows. **Pension and other postretirement benefit (OPB) obligations and related expenses and funding requirements may fluctuate significantly depending upon investment performance of plan assets, changes in actuarial assumptions, and legislative or other regulatory actions. - 21-** The company's pension and OPB obligations and related expenses are dependent upon the investment performance of plan assets and various assumptions, including discount rates, mortality and the estimated long- term rates of return on plan assets. Changes in assumptions associated with our pension and OPB plans, investment performance of plan assets, and gains or losses associated with changes in valuation of marketable securities related to our non- qualified plans and other non- operating assets could have a material adverse effect on our financial position, results of operations and / or cash flows. Funding requirements for our pension plans, including Pension Benefit Guaranty Corporation premiums, are subject to legislative and other government regulatory actions. In accordance with government regulations, pension plan cost recoveries under our U. S. government contracts may occur in different periods from when they are recognized for financial statement purposes or when pension funding is made. These timing differences, as well as government challenges to pension and OPB cost recovery, could have a material adverse effect on our financial position, results of operations and / or cash flows. **Business investments and / or recorded goodwill and other long- lived assets may become impaired, resulting in substantial losses and write- downs that would reduce our operating income. Goodwill is an intangible asset that we recognize in connection with acquisitions of third- party businesses. Goodwill accounts for approximately 40-38 percent of our total assets as of December 31, 2022-2023 . Other long- lived assets principally comprise property, plant and equipment (PP & E) used in operating our business. The cost of PP & E utilized in support of our commercial business, including approximately \$ 500 million of PP & E used in our commercial space business, is not allocable to government contracts and is therefore subject to greater recoverability risk than PP & E utilized in support of our U. S. government contracts . Although the we currently have excess fair value of our reporting units over and the net realizable value of our other long- lived assets currently exceed their respective carrying values, changes in business conditions , or in the market- based inputs used in our goodwill impairment test , or our assumptions related to the recoverability of our long- lived assets , could result in significant write- offs of goodwill or other long- lived assets, which could have a material adverse effect on our financial condition and / or results of operations.**