Risk Factors Comparison 2023-11-17 to 2022-11-18 Form: 10-K

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The following summarizes important factors that could individually, or together with one or more other factors, affect our business, ~~results of operations,~~ financial condition **, results of operations** , and / or cash flows: ~~COVID- 19 Pandemic Risks The global COVID- 19 pandemic (COVID- 19) has led to significant volatility in virtually all product, service and economic markets, including financial markets, commodities (including oil and gas) and other industries (including the aviation industry), which has impacted our business, financial results and the achievement of our strategic objectives. Global health concerns pertaining to COVID- 19 and related government actions taken to reduce the spread of the virus and otherwise in response to the effects of the virus have impacted the economic environment, significantly increased economic uncertainty and reduced economic activity. The pandemic has also caused disruptions in global trade and labor markets. These have impacted global supply chain, which could impact the timeliness of shipments. COVID- 19 has adversely impacted, and will continue to adversely impact, our business, operations, financial condition, capital and results of operations. The extent of these impacts, particularly over time, depends on future developments, which are highly uncertain and difficult to predict, including, but not limited to, (i) the duration and magnitude of the pandemic, (ii) the actions taken to contain the virus or treat its impact, (iii) the impact of economic stimulus measures, and (iv) the extent to which economic and operating conditions and consumer and business spending return to their pre- pandemic levels. The spread of COVID- 19 has caused us to modify our business practices and operations, including enhancing our operations management teams and global supply chain to ensure the Company is efficiently utilizing inventory on hand, as well as increasing our internal processing capabilities. Moreover, we expect that the effects of the COVID- 19 pandemic will heighten many of the other risks described herein.~~ Industry Risks We operate in highly competitive industries and, if we are unable to compete effectively in one or more of our markets, our business, financial condition **,** and results of operations will be adversely affected. We face intense competition from a number of established competitors in the United States and abroad, some of which are larger in size or are divisions of large, diversified companies with substantially greater financial resources. In addition, global competition continues to increase. Changes in competitive conditions, including the availability of new technologies, products and services, the introduction of new channels of distribution, changes in OEM and aftermarket pricing, and further consolidation of companies in our industries, could impact our relationships with our customers and may adversely affect future sales and margins, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Further, the markets in which we operate experience rapidly changing technologies and frequent introductions of new products and services. ~~The~~ **Our technologies and the** technological expertise we have developed and maintained could become less valuable if a competitor were to develop a ~~breakthrough~~ **new** technology that would allow it to match or exceed the performance of existing technologies at a lower cost. If we are unable to develop competitive technologies, future sales or earnings could be lower than expected, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. A significant portion of our revenue is concentrated among a relatively small number of customers, which makes our business more vulnerable to fluctuations in sales to these customers and changes in their financial condition. A significant portion of our revenue is concentrated among a relatively small number of customers. We have fewer customers than many companies with similar sales volumes. For the fiscal year ended September 30, ~~2022~~ **2023** , sales to our largest 5 customers represented approximately ~~43~~ **40** % of our consolidated net sales and approximately ~~41~~ **38** % of our accounts receivable. If any of our significant customers were to change suppliers, in- source production, institute significant restructuring or cost- cutting measures, or experience financial distress, these significant customers may substantially reduce, or otherwise be unable to pay for, purchases from us. Accordingly, our consolidated net sales could decrease significantly, or we may experience difficulty collecting, or be unable to collect, amounts due and payable ~~, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. In October 2018 and March 2019, two commercial aircraft accidents led to the grounding by the Federal Aviation Administration (" FAA ") and other regulators of the Boeing 737 MAX aircraft, on which we have significant content. The grounding of the Boeing 737 MAX aircraft by the FAA and other regulators, which started in March of 2019 and continued through November 2020, caused deliveries of that aircraft to be zero in fiscal year 2020. As the aircraft return to service progresses, having been recertified in every jurisdiction except China, we anticipate a large majority of the deliveries missed in fiscal years 2019 through 2022 will be fulfilled in future periods, although at a slower rate than previously estimated. Although we anticipate a slow recovery of the OEM and a slightly better recovery of the initial provisioning sales as the aircraft' s return to service progresses, the previous grounding of the Boeing 737 MAX could further decrease our OEM and initial provisioning sales for the 737 MAX and CFM LEAP engines in the near term~~ , which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. The long sales cycle, customer evaluation process, and implementation period of our products and services may increase the costs of obtaining orders and reduce the predictability of sales cycles and our inventory requirements. Our products and services are technologically complex and require significant capital commitments. Prospective customers generally must commit significant resources to test and evaluate our products and to install and integrate them into larger systems. Accordingly, customers often require a significant number of product presentations and demonstrations before reaching a sufficient level of confidence in the product' s performance and compatibility **to commit to an order** . In addition, orders expected in one quarter may shift to another quarter or be cancelled with little advance notice as a result of customers' budgetary constraints, internal acceptance reviews, and other factors affecting the timing of customers' purchase decisions. The difficulty in forecasting demand increases the challenge in anticipating sales cycles and our inventory requirements, which may cause us to over- produce finished goods and could result in inventory write-offs, or could cause us to under- produce finished goods. Any such over- production or under- production could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Our ~~participation in a~~ strategic joint venture with GE may make it more difficult to secure long- term sales in certain aerospace markets. In January 2016, Woodward and GE, acting through its GE Aerospace business unit, consummated the formation of a strategic joint venture between Woodward and GE (the " JV "). The JV agreement does not restrict Woodward from entering into any market; however, consolidation in the aircraft engine market is increasingly prevalent, resulting in fewer engine manufacturers, and thus it may become more difficult for Woodward to secure new business with GE competitors on similar product applications both within and outside the specific **markets the** JV **operates** ~~market space~~. Additionally, if GE fails to win new content in the market space covered by the JV, Woodward may be prevented from expanding content on future commercial aircraft engines in those markets. ~~General~~ Commercial, Financial, and Regulatory Risks Suppliers may be unable to provide us with materials of sufficient quality or quantity to meet our production needs at favorable prices or at all which may adversely affect our revenue and margins. We are dependent upon suppliers for parts and raw materials used in the manufacture of products that we sell to our customers, and our raw material costs are subject to commodity market fluctuations and ~~were~~ **have been** impacted by the current inflationary environment. We have experienced shortages of certain parts and raw materials due to ~~the ongoing~~ **challenges in our** supply chain ~~disruptions~~ **, although we have made strategic investments to simplify and strengthen our supply chain** . We may continue to experience shortages of parts or raw materials for the same or other reasons, such as the loss of a significant supplier, high overall demand creating shortages in parts and supplies we use, financial distress, work stoppages, natural disasters, fluctuations in commodity prices, the imposition of tariffs or other duties, or production or distribution difficulties that may affect one or more of our suppliers. In some instances, we depend upon a single source of supply, manufacturing, or logistics support or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. Some of our suppliers have experienced, and others may similarly experience, financial difficulties, delivery delays or other performance problems, and **, as a result,** we have from time to time been, and may in the future be, unable to meet commitments to our customers and / or incur additional costs. Our customers rely on us to provide on- time delivery and have certain rights if our delivery standards are not maintained. A significant increase in our supply costs, including for raw materials that are subject to commodity price fluctuations, inflationary pressures, and / or the imposition of tariffs, or a protracted interruption of supplies for any reason, could result in the delay of one or more of our customer contracts, increase our costs, result in lost revenue or could damage our reputation and relationships with customers. In addition, quality and sourcing issues that our suppliers may experience can also adversely affect the quality and effectiveness of our products and services and may result in liability or reputational harm to us. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Our profitability may suffer if we are unable to manage our expenses in connection with sales increases, sales decreases, or if we experience change in product mix. Some of our expenses are relatively fixed in relation to changes in sales volume and are difficult to adjust in the short term. Expenses driven by business activity other than sales level and other long- term expenditures, such as fixed manufacturing costs, capital expenditures **,** and research and development expenses may be difficult to reduce in a timely manner in response to a reduction in sales. In periods of rapid sales increases it may be difficult to quickly increase our production of finished goods because of our long manufacturing lead times. If a sudden, unanticipated need for raw materials, components and labor arises, we could experience difficulties in sourcing these items at a favorable cost, in sufficient quantities or at all. These factors could result in delays in fulfilling customer sales contracts, lost revenue, damage to our reputation and relationships with our customers, and an inability to meet market demand, which in turn could prevent us from taking advantage of business opportunities or responding to competitive pressures and could result in an increase in costs leading to a decrease in net earnings or even net losses. In addition, we sell products that have varying profit margins, and fluctuations in the mix of sales of our various products may affect our overall profitability. Reductions, delays or changes in U. S. Government spending could adversely affect our business. Sales made directly to U. S. Government agencies and entities, or indirectly through third party manufacturers, such as tier- one prime contractors, utilizing Woodward parts and subassemblies, accounted for approximately **17 % of total sales in fiscal year 2023 and** 23 % ~~of total sales~~ in fiscal year 2022 ~~and 29 % in fiscal year 2021~~. The U. S. Government participates in a wide variety of operations, including homeland defense, counterinsurgency, counterterrorism, and other defense- related operations that employ our products and services. U. S. defense spending has historically been cyclical in nature and is subject to periodic congressional authorization and appropriation actions. The level of U. S. defense spending **are hard to predict and** may be impacted by numerous factors outside of our control such as changes in the perceived threat environment, **prevailing** U. S. foreign policy, changes in security, defense, and intelligence **strategies and** priorities, shifts in domestic and international spending ~~and~~ **, the macroeconomic environment,** tax policy, budget deficits and competing budget priorities, and the ~~overall economic and~~ political environment **and future potential government shutdowns** . Defense budgets tend to rise when perceived threats to national security increase the level of concern over the country' s safety, but we can provide no assurance that an increase in defense spending will be allocated to programs that would benefit our business. Decreases in U. S. Government defense spending, changes in the spending allocation, phase- outs or terminations of certain aerospace and defense programs on which we have content could have a material adverse effect on our sales unless they are offset by other aerospace and defense programs and opportunities. If the priorities of the U. S. Government change and / or defense spending is reduced **or delayed for any of the reasons discussed above** , ~~this may adversely affect~~ our business, financial condition, results of operations, and cash flows **may be adversely affected** . Our business may be adversely affected by risks unique to government contracting. ~~Our~~ **As a result of our** contracts with the U. S. Government **, we** are subject to certain unique risks, including the risks set forth below **:** ~~, some of which are beyond our control, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.~~ • Our U. S. Government contracts and the U. S. Government contracts of our customers are subject to modification, curtailment or termination by the government, either for the convenience of the government or for default as a result of a failure by us or our customers to perform under the applicable contract. If any of our contracts are terminated by the U. S. Government, our backlog would be reduced, in accordance with contract terms, by the expected value of the remaining work under such contracts. In addition, we are not the prime contractor on most of our contracts for supply to the U. S. Government, and the U. S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our products and services as a subcontractor. • We must comply with procurement laws and regulations relating to the formation, administration **,** and performance of our U. S. Government contracts and the U. S. Government contracts of our customers. The U. S. Government may change procurement laws and regulations from time to time. A violation of U. S. Government procurement laws or regulations, a change in U. S. Government procurement laws and regulations, or a termination arising out of our default could expose us to liability, debarment, or suspension and could have an adverse effect on our ability to compete for future contracts and orders. • We are subject to government inquiries, audits **,** and investigations due to our business relationships with the U. S. Government and the heavily regulated industries in which we do business. In addition, our contract costs are subject to audits by the U. S. Government. U. S. Government agencies, including the Defense Contract Audit Agency and the Defense Contract Management Agency, routinely audit government contractors and subcontractors. These agencies review our performance under contracts, cost structure **,** and compliance with applicable laws, regulations, and standards, as well as the adequacy of and our compliance with our internal control systems and policies. Any costs found to be misclassified or inaccurately allocated to a specific contract would be deemed non- reimbursable, and to the extent already reimbursed, would be refunded. Any inadequacies in our systems and policies could result in withholds on billed receivables, penalties **,** and reduced future business. Any inquiries or investigations, including those related to our contract pricing, could potentially result in civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, suspension, and / or debarment from participating in future business opportunities with the U. S. Government. Such actions could harm our reputation, even if such allegations are later determined to be unfounded, and could have a material adverse effect on our business, ~~results of operations,~~ financial condition **, results of operations, and cash flows. The occurrence of one or more of these risks, some of which are out of our control, could have a material adverse effect on our business, financial condition, results of operations,** and cash flows. Our debt obligations and the restrictive covenants in the agreements governing our debt could limit our ability to operate our business or pursue our business strategies, could adversely affect our business, financial condition, results of operations, and cash flows, and could significantly reduce stockholder benefits from a change of control event. As of September 30, ~~2022~~ **2023** , our total debt was $ ~~777~~ **721** , ~~416~~ **526** , including $ 550, 000 in unsecured notes denominated in U. S. dollars issued in private placements and $ ~~156~~ **169** , ~~793~~ **121** of unsecured notes denominated in Euros issued in private placements. We are obligated to make interest and scheduled principal payments under the agreements governing our long- term debt, which requires us to dedicate a portion of our cash flow from operations to payments on our indebtedness, and which may reduce the availability of our cash flow for other purposes, including business development efforts and mergers and acquisitions. These debt obligations could make us more vulnerable to general adverse economic and industry conditions and could limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate, thereby placing us at a disadvantage to our competitors that have less indebtedness. Further, we may require additional capital to repay our debt obligations when they mature, and such capital may not be available on terms acceptable to us or at all. Our existing revolving credit facility and note purchase agreements impose financial covenants on us and our subsidiaries that require us to maintain certain leverage ratios and minimum levels of consolidated net worth. Certain of these agreements require us to repay outstanding borrowings with portions of the proceeds we receive from certain sales of property or assets and specified future debt offerings. These financial covenants place certain restrictions on our business that may affect our ability to execute our business strategy successfully or take other actions that we believe would be in the best interests of our Company. These covenants include limitations or restrictions, among other things, on our ability and the ability of our subsidiaries to: • incur additional indebtedness; • pay dividends or make distributions on our capital stock or certain other restricted payments or investments; • purchase or redeem stock; • issue stock of our subsidiaries; • make domestic and foreign investments and extend credit; • engage in transactions with affiliates; • transfer and sell assets; • effect a consolidation or merger or sell, transfer, lease, or otherwise dispose of all or substantially all of our assets; and • create liens on our assets to secure debt. These agreements contain certain customary events of default, including certain cross- default provisions related to other outstanding debt arrangements. Any breach of the covenants under these agreements or other event of default could cause a default under these agreements and / or a cross- default under our other debt arrangements, which could restrict our ability to borrow under our revolving credit facility. If there were an event of default under certain provisions of our debt arrangements that was not cured or waived, the holders of the defaulted debt may be able to cause all amounts outstanding with respect to the debt instrument, plus any required settlement costs, to be due and payable immediately. Our assets and available cash balances may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. If we are unable to repay, refinance, or restructure our indebtedness as required, or amend the covenants contained in these agreements, the lenders or note holders may be entitled to obtain a lien or institute foreclosure proceedings against our assets. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Additional tax expense or additional tax exposures could impact our future profitability. We are subject to income taxes in both the United States and jurisdictions outside of the United States. Our tax liabilities are dependent upon the distribution mix of operating income among these different jurisdictions. Our tax expense includes estimates of additional tax that may be incurred and reflects various estimates, projections, and assumptions that could impact the valuation of our deferred tax assets and liabilities. Our future operating results could be adversely affected by changes in the effective tax rate, which could be caused by, among other things: • changes in the mix of earnings in countries with differing statutory tax rates; • changes in our overall profitability; • changes in rules or interpretations of existing tax laws; • changes in

U. S. federal tax legislation and tax rates; • changes in state or non- U. S. government tax legislation and tax rates; • changes in tax incentives; • changes in U. S. GAAP; • changes in the projected realization of deferred tax assets and liabilities; • changes in management' s assessment of the amount of earnings indefinitely reinvested offshore; • changes in management' s intentions regarding the amount of earnings reinvested offshore; and • the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures. We derive a significant amount of revenue and obtain components from outside of the United States; accordingly, we are subject to the risks **of** ~~inherent in~~ doing business in other countries. In fiscal year ~~2022~~ **2023** , approximately ~~45~~ **47** % of our total sales were made to customers in jurisdictions outside of the United States (including products manufactured in the United States and sold outside the United States as well as products manufactured in international locations). We also purchase raw materials and components from suppliers outside the United States. Accordingly, our business and results of operations are subject to risks associated with doing business internationally, including: • transportation delays and interruptions; • political, social and economic instability and disruptions; • ~~acts of~~ **natural disasters or pandemics; •** terrorism ~~or~~ **,** war **, and international tensions and conflicts** ; • the imposition of taxes, import and export controls, duties and tariffs, embargoes, sanctions and other trade restrictions; • fluctuations in currency exchange rates; • ~~changes in~~ **different and changing** regulatory environments; • cost of compliance with increasingly complex and often conflicting regulations governing various matters worldwide; • cost of labor, labor shortages **,** and other changes in labor conditions; • the potential for nationalization of enterprises; • potential limitations on the Company' s ability to enforce legal rights and remedies, including protection of intellectual property; • difficulty of enforcing agreements and collecting receivables through some foreign legal systems; • potentially adverse tax consequences, including limitations on repatriations of earnings; and • difficulties in implementing restructuring actions on a timely basis. The implementation of tariffs ~~(such as those implemented by the United States and China in recent years)~~ could increase the cost of certain commodities and / or limit their supply. Over the longer term, tariffs could significantly increase our costs and our ability to pass such increased costs along to our customers may be limited, which could have a material adverse effect on our business, financial condition, results of operations **,** and cash flows. We are subject to and must comply with U. S. laws restricting or otherwise prohibiting companies from doing business in certain countries **and with certain parties** , including those on exports imposed under the U. S. Export Control Laws and Sanctions Programs. These laws and regulations change from time to time and may restrict sales to other countries or parties. We are subject to the U. S. Foreign Corrupt Practices Act (" FCPA ") and similar anti- bribery and anti- corruption laws and regulations in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business or securing an improper business advantage. We operate in many parts of the world and sell to industries that have experienced corruption to some degree. If we are found to be liable for FCPA or other similar anti- bribery law or regulatory violations, we could be subject to civil and criminal penalties or other sanctions that could have a material adverse impact on our business, financial condition, results of operations **,** and cash flows. Also, a material disruption to the financial institutions with whom we transact business could have a material adverse effect on our international operations or on our business, financial condition, results of operations, and cash flows. Changes in the estimates of fair value of reporting units or of long- lived assets, particularly goodwill, may result in future impairment charges, which could have a material adverse effect on our business, financial condition, and results of operation. ~~Over time, the fair values of long- lived assets change.~~ At September 30, ~~2022~~ **2023** , we had $ ~~772~~ **791** , ~~559~~ **468** of goodwill, representing **approximately** 20 % of our total assets. We test goodwill for impairment at the reporting unit level on at least an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Future goodwill impairment charges may occur if estimates of fair values decrease, which would reduce future earnings. ~~Future~~ **In addition, we may incur** asset impairment charges ~~may occur~~ if asset utilization declines, if customer demand decreases, or for a number of other reasons, which would reduce future earnings. Any such impairment charges could have a material adverse effect on our business, financial condition **,** and results of operations. There can be no assurance that our estimates and assumptions of the fair value of our reporting units, the current economic environment, or the other inputs used in forecasting the present value of forecasted cash flows used to estimate the fair value of our reporting units will prove to be accurate projections of future performance, and any material error in our estimates and assumptions, could result in us needing to take a material impairment charge, which would have the effects discussed above. Our **inability to retain key personnel or attract and retain new qualified personnel could adversely affect our business and limit our ability to operate successfully. Due to the specialized nature of our business, competition for technical personnel is intense and our future performance is highly dependent on our ability to hire, train, assimilate, and retain a qualified workforce. Additionally, it is important we hire and retain personnel with relevant experience in local laws, regulations, customs, traditions, and business practices to support our international operations. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, management changes, increasing local and global competition for talent, the availability of qualified employees, challenges associated with retaining qualified employees, restructuring and alignment activities, and the attractiveness of our compensation and benefit programs. Our** financial and operating performance depends on continued access to a stable workforce and on favorable labor relations with our employees. ~~Due~~ **We rely on a highly trained workforce due** to the specialized nature of our business ~~, competition for technical personnel is intense and our future performance is highly dependent on our ability to hire, train, assimilate, and retain a qualified workforce. Additionally, it is important we hire and retain personnel with relevant experience in local laws, regulations, customs, traditions and business practices to support our international operations. Our ability to hire, train, assimilate and retain a qualified workforce has been impacted by the ongoing labor market disruptions. There is no assurance that we will continue to be successful in recruiting qualified employees in the future~~ . Further, approximately ~~13~~ **14** % of our workforce in the United States is unionized, and certain of our operations in the United States and internationally involve different employee / employer relationships and the existence of works' councils. We periodically need to renegotiate our collective bargaining agreements, and any failure to negotiate new agreements or extensions in a timely manner could result in work stoppages or slowdowns. Any significant increases in labor costs, deterioration of employee relations, including any conflicts with works' councils or unions, or slowdowns or work stoppages at any of our locations, whether due to employee turnover, changes in availability of qualified technical personnel, failure to have a collaborative and effective relationship with our employees, including our union employees, or an effective collective bargaining agreement in place with our union employees, or otherwise, could impair our ability to supply products or ~~fulfil~~ **fulfill** orders, and could otherwise have a material adverse effect on our business, our relationships with customers, and our financial condition, results of operations, and cash flows **. In 2023, we experienced an increase in labor costs in the countries in which we operate due to rising labor inflation. Further increases in labor costs could significantly reduce our profit margins if we are unable to flow such costs through to our customers** . Our operations and suppliers may be subject to physical and other risks that could disrupt our operations. Our operations and sources of supply could be disrupted by unforeseen events, including fires, tornadoes, tsunamis, hurricanes, earthquakes, floods **,** and other forms of severe weather in countries in which we operate or in which our suppliers are located, any of which could adversely affect our operations and financial performance. Natural disasters, public health concerns **and pandemics** , war, political unrest, terrorist activity, equipment failures, power outages, **threats to physical security or our information security systems** or other unforeseen events could result in physical damage to or other disruption of, and complete or partial closure of, one or more of our manufacturing facilities, or could cause temporary or long- term disruption in the supply of component products from some local and international suppliers, disruption in the transport of our products and significant delays in the shipment of products and the provision of services, which could in turn cause the loss of sales and customers. Existing insurance arrangements may not provide protection for all the costs that may arise from such events. Accordingly, disruption of our operations or the operations of a significant supplier could have a material adverse effect on our business, financial condition, results of operations, and cash flows. ~~Our~~ **Failure to develop, obtain, enforce, and protect** intellectual property rights ~~may not be sufficient to protect all our~~ - **or** ~~products~~ **third parties claims that we are infringing their intellectual property could harm** ~~or~~ **our business. Our success depends in part on our ability to develop** technologies and **inventions and** ~~we may, regardless of intent, infringe on the~~ **other intellectual property, and obtain** intellectual property rights ~~of others~~ **and enforce such intellectual property rights worldwide** . ~~Our success depends in part~~ **In this regard, we rely** on ~~our ability~~ **patent, trademark, copyright, and trade secret laws in the United States and in other jurisdictions where we do business, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions. However, we cannot be certain we will be able** to obtain patents or ~~rights to patents, protect trade secrets and know- how, and prevent others from infringing on our patents, trademarks, and~~ other intellectual property rights ~~. We cannot be certain that our pending patent applications will result~~ in ~~the issuance of patents to us, that patents issued to or~~ **our new technologies and inventions** ~~licensed by us in the past~~ or ~~in~~ **, if we do,** the ~~future will~~ **scope of such rights may** not be ~~challenged or circumvented by competitors, or that these patents will be found to be valid or~~ sufficiently broad to ~~preclude~~ **afford us any significant commercial advantage over** our competitors ~~from introducing technologies similar to those covered by our patents and patent applications~~ . **Further,** ~~Some of our intellectual property is not covered by patents (or~~ **our existing** ~~patent applications)~~ and **future** ~~includes trade secrets and other know- how that is not patentable or for which we have elected not to seek patent protection, including intellectual property relating to our manufacturing processes and engineering designs. We will be able to protect our intellectual property from unauthorized use by third parties only to the extent that it is covered by valid and enforceable patents, trademarks, licenses or other valid~~ intellectual property rights ~~. Patent protection generally involves complex legal and factual questions and, therefore, enforceability of patent rights cannot be predicted with certainty; thus, any patents that we own or license from others~~ may not provide us with ~~adequate~~ **competitive advantages or distinguish our products and services from those of our competitors. The technologies and inventions developed by us in the future may not be considered valuable by customers or provide us with a competitive advantage, or competitors may develop similar or identical technologies and inventions independently of us and before we do. Effective** protection ~~against~~ **of intellectual property rights is expensive and difficult to maintain, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights.** ~~competitors~~ **Competitors and other third parties may also challenge the ownership, validity, and / or enforceability of our patents or other intellectual property rights** . Moreover, the laws of certain foreign jurisdictions do not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. ~~Additionally~~ **To the extent we do assert our intellectual property rights against third parties** , **we may not be successful and adequate remedies may not be available in the event of infringement or unauthorized use of our intellectual property rights, or disclosure of our trade secrets. Third parties may in the future assert, that we have infringed, misappropriated, or otherwise violated their intellectual property rights. We cannot assure you that** our current or future technologies ~~may~~ **are not** , **infringing** ~~regardless of our~~ - **or** ~~intent, infringe upon the patents or violate~~ **violating** ~~other proprietary~~ **intellectual property** rights of third parties **, or will not do so in the future** . In the event **we face claims** of ~~such~~ infringement or ~~violation~~ **misappropriation** , we may face expensive litigation or indemnification obligations **, be required to enter into licenses,** and may be prevented from selling existing products and pursuing product development or commercialization. **Even if such claims are without merit, we may be required to expend significant time and resources on the defense of such claims.** If we are unable to sufficiently protect our patent and other proprietary rights or if we infringe on ~~the patent~~ or **misappropriate** proprietary rights of others, our business, financial condition, results of operations, and cash flows could be materially adversely affected. **We** ~~Amounts accrued for contingencies may be inadequate to cover the amount of loss when the matters~~ are ~~ultimately resolved~~ **subject to legal proceedings, investigations, claims and / or regulatory proceedings which could have a significant impact on our business and operations** . We are currently involved or may become involved in legal, regulatory **,** and other proceedings ~~arising in the ordinary course of business~~ . These proceedings may include, without limitation, product liability matters, intellectual property matters, contract disputes or claims, pending or threatened litigation, governmental investigations, as well as employment, tax, environmental, or other matters. ~~There~~ **These** ~~is no certainty~~ **proceedings could lead to enforcement actions, adverse changes to our business practices, fines and penalties, business remedies, or the assertion of private litigation claims and / or damages** that ~~the~~ **could be material, and of which could have a material adverse effect on our business, financial condition,** results of **operations, and cash flows. Even if** ~~these~~ -- **the legal proceedings we face are decided in our favor, or are unfounded, we may incur material expenses and such** matters ~~will be favorable to the Company~~ **may require significant management attention, and may harm our reputation with customers, employees or investors** . We accrue for known individual matters if we believe it is probable that the matter will result in a loss when ultimately resolved using estimates of the most likely amount of loss. ~~There may be additional~~ **However, estimating possible** losses ~~that have not been accrued~~ **involves significant judgment and outcomes are unpredictable** , ~~or liabilities~~ **therefore, actual losses** may exceed our estimates ~~, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows~~ . Our business and operations may be adversely affected by cybersecurity breaches or other information technology system or network interruptions or intrusions. We depend heavily on **the confidentiality, integrity and availability of our** information technology (" IT ") and computerized systems to communicate and operate effectively. We store sensitive data including proprietary business information, intellectual property, classified information, customer information, supplier information, and confidential employee or other personal data on our servers and databases. Also, due to political uncertainty and **hostile** military actions ~~associated with the conflict between Russia and Ukraine~~ , we ~~are vulnerable~~ **may be subject** to heightened risks of cybersecurity incidents and security breaches initiated by nation- state or affiliated actors. From time to time, we have experienced cyberattacks on our IT infrastructure and systems. We may become the target of cyber- attacks by third parties **, either directly or indirectly via our supply chain or third- party vendors,** seeking unauthorized access to our data or our customers' data or to disrupt our operations or our ability to provide services. There is also a danger of loss, misuse, theft, unavailability, or unauthorized disclosure or other processing of information or assets (including source code), or damage to or other compromise of systems, components and other IT assets, including the introduction of malicious code or other vulnerabilities by people who obtain unauthorized access to our facilities, systems or information. There are many different techniques used to obtain unauthorized access to systems and data, and such techniques continue to evolve and become more sophisticated, and the adversaries are becoming more advanced, including nation states and actors sponsored by or affiliated with nation states, which target us and other defense contractors because we protect national security information, and other actors with substantial financial and technological resources. These techniques include, but are not limited to, the use of malicious software, destructive malware, ransomware, denial of service attacks, phishing and other means of social engineering, and other means of causing system or network disruptions, obtaining unauthorized access to data or systems, or causing other cybersecurity breaches and incidents. Additionally, system and service disruptions, and cybersecurity breaches or incidents, may result from employee or contractor error, negligence, or malfeasance. **Further, there have been and may continue to be cyberattacks on, and other attempts to compromise the security of, the supply chain. We may experience security breaches or incidents resulting from tools, services, or other third- party components and security vulnerabilities within, or introduced by, such tools, services, or components.** Due to the rapidly evolving threat environment and other factors, we may not be successful in defending against all such attacks. Further, due to the evolving nature of these security threats and the national security aspects of much of the data we protect, the full impact of any future security breach or incident cannot be predicted. We **have implemented various** ~~employ a number of~~ measures, including technical security controls, employee training, comprehensive monitoring of our networks and systems, ~~and~~ **independent third party security assessments,** maintenance of backup ~~and protective~~ systems **, and the use of disaster recovery sites** . ~~However~~ **In addition, we have, among other things, endeavored to align our practices and procedures with recognized IT security frameworks and recommended practices, and the corroboration with local and federal agencies. Although we have implemented measures to prevent, detect, and respond to malicious activity, we cannot guarantee that such measures will be effective or sufficient to prevent a cyberattack. Nonetheless** , our IT infrastructure, systems, networks, products, solutions **,** and services remain potentially vulnerable to numerous additional known or unknown threats ~~. Additionally, there have been and may continue to be significant cyberattacks on, and other attempts to compromise the security of, the supply chain. We may experience security breaches or incidents resulting from tools, services, or other third- party components and security vulnerabilities within, or introduced by, such tools, services, or components~~ . If any of our IT infrastructure or systems are damaged, disrupted, or are impacted by security breaches or incidents, whether from cybersecurity attacks or other causes, or if we suffer any security breach or incident involving unauthorized access to, misuse, acquisition, disclosure, loss, alteration, or destruction of our data or other data we maintain or otherwise process, we could experience significant operational stoppages, disruptions, delays, and / or other detrimental impacts on our operations **or investment in research** , and may face increased costs, including increased costs of implementing new data protection and security measures, policies, and procedures, and costs associated with remediating and otherwise responding to the security breach or incident. Any such security breach or incident or the perception that it has occurred, also may result in diminished competitive advantages through reputational damage and increased operational costs, regulatory investigations, proceedings, and orders, litigation or other demands, indemnity obligations, damages for contract breach, fines or penalties relating to actual or alleged violation of applicable laws, regulations, or contractual obligations, incentives offered to customers or other business partners in an effort to maintain business relationships, and other costs and liabilities. Such events could result in fines, penalties, litigation or governmental investigations and proceedings, diminished competitive advantages through reputational damages **,** and increased operational costs, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Further, any unauthorized disclosure or use or acquisition of our intellectual property and / or confidential business information could harm our competitive position, result in a loss of intellectual property protection, and otherwise reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. Our insurance coverage may not be sufficient to compensate for all liability relating to any actual or potential disruption or other security breach or incident. We cannot be certain that our coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co- insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation **. Data privacy, data protection, and information security may require significant resources and present certain risks. We collect, store, and otherwise process certain confidential or sensitive data, including personal data and other information that is subject to laws, regulations, customer- imposed controls, or other actual or asserted obligations. The laws, regulations, standards, and other actual and asserted obligations relating to privacy and information security to which we may be subject, in the U. S. and globally, are evolving. For example, in the European Union, the General Data Protection Regulation imposes stringent requirements applicable to processing personal data and provides for substantial penalties for noncompliance, and in the U. S., California and numerous other states have adopted comprehensive privacy laws, with other states considering such laws. Many jurisdictions around the world have passed or are considering laws and regulations relating to privacy, data protection, and cybersecurity, including laws that impose cross- border data transfer restrictions and require certain personal data to be maintained on local servers. Any actual or perceived failure to comply with laws, regulations, or contractual or other actual or asserted obligations to which we are or are alleged to be subject relating to privacy, data protection, or cybersecurity could result in claims, litigation, and regulatory investigations and other proceedings, as well as damage to our reputation. These could result in substantial costs, diversion of resources, fines, penalties, and other damages and liabilities, and harm to our customer relationships, our market position, and our ability to attract new customer engagements. Any of these could harm our business, financial condition, results of operations, and cash flows, potentially in a material manner** . Increasing emission standards that drive certain product sales may be eased or delayed, which could reduce our competitive advantage. We sell components and systems that have been designed to meet strict emission standards, including standards that have not yet been implemented but are expected to be implemented soon. If these emission standards are eased, developed products may become unnecessary and / or our future sales could be lower as potential customers select alternative products or delay adoption of our products, which would have a material adverse effect on our business, financial condition, results of operations, and cash flows. Prices for fossil fuels may increase significantly and disproportionately to other sources of fuels used for power generation, which could reduce our sales and adversely affect our business, financial condition, results of operations, and cash flows. Commercial producers of electricity use many of our components and systems, most predominately in their power plants that use natural gas as their fuel source. Commercial producers of electricity are often in a position to manage the use of different power plant facilities and make decisions based on operating costs. Compared to other sources of fuels used for power generation, natural gas prices have increased slower than fuel oil, but about the same as coal. This increase in natural gas prices and any future increases, whether in absolute dollars or relative to other fuel costs such as oil, could impact the sales mix of our components and systems, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Long- term reduced commodity prices for oil, natural gas, and other minerals may depress the markets for certain of our products and services, particularly those from our Industrial segment. Many of our Industrial segment OEM and aftermarket customers and our Aerospace segment rotorcraft product lines' customers provide goods and services that support various industrial extraction activities, including mining, oil and gas exploration and extraction, and transportation of raw materials from extraction sites to refineries and / or processing facilities. Long- term lower prices for commodities such as oil, natural gas, gold, tin, and various other minerals could reduce exploration activities and place downward pressure on demand for our goods and services that support exploration and extraction activities. Business Risks Our product development activities may not be successful, may be more costly than ~~currently~~ anticipated, or we may not be able to produce newly developed products at a cost that meets the anticipated product cost structure. Our business involves a significant level of product development activities, generally in connection with our customers' development activities. Industry standards, customer expectations, or other products may emerge that could render one or more of our products or services less desirable or obsolete. Additionally, our competitors may develop new technology, or more efficient ways to produce their existing products that could cause our existing products or services to become less desirable or obsolete. Maintaining our market position requires continued investment in research and development. During an economic downturn or a subsequent recovery, we may need to maintain our investment in research and development, which may limit our ability to reduce these expenses in proportion to a sales shortfall. In addition, increased investments in research and development may divert resources from other potential investments in our business, such as acquisitions or investments in our facilities, processes **,** and operations. If these activities are not as successful as currently anticipated, are not completed on a timely basis, or are more costly than currently anticipated, or if we are not able to produce newly developed products at a cost that meets the anticipated product cost structure, then our future sales, margins and / or earnings could be lower than expected, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Product liability claims, product recalls or other liabilities associated with the products and services we provide may force us to pay substantial damage awards and other expenses ~~that could exceed our accruals and insurance coverage~~ . The manufacture and sale of our products and the services we provide expose us to risks of product and other tort claims, and any resulting liability. We currently have and have had in the past product liability claims relating to our products, and we will likely be subject to additional product liability claims in the future for past, current **,** and future products. Some of these claims may have a material adverse effect on our business, financial condition, results of operations **,** and cash flows. We also provide certain services to our customers and are subject to claims with respect to the services provided. In providing such services, we may rely on subcontractors to perform all or a portion of the contracted services. It is possible that we could be liable to our customers for work performed by a subcontractor. Regardless of the outcome, product liability claims can be expensive to defend, can divert the attention of management and other personnel for significant periods of time, and can cause reputational damage. While we believe that we have appropriate insurance coverage available to us related to any such claims, our insurance may not cover all liabilities or be available in the future at a cost acceptable to us. An unsuccessful result in connection with a product liability claim, where the liabilities are not covered by insurance or for which indemnification or other recovery is not available, could have a material adverse effect on our business, financial condition, results of operations, and cash flows. ~~We may be unable to successfully execute or effectively integrate acquisitions~~ **Acquisitions** , ~~and~~ **joint ventures,** divestitures ~~may not~~ **, and other transactions we enter into could fail to achieve strategic objectives, disrupt** ~~occur~~ -- **our** ~~as planned~~ **ongoing operations, result in operating difficulties, harm our business, and negatively impact our results of operations** . As part of our business strategy, we have pursued, and expect to pursue acquisitions of other companies and assets **. The identification, evaluation, and negotiation of potential acquisitions and other strategic transactions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. If we are able to complete a transaction** . The success of these transactions depends on, among other things, our ability to integrate these businesses into our operations and realize the planned synergies. Integration of acquired operations may take longer, or be more costly or disruptive to our business, than originally anticipated. The integration of these acquisitions may require significant attention from our management, and the diversion of management' s attention and resources could have a material adverse effect on our ability to manage our business. We may also incur costs and divert management attention to acquisitions that are never consummated. Difficulties in the integration of the acquired business may include consolidating the operations, processes and systems of the acquired business, retaining and motivating key management and employees, and integrating existing business relationships with suppliers and customers. Even if integration is successful, the financial and operational results may differ materially from our assumptions and forecasts due to unforeseen expenses, delays, conditions **,** and liabilities. Evolving regulations such as changes in tax, trade, environmental, labor, safety, payroll **,** or pension policies could increase the expected costs of acquisitions, and fluctuations in foreign currency exchange rates may impact the agreed upon purchase price. In addition, we may incur unanticipated costs or expenses following an acquisition, including post- closing asset impairment charges, expenses associated with eliminating duplicate facilities, and other liabilities. Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues, and diversion of management' s time and attention. Failure to successfully implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our business, financial condition, results of operations, and cash flows. We also may make strategic divestitures from time to time ~~, such as the divestiture of our renewable power systems business and related businesses~~ . These **types of** transactions may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. Nonperformance by those divested businesses could affect our future financial results through additional payment obligations, higher costs or asset write- downs, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Our restructuring activities may increase our expenses and reduce our profitability, and may not have the intended effects. From time to time, we have implemented restructuring and other actions designed to reduce structural costs, improve operational efficiency **,** and position the Company for long- term profitable growth. Historically, our restructuring activities have included workforce management and other restructuring charges related to acquired businesses. Due to cost reduction measures or changes in the industries and markets in which we compete, we may decide to implement restructuring or alignment activities in the future, such as closing plants, moving production lines, or making additions, reductions **,** or other changes to our management or workforce. These restructuring and / or alignment activities generally result in charges and expenditures that may adversely affect our financial results for one or more periods. Restructuring and / or alignment activities can also create unanticipated consequences, such as instability or distraction among our workforce, and we cannot be sure that any restructuring or alignment efforts that we undertake will be successful. A variety of risks could cause us not to realize expected cost savings, including, among others, higher than expected severance costs related to staff reductions, higher than expected costs of closing plants, higher costs to hire new employees or delays or difficulty hiring the employees needed, higher than expected operating costs associated with moving production lines, delays in the anticipated timing of activities related to our cost- saving plan, and other unexpected costs associated with operating the business. If we are unable to structure our operations in the light of evolving market conditions, it could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Our manufacturing activities may result in future environmental costs or liabilities. We use hazardous materials and / or regulated materials in our manufacturing operations. We also own, operate, have acquired, and may in the future acquire facilities that were formerly owned and operated by others that used such materials. The risk that a significant release of regulated materials has occurred in the past or will occur in the future cannot be completely eliminated or prevented. As a result, we are subject to a substantial number of costly regulations and we must conform our operations to applicable regulatory requirements in all countries in which we operate. To the best of our knowledge, we have been and ~~will~~ **should** be at all times, in complete compliance with all environmental requirements **; however** , ~~or~~ **we cannot be certain** that we will not incur additional material costs or liabilities ~~in connection~~ **as a result of complying** with these requirements. In addition, we may be subject to other environmental remediation costs such as participation in superfund sites or other similar jurisdictional initiatives. As a result, we may incur material costs or liabilities or be required to undertake future environmental remediation activities that could damage our reputation and have a material adverse effect on our business, financial condition, results of operations, and cash flows. Failure of our production lines, or those of our subcontractors, to meet required certification standards could disrupt production. Our existing production lines, as well as the production lines of our subcontractors, are sometimes required to pass varying levels of qualification with certain of our customers. Some of our customers require that our production lines pass their specific qualification standards and that we, and any subcontractors that we may use, be registered under or certified to certain U. S. or international quality standards. We may be unable to obtain, maintain, or we may experience delays in obtaining, a certification or registration to a required quality standard. A delay in obtaining, or the failure to obtain a necessary quality certification or registration could result in significant out- of- sequence work and increased production costs, as well as delayed deliveries to customers, which could have a material adverse effect on our business, financial condition, results of operations , and cash flows.