

## Risk Factors Comparison 2024-02-27 to 2023-03-01 Form: 10-K

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

In addition to the risks stated elsewhere in this annual report, set forth below are certain risk factors that we believe are material. If any of these risks occur, our business, financial condition, results of operations, cash flows and reputation could be harmed. You should also consider these risk factors when you read “ forward- looking statements ” elsewhere in this report. You can identify forward- looking statements by terms such as “ may, ” “ hope, ” “ will, ” “ could, ” “ should, ” “ expect, ” “ plan, ” “ anticipate, ” “ intend, ” “ believe, ” “ estimate, ” “ predict, ” “ potential ” or “ continue, ” the negative of those terms or other comparable terms. Those forward- looking statements are only predictions and can be adversely affected if any of these risks occur.

**Risks Related to Our Business** Our business and some of the markets we serve are cyclical and distressed market conditions could have a material adverse effect on our business. The markets in which we sell our products and solutions, particularly wafer fab equipment for semiconductor manufacturing, chemical companies, petroleum refineries, heavy- duty trucking, and capital equipment are, to varying degrees, cyclical and have historically experienced periodic downturns. Prior downturns have been characterized by diminished product demand, excess manufacturing capacity and subsequent erosion of average selling prices in these markets resulting in negative effects on our net sales and results of operations. The wafer fab equipment for semiconductor manufacturing market, has historically been characterized by rapid changes in demand due to changes in electronics demand, economic conditions (both general and in the semiconductor and electronics industries), industry supply and demand, prices for semiconductors, and the ability of fabricators to manufacture increasingly complex and costly semiconductor devices. A prolonged and severe downward cycle in our markets, particularly in our semiconductor markets, could have a material adverse effect on our business, financial condition, results of operations and cash flows. We face intense competition that could have a material adverse effect on our business. We encounter intense competition in almost all areas of our businesses. Customers for many of our products and solutions are attempting to reduce the number of vendors from which they purchase. To remain competitive, we need to invest continuously in manufacturing, marketing, customer service and support and our distribution networks. We also need to develop new products and solutions to continue to meet the needs and desires of our customers. We may not have sufficient resources to continue to make such investments or maintain our competitive position. Additionally, some of our competitors are larger than we are and have substantially greater financial resources than we do. As a result, they may be better able to withstand the effects of periodic economic downturns. Certain of our products and solutions may also experience transformation from unique branded products to undifferentiated price sensitive products and solutions. This commoditization may be accelerated by low- cost foreign competition. Changes in the replacement cycle of certain of our products and solutions, including because of improved product and service quality or improved maintenance, may affect aftermarket demand for such products and solutions. Initiatives designed to distinguish our products and solutions through superior service, continuous improvement, innovation, customer relationships, technology, new product acquisitions, bundling with key services, long- term contracts or market focus may not be effective. Pricing and other competitive pressures could adversely affect our business, financial condition, results of operations and cash flows. The reliance of our Advanced Surface Technologies segment on a small number of significant customers may adversely affect our financial results. A majority of the revenues of our Advanced Surface Technologies segment are derived from manufacturing, cleaning, coating and refurbishing components used in advanced node semiconductor manufacturing equipment. Due to consolidation in the semiconductor manufacturing equipment industry, a small number of companies control a significant majority of the global production of semiconductor manufacturing equipment. As a result, the segment is dependent on certain key relationships with customers in that industry, including a customer that accounted for approximately ~~27-26~~ % of our ~~2022-2023~~ consolidated net sales, and the loss of the segment’ s relationship with that customer or other key customers or other adverse changes in the segment’ s relationships with those customers could have a material adverse effect on our business, financial condition, results of operations and cash flows. Consolidation among our customers, or a decision by any one or more of our customers to no longer outsource the type of solutions provided by our Advanced Surface Technologies segment, may further concentrate our business in a limited number of customers and expose us to increased risks relating to dependence on an even smaller number of customers. If we fail to retain the agents and distributors upon whom we rely to market our products, we may be unable to effectively market our products and our revenue and profitability may decline. The marketing success of many of our businesses in the U. S. and abroad depends largely upon our independent agents’ and distributors’ sales and service expertise and relationships with customers in our markets. Many of these agents have developed strong ties to existing and potential customers because of their detailed knowledge of our products. A loss of a significant number of these agents or distributors, or of a particular agent or distributor in a key market or with key customer relationships, could significantly inhibit our ability to effectively market our products, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Increased costs for raw materials, the termination of existing supply arrangements or other disruptions of our supply chain has had, and could continue in the future to have, a material adverse effect on our business. We have seen organic changes related to price increases of raw materials over the past several years. The prices for most of the some of our raw materials we purchase increased in 2022. ~~In addition to organic changes in the prices of raw materials, the prices of some of our raw materials may~~ continue to increase due to supply chain limitations or the imposition (or announcement of the intended imposition) of new or increased tariffs or changes in trade laws. While we have been successful in passing along some of these higher costs, there can be no assurance we will be able to continue doing so without losing customers. Similarly, the loss of a key supplier, the unavailability of a key raw material, or other disruptions of our supply chain

could adversely affect our business, financial condition, results of operations and cash flows. In addition, we have limited sources for certain key raw materials and other supplies. If we are unable to protect our intellectual property rights and knowledge relating to our products and services, our business and prospects may be negatively impacted. We believe that proprietary products, processes, and technology are important to our success. If we are unable to adequately protect our intellectual property and know-how, our business and prospects could be negatively impacted. Our efforts to protect our intellectual property through patents, trademarks, service marks, domain names, trade secrets, copyrights, confidentiality, non-compete and nondisclosure agreements and other measures may not be adequate to protect our proprietary rights. Patents issued to third parties, whether before or after the issue date of our patents, could render our intellectual property less valuable. Questions as to whether our competitors' products or services infringe our intellectual property rights or whether our products and services infringe our competitors' intellectual property rights may be disputed. In addition, intellectual property rights may be unavailable, limited or difficult to enforce in some jurisdictions, which could make it easier for competitors to capture market share in those jurisdictions. Our competitors may capture market share from us by selling products that claim to mirror the capabilities of our products or technology. Without sufficient protection nationally and internationally for our intellectual property, our competitiveness worldwide could be impaired, which would negatively impact our growth and future revenue. As a result, we may be required to spend significant resources to monitor and enforce our intellectual property rights. Failure to maintain or renew licenses to certain intellectual property rights could adversely affect our business, financial condition, results of operations and cash flows. In general, we are the owner of the rights to the products and services that we manufacture and provide. However, we also license certain intellectual property from various entities. These licenses are subject to renewal and it is possible we may not successfully renegotiate these licenses or they could be terminated in the event of a material breach. If this were to occur, our business, financial condition, results of operations and cash flows could be adversely affected. Our products and solutions are often used in critical applications, which could expose us to potentially significant product liability, warranty and other claims and recalls. Our insurance coverage may be inadequate to cover all of our significant risks or our insurers may deny coverage of material losses we incur, which could adversely affect our profitability and overall financial condition. Our products and solutions are often used in critical applications in demanding environments, including in the nuclear, oil and gas, automotive, aerospace and pharmaceutical industries. Accordingly, product and service failures can have significant consequences and could result in significant product liability, warranty and other claims against us, regardless of whether our products and services caused the incident that is the subject of the claim, and we may have obligations to participate in the recall of products in which our products are components, if any of the components or services we supply prove to be defective. We endeavor to identify and obtain in established markets insurance agreements to cover certain significant risks and liabilities, though insurance against some of the risks inherent in our operations (such as insurance covering downstream customer product recalls) is either unavailable or available only at rates or on terms that we consider excessive. Depending on competitive conditions and other factors, we endeavor to obtain contractual protection against uninsured risks from our customers, including limitations on liability and indemnification. In some cases, we are unable to obtain such contractual protections, and when we do, such contractual protection may not be as broad as we desire, may not be supported by adequate insurance maintained by the customer, or may not be fully enforceable in the jurisdictions in which our customers are located. Such insurance or contractual protection may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. A successful claim or product recall for which we are not insured or for which we are underinsured could have a material adverse effect on us. Additionally, disputes with insurance carriers over coverage may affect the timing of cash flows and, if litigation with the carrier becomes necessary, an outcome unfavorable to us may have a material adverse effect on our results of operations. Our business may be adversely affected by information technology disruptions. Our business may be impacted by information technology disruptions, including information technology attacks. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data or corporate funds, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data (our own or that of third parties). We have experienced cybersecurity attacks and, while we believe that we have adopted appropriate measures and procedures to mitigate potential risks to our systems from information technology-related disruptions, it is possible that a cybersecurity attack could be successful in breaching the measures and procedures designed to protect our systems. In such an event, we could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, misappropriation of corporate funds, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and / or damage to our reputation, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows. A failure to develop new or improved products and solutions may result in a significant competitive disadvantage. In order to maintain our market positions and margins, we need to continually develop and introduce high-quality, technologically advanced and cost-effective products and solutions on a timely basis, in many cases in multiple jurisdictions around the world. The failure to do so could result in a significant competitive disadvantage that could materially adversely affect our results of operations. The loss of key personnel and an inability to attract and retain qualified employees could have a material adverse effect on our operations. We are dependent on the continued services of our leadership team. The loss of these personnel without adequate replacement could have a material adverse effect on our operations. Additionally, we need qualified managers and skilled employees with technical and industry experience in many locations in order to operate our business successfully. From time to time, there may be a shortage of skilled labor, which may make it more difficult and expensive for us to attract and retain qualified employees. If we were unable to attract and retain sufficient numbers of qualified individuals or our costs to do so were to increase significantly, our operations and results of operations could be materially adversely affected. Our business with the

U. S. government is subject to government contracting risks. Our business with government agencies, including sales to prime contractors that supply these agencies, is subject to government contracting risks. U. S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. In addition, if we or one of our divisions were charged with wrongdoing with respect to a U. S. government contract, the U. S. government could suspend us from bidding on or receiving awards of new government contracts pending the completion of legal proceedings, and if we are found liable, we could subject us to fines, penalties, repayments and treble and other damages, and / or debarment from bidding on or receiving new awards of U. S. government contracts. Climate change and legal or regulatory responses thereto may have an adverse impact on our business and results of operations ~~and corporate sustainability efforts by suppliers may restrict the availability of raw materials critical to certain of our products~~.

There is growing concern that a gradual increase in global average temperatures as a result of increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Many of our manufacturing facilities use significant amounts of electricity generated by burning fossil fuels, which releases carbon dioxide. Such climate change may impair our production capabilities, disrupt our supply chain or impact demand for our products. Growing concern over climate change also may result in additional legal or regulatory requirements designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment. Increased energy or compliance costs and expenses as a result of increased legal or regulatory requirements may cause disruptions in, or an increase in the costs associated with, the manufacturing and distribution of our products. The impacts of climate change and legal or regulatory initiatives to address climate change could have a long-term adverse impact on our business and results of operations. If we fail to achieve or improperly report on our progress toward achieving our goals and commitments to reduce our carbon footprint or in environmental and sustainability programs and initiatives, the results could have an adverse impact on our business, financial position, results of operations or cash flows.

**Corporate sustainability initiatives Evolving regulatory restrictions on per- and polyfluoroalkyl substances (PFAS) may restrict the manufacture or use of fluoropolymers, including PTFE, which are currently included as critical components in certain of our products. In February 2023, the European Chemical Agency (ECHA) proposed several options for restricting the manufacture, import and use of PFAS in the EU under the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations, potentially including PTFE and / or the fluorosurfactants that our suppliers use to manufacture PTFE. ECHA is in the process of evaluating these proposed options and preparing opinions on the socio- economic, environmental and health impacts of the proposal for consideration** by suppliers could restrict the availability of raw materials critical to the manufacture of certain of our products. Recently, two major global suppliers of PTFE resins announced their-- **the European Commission** intention, as part of their corporate sustainability initiatives, to discontinue the production of PTFE resins that are manufactured with the use of fluorosurfactants. PTFE resins are a critical raw material in the manufacture of certain of the products of our Sealing Technologies segment. While these actions are not expected to directly impact our ability to manufacture many of those products, as PTFE resins are currently available from **a critical raw material in the manufacture of certain of our products, and are included as components of several of our final products. If the manufacture or use of PTFE resins were restricted by this or other emerging regulations in sources, similar actions by other-- the existing coming years, or if a substantial number of our suppliers discontinued could limit or restrict our ability to manufacture those products-production**. In that event **of PTFE resins due to regulatory pressures**, and if we were unable to develop products using substitute materials that provide the same reliability and performance as our current products ~~manufactured with PTFE resins~~, our results of operations could be adversely affected. Our business could be materially adversely affected by numerous other risks, including rising healthcare costs, changes in environmental laws and other unforeseen business interruptions. Our business may be negatively impacted by numerous other risks. For example, medical and other healthcare costs may continue to grow faster than general inflation or employees may receive more or higher cost services in future periods. Initiatives to address these costs, such as consumer driven health plan packages, may not successfully reduce these expenses to the extent expected or required. Failure to offer competitive employee benefits may result in our inability to recruit or maintain key employees. Other risks to our business include potential changes in environmental rules or regulations, which could negatively impact our manufacturing processes, or changes to the magnitude of costs at existing environmental sites. Use of certain chemicals and other substances could become restricted or such changes may otherwise require us to incur additional costs which could reduce our profitability and impair our ability to offer competitively priced products. Additional risks to our business include global or local events which could significantly disrupt our operations. Certain of our facilities are located in areas at risk for hurricanes, earthquakes, wildfires and / or flooding. Such natural disasters, as well as terrorist attacks, political insurgencies, pandemics and electrical grid disruptions and outages are some of the unforeseen risks that could negatively affect our business, financial condition, results of operations and cash flows. Risks Related to ~~the COVID-19 pandemic~~ **The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our business and results of operations** ~~The COVID-19 pandemic has adversely affected our business and consolidated financial results in the past and could have an adverse impact on our business and consolidated financial results during 2023, and we are unable to determine the extent, duration, or nature of its continuing impact at this time. The intensity, duration and governmental responses to the pandemic, as well as the pace of vaccination efforts and the emergence of new variants of the virus that cause COVID-19, are all highly uncertain and could contribute to the ultimate impact on our business which is conducted globally.~~ Our **Acquisition** customers are principally global manufacturers and the impact of the COVID-19 pandemic on general economic conditions, and more deleterious effects in certain regions or on certain markets have had and may continue to have negative implications on demand for their goods and consequently on their demand for our products and services. Due to the scope of our operations, and our sale to customers around the world, the impact of the COVID-19 pandemic on our operations and the demand for our products and solutions may not coincide with impacts experienced in the United States in the event that the impacts in the

~~United States continue to improve over time due to increased vaccinations or improved medical treatments. Accordingly, to the extent that the impact of the COVID-19 pandemic in the United States may improve over time, we may continue to be adversely affected by COVID-19 impacts in other areas of the world.~~ **Risks Related to Our M & A Activities** We have made and expect to continue to make acquisitions, which could involve certain risks and uncertainties. We expect to continue to make acquisitions in the future. Acquisitions involve numerous inherent challenges, such as properly evaluating acquisition opportunities, properly evaluating risks and other diligence matters, ensuring adequate capital availability and balancing other resource constraints. There are risks and uncertainties related to acquisitions, including: difficulties integrating acquired technology, operations, personnel and financial and other systems; unrealized sales expectations from the acquired business; unrealized synergies and cost savings; unknown or underestimated liabilities; diversion of management attention from running our existing businesses; and potential loss of key management, employees or customers of the acquired business. In addition, internal controls over financial reporting of acquired companies may not be up to required U. S. public company standards. Our integration activities may place substantial demands on our management, operational resources and financial and internal control systems. Customer dissatisfaction or performance problems with an acquired business, technology, service or product could also have a material adverse effect on our reputation and business.

**Risks Related to Our Prior Ownership of Disposed Businesses** We have exposure to some contingent liabilities relating to previously owned businesses, which could have a material adverse effect on our financial condition, results of operations, and cash flows in any fiscal period. We have contingent liabilities related to discontinued operations and previously owned businesses of our predecessors, including environmental liabilities and liabilities for certain products and other matters. In some instances we have indemnified others against those liabilities, and in other instances we have received indemnities from third parties against those liabilities. For example, in 2014 when our then Fairbanks Morse division and a consortium partner entered into a multi- year arrangement with Electricite de France (" EDF") to supply opposed- piston, diesel engine generator set to EDF for emergency backup power at 20 of EDF' s nuclear power plants in France, ~~EnPro Enpro Industries, Inc.~~ guaranteed the performance of Fairbanks Morse' s obligations under agreements with our consortium partner, which guarantee continues to be in place following our sale of Fairbanks Morse, though both Fairbanks Morse and the purchaser of Fairbanks Morse have agreed to indemnify us for any payments we are required to make pursuant to such guarantee. Claims could arise relating to products, facilities, employees or former employees, or other matters related to our discontinued operations. Some of these claims could seek substantial monetary payments. For example, ~~EnPro Enpro~~ has entered into an Administrative Settlement Agreement and Order on Consent for Interim Removal Action with the Environmental Protection Agency for the assessment and potential remediation of eight surface uranium mines in Arizona on the basis that our EnPro Holdings subsidiary, through which we hold most of our operating subsidiaries, was a potentially responsible party under federal environmental laws as the successor to a former operator in the 1950s of those mines. Further, we could potentially be liable with respect to firearms manufactured prior to March 1990 by Colt Firearms, a former operation of a corporate predecessor of EnPro Holdings, and electrical transformers manufactured prior to May 1994 by Central Moloney, another former operation of that corporate predecessor. We have established reserves related to some of these liabilities based upon our best estimates in accordance with generally accepted accounting principles in the United States. However, if our insurance coverage is depleted or our reserves are not adequate, environmental and other liabilities relating to discontinued operations could have a material adverse effect on our financial condition, results of operations and cash flows.

**Risks Related to Our International Operations** We conduct a significant amount of our sales and service activities outside of the U. S., which subjects us to additional business risks, including foreign exchange risks, that may cause our profitability to decline. Because we sell our products and provide services in a number of foreign countries, we are subject to risks associated with doing business internationally. In ~~2022~~ **2023**, we derived approximately ~~37~~ **40** % of our net sales from sales of our products and solutions outside of the U. S. Outside the U. S., we operate ~~12~~ **6** primary manufacturing and service facilities (approximately 50, 000 square feet or larger) located in 5 countries. Our sales and operating activities outside of the U. S. are, and will continue to be, subject to a number of risks, including: • unfavorable fluctuations in foreign currency exchange rates, including long- term contracts denominated in foreign currencies; • adverse changes in foreign tax, legal and regulatory requirements; • political and economic instability, including ~~instabilities associated with the armed conflict in Ukraine and~~ any conflict or threat of conflict that may affect Taiwan; • difficulty in protecting intellectual property; • government embargoes, tariffs and trade protection measures, such as “ anti- dumping ” duties applicable to classes of products, and import or export licensing requirements, as well as the imposition of trade sanctions against a class of products imported from or sold and exported to, or the loss of “ normal trade relations ” status with, countries in which we conduct business, could significantly increase our cost of products or otherwise reduce our sales and harm our business; • cultural norms and expectations that may sometimes be inconsistent with our Code of Conduct and our requirements about the manner in which our employees, agents and distributors conduct business; • differing labor regulations; and • acts of hostility, terror or war. Any of these factors, individually or together, could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, tapered roller bearings manufactured at our facilities in China that are imported into the United States before re- sale to customers are currently subject to “ anti- dumping ” duties imposed by the U. S. Department of Commerce based on its periodic review and analysis of our manufacturing and selling activities or the manufacturing and selling activities of larger Chinese suppliers of these products. Such duties, if imposed at higher levels, could materially adversely affect the commercial competitiveness of these products, which could adversely affect the business and results of operations of our Sealing Technologies segment. Our operations outside the United States require us to comply with a number of United States and international regulations. For example, we are subject to the Foreign Corrupt Practices Act (the “ FCPA ”), which prohibits United States companies or their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. Our activities in countries outside the United States create the

risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of the FCPA, even though these parties are not always subject to our control. We have internal control policies and procedures and have implemented training and compliance programs with respect to the FCPA. However, we cannot assure that our policies, procedures and programs always will protect us from reckless or criminal acts committed by our employees or agents. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances. In addition, we are subject to and must comply with all applicable export controls and economic sanctions laws and embargoes imposed by the United States and other various governments. Changes in export control or trade sanctions laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to compliance programs and increase compliance costs, and violations of these laws or regulations may subject us to fines, penalties and other sanctions, such as loss of authorizations needed to conduct aspects of our international business or debarments from export privileges. Violations of the FCPA or export controls or sanctions laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, financial condition, results of operations, and cash flows. We intend to continue to pursue international growth opportunities, which could increase our exposure to risks associated with international sales and operations. As we expand our international operations, we may also encounter new risks that could adversely affect our revenues and profitability. For example, as we focus on building our international sales and distribution networks in new geographic regions, we must continue to develop relationships with reputable and qualified local agents, distributors and trading companies. If we are not successful in developing these relationships, we may not be able to increase sales in these regions. Failure to properly manage these risks could adversely affect our business, financial condition, results of operations and cash flows.

**Risks Related to Our Capital Structure** Our debt agreement and the indenture governing our senior notes impose limitations on our operations, which could impede our ability to respond to market conditions, address unanticipated capital investments and / or pursue business opportunities. The agreement governing our senior secured revolving credit facility and the indenture governing our senior notes impose limitations on our operations, such as limitations on certain restricted payments, investments, incurrence or repayment of indebtedness, and maintenance of a consolidated net leverage ratio and an interest coverage financial ratio. In addition, the indenture governing our senior notes contains limitations on certain restricted payments, investments and incurrence or repayment of indebtedness. These limitations could impede our ability to respond to market conditions, address unanticipated capital investment needs and / or pursue business opportunities. We may not have sufficient cash to fund a required repurchase of our senior notes upon a change of control. Upon a change of control, as defined under the indenture governing our senior notes and includes events that may be beyond our control, the holders of our senior notes have the right to require us to offer to purchase all of our senior notes then outstanding at a price equal to 101 % of their principal amount plus accrued and unpaid interest. In order to obtain sufficient funds to pay the purchase price of the outstanding notes, we expect that we would have to refinance our senior notes. We cannot assure you that we would be able to refinance our senior notes on reasonable terms, if at all. Our failure to offer to purchase all outstanding notes or to purchase all validly tendered notes would be an event of default under the indenture governing our senior notes. Such an event of default may cause the acceleration of our other debt. We may incur increased interest expense as a result of our variable rate debt. Borrowings under our **Revolving revolving Credit credit Facility facility** and our **Term-term Loan-loan Facilities facilities** incur interest which is variable based on fluctuations in the referenced **SOFR** ("Secured Overnight Financing Rate ("**SOFR**")). Increases in the referenced SOFR will increase the Company's borrowing costs and negatively impact financial results and cash flows.

**Risks Related to Ownership of Our Common Stock** The market price of our common stock may be volatile. A relatively small number of shares are normally traded in any one day and higher volumes could have a significant effect on the market price of our common stock. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section and elsewhere in this report or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. Because our quarterly revenues and operating results may vary significantly in future periods, our stock price may fluctuate. Our revenue and operating results may vary significantly from quarter to quarter. A high proportion of our costs are fixed, due in part to significant selling and manufacturing costs. Small declines in revenues could disproportionately affect operating results in a quarter and the price of our common stock may fall. Other factors that could significantly affect quarterly operating results include, but are not limited to: • demand for our products and services; • the timing and execution of customer contracts; • the timing of sales of our products and services; • contractual penalties for late delivery of long- lead- time products; • increases in costs due to equipment or labor issues; • changes in foreign currency exchange rates; • changes in applicable tax rates; • an impairment of goodwill or other intangibles at one of our reporting units; • unanticipated delays or problems in introducing new products; • announcements by competitors of new products, services or technological innovations; • changes in our pricing policies or the pricing policies of our competitors; • increased expenses, whether related to sales and marketing, raw materials or supplies, product development or administration; • major changes in the level of economic activity in major regions of the world in which we do business; • costs related to possible future acquisitions or divestitures of technologies or businesses; • an increase in the number or magnitude of product liability or environmental claims; • our ability to expand our operations and the amount and timing of expenditures related to expansion of our operations, particularly outside the U. S.; and • economic assumptions and market factors used to determine postretirement benefits and pension liabilities. Various provisions and laws could delay or prevent a change of control. The anti- takeover provisions of our articles of incorporation and bylaws and provisions of North Carolina law could delay or prevent a change of control or may impede the ability of the holders of our common stock to change our management. In particular, our articles of incorporation and bylaws, among other things: • require a supermajority shareholder vote to approve any business combination

transaction with an owner of 5 % or more of our shares unless the transaction is recommended by disinterested directors; • limit the right of shareholders to remove directors and fill vacancies; • regulate how shareholders may present proposals or nominate directors for election at shareholders' meetings; and • authorize our board of directors to issue preferred stock in one or more series, without shareholder approval. Future sales of our common stock in the public market could lower the market price for our common stock. In the future, we may sell additional shares of our common stock to raise capital or issue shares of common stock as consideration in connection with an acquisition. In addition, a reasonable number of shares of our common stock are reserved for issuance under our equity compensation plans, including shares to be issued upon the vesting of restricted stock or unit grants or performance share awards. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sales of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock.