GENERAL DYNAMICS

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[☑] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 3, 2021

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File Number 1-3671

GENERAL DYNAMICS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-1673581**
State or other jurisdiction of incorporation or organization	*I.R.S. Employer Identification No.*
11011 Sunset Hills Road Reston, Virginia	**20190**
Address of principal executive offices	*Zip code*

(703) 876-3000
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	GD	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ___

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ✓ No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ✓ Accelerated filer ___ Non-accelerated filer ___

Smaller reporting company___ Emerging growth company___

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes___ No ✓

279,222,830 shares of the registrant's common stock, $1 par value per share, were outstanding on October 3, 2021.

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PART I – FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

	Three Months Ended	
(Dollars in millions, except per-share amounts)	October 3, 2021	September 27, 2020
Revenue:		
Products	$ 5,518	$ 5,454
Services	4,050	3,977
	9,568	9,431
Operating costs and expenses:		
Products	(4,552)	(4,459)
Services	(3,386)	(3,388)
General and administrative (G&A)	(550)	(512)
	(8,488)	(8,359)
Operating earnings	1,080	1,072
Other, net	34	24
Interest, net	(99)	(118)
Earnings before income tax	1,015	978
Provision for income tax, net	(155)	(144)
Net earnings	$ 860	$ 834
Earnings per share		
Basic	$ 3.09	$ 2.91
Diluted	$ 3.07	$ 2.90

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

	Nine Months Ended	
(Dollars in millions, except per-share amounts)	**October 3, 2021**	September 27, 2020
Revenue:		
Products	$ 16,033	$ 15,849
Services	12,144	11,595
	28,177	27,444
Operating costs and expenses:		
Products	(13,249)	(13,052)
Services	(10,286)	(9,941)
G&A	(1,665)	(1,611)
	(25,200)	(24,604)
Operating earnings	2,977	2,840
Other, net	95	70
Interest, net	(331)	(357)
Earnings before income tax	2,741	2,553
Provision for income tax, net	(436)	(388)
Net earnings	$ 2,305	$ 2,165
Earnings per share		
Basic	$ 8.20	$ 7.54
Diluted	$ 8.16	$ 7.52

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in millions)	Three Months Ended October 3, 2021	Three Months Ended September 27, 2020	Nine Months Ended October 3, 2021	Nine Months Ended September 27, 2020
Net earnings	$ 860	$ 834	$ 2,305	$ 2,165
(Losses) gains on cash flow hedges	(48)	110	(134)	181
Foreign currency translation adjustments	(107)	139	(77)	60
Change in retirement plans' funded status	88	76	260	247
Other comprehensive (loss) income, pretax	(67)	325	49	488
Provision for income tax, net	(7)	(45)	(20)	(101)
Other comprehensive (loss) income, net of tax	(74)	280	29	387
Comprehensive income	$ 786	$ 1,114	$ 2,334	$ 2,552

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

(Dollars in millions)	(Unaudited) October 3, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and equivalents	$ 3,139	$ 2,824
Accounts receivable	3,046	3,161
Unbilled receivables	8,334	8,024
Inventories	5,651	5,745
Other current assets	1,516	1,789
Total current assets	21,686	21,543
Noncurrent assets:		
Property, plant and equipment, net	5,195	5,100
Intangible assets, net	2,022	2,117
Goodwill	20,092	20,053
Other assets	2,375	2,495
Total noncurrent assets	29,684	29,765
Total assets	$ 51,370	$ 51,308
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 2,183	$ 3,003
Accounts payable	2,682	2,952
Customer advances and deposits	6,167	6,276
Other current liabilities	3,572	3,733
Total current liabilities	14,604	15,964
Noncurrent liabilities:		
Long-term debt	11,485	9,995
Other liabilities	9,560	9,688
Commitments and contingencies (see Note M)		
Total noncurrent liabilities	21,045	19,683
Shareholders' equity:		
Common stock	482	482
Surplus	3,236	3,124
Retained earnings	34,800	33,498
Treasury stock	(19,276)	(17,893)
Accumulated other comprehensive loss	(3,521)	(3,550)
Total shareholders' equity	15,721	15,661
Total liabilities and shareholders' equity	$ 51,370	$ 51,308

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Dollars in millions)	Nine Months Ended October 3, 2021	Nine Months Ended September 27, 2020
Cash flows from operating activities - continuing operations:		
Net earnings	$ 2,305	$ 2,165
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation of property, plant and equipment	408	376
Amortization of intangible and finance lease right-of-use assets	242	267
Equity-based compensation expense	96	91
Deferred income tax benefit	(38)	(112)
(Increase) decrease in assets, net of effects of business acquisitions:		
Accounts receivable	133	(336)
Unbilled receivables	(252)	(239)
Inventories	94	(134)
Increase (decrease) in liabilities, net of effects of business acquisitions:		
Accounts payable	(291)	(558)
Customer advances and deposits	228	(906)
Other current liabilities	(202)	360
Other liabilities	(455)	3
Other, net	321	319
Net cash provided by operating activities	2,589	1,296
Cash flows from investing activities:		
Capital expenditures	(502)	(622)
Other, net	1	33
Net cash used by investing activities	(501)	(589)
Cash flows from financing activities:		
Repayment of fixed-rate notes	(2,500)	(2,000)
Proceeds from commercial paper, gross (maturities greater than 3 months)	1,997	420
Proceeds from fixed-rate notes	1,497	3,960
Purchases of common stock	(1,491)	(501)
Dividends paid	(983)	(925)
Repayment of floating-rate notes	(500)	(500)
Repayment of commercial paper, gross (maturities greater than 3 months)	—	(420)
Other, net	223	(134)
Net cash used by financing activities	(1,757)	(100)
Net cash used by discontinued operations	(16)	(40)
Net increase in cash and equivalents	315	567
Cash and equivalents at beginning of period	2,824	902
Cash and equivalents at end of period	$ 3,139	$ 1,469
Supplemental cash flow information:		
Income tax payments, net	$ (502)	$ (345)
Interest payments	$ (329)	$ (261)

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Three Months Ended					
	Common Stock		Retained	Treasury	Accumulated Other Comprehensive	Total Shareholders'
(Dollars in millions)	Par	Surplus	Earnings	Stock	Loss	Equity
July 4, 2021	$ 482	$ 3,194	$ 34,273	$ (19,181)	$ (3,447)	$ 15,321
Net earnings	—	—	860	—	—	860
Cash dividends declared	—	—	(333)	—	—	(333)
Equity-based awards	—	42	—	22	—	64
Shares purchased	—	—	—	(117)	—	(117)
Other comprehensive loss	—	—	—	—	(74)	(74)
October 3, 2021	$ 482	$ 3,236	$ 34,800	$ (19,276)	$ (3,521)	$ 15,721
June 28, 2020	$ 482	$ 3,050	$ 32,294	$ (17,809)	$ (3,711)	$ 14,306
Net earnings	—	—	834	—	—	834
Cash dividends declared	—	—	(316)	—	—	(316)
Equity-based awards	—	32	—	4	—	36
Other comprehensive income	—	—	—	—	280	280
September 27, 2020	$ 482	$ 3,082	$ 32,812	$ (17,805)	$ (3,431)	$ 15,140

	Nine Months Ended					
	Common Stock		Retained	Treasury	Accumulated Other Comprehensive	Total Shareholders'
(Dollars in millions)	Par	Surplus	Earnings	Stock	Loss	Equity
December 31, 2020	$ 482	$ 3,124	$ 33,498	$ (17,893)	$ (3,550)	$ 15,661
Net earnings	—	—	2,305	—	—	2,305
Cash dividends declared	—	—	(1,003)	—	—	(1,003)
Equity-based awards	—	112	—	93	—	205
Shares purchased	—	—	—	(1,476)	—	(1,476)
Other comprehensive income	—	—	—	—	29	29
October 3, 2021	$ 482	$ 3,236	$ 34,800	$ (19,276)	$ (3,521)	$ 15,721
December 31, 2019	$ 482	$ 3,039	$ 31,633	$ (17,358)	$ (3,818)	$ 13,978
Cumulative-effect adjustment*	—	—	(37)	—	—	(37)
Net earnings	—	—	2,165	—	—	2,165
Cash dividends declared	—	—	(949)	—	—	(949)
Equity-based awards	—	43	—	54	—	97
Shares purchased	—	—	—	(501)	—	(501)
Other comprehensive income	—	—	—	—	387	387
September 27, 2020	$ 482	$ 3,082	$ 32,812	$ (17,805)	$ (3,431)	$ 15,140

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

* Reflects the cumulative effect of Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which we adopted on January 1, 2020.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per-share amounts or unless otherwise noted)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. General Dynamics is a global aerospace and defense company that offers a broad portfolio of products and services in business aviation; ship construction and repair; land combat vehicles, weapons systems and munitions; and technology products and services.

Basis of Consolidation and Classification. The unaudited Consolidated Financial Statements include the accounts of General Dynamics Corporation and our wholly owned and majority-owned subsidiaries. We eliminate all inter-company balances and transactions in the unaudited Consolidated Financial Statements. Some prior-year amounts have been reclassified among financial statement accounts or disclosures to conform to the current-year presentation.

Consistent with industry practice, we classify assets and liabilities related to long-term contracts as current, even though some of these amounts may not be realized within one year.

Further discussion of our significant accounting policies is contained in the other notes to these financial statements.

Interim Financial Statements. The unaudited Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These rules and regulations permit some of the information and footnote disclosures included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) to be condensed or omitted.

Our fiscal quarters are typically 13 weeks in length. Because our fiscal year ends on December 31, the number of days in our first and fourth quarters varies slightly from year to year. Operating results for the three- and nine-month periods ended October 3, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

The unaudited Consolidated Financial Statements contain all adjustments that are of a normal recurring nature necessary for a fair presentation of our results of operations and financial condition for the three- and nine-month periods ended October 3, 2021, and September 27, 2020.

These unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Property, Plant and Equipment, Net. Property, plant and equipment (PP&E) is carried at historical cost, net of accumulated depreciation. Net PP&E consisted of the following:

	October 3, 2021	December 31, 2020
PP&E	$ 11,104	$ 10,714
Accumulated depreciation	(5,909)	(5,614)
PP&E, net	$ 5,195	$ 5,100

Accounting Standards Updates. There are accounting standards that have been issued by the Financial Accounting Standards Board but are not yet effective. These standards are not expected to have a material impact on our results of operations, financial condition or cash flows.

B. REVENUE

Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account for revenue. A contract's transaction price is allocated to each distinct performance obligation within that contract and recognized as revenue when, or as, the performance obligation is satisfied. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. Some of our contracts have multiple performance obligations, most commonly due to the contract covering multiple phases of the product life cycle (development, production, maintenance and support). For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract.

Our performance obligations are satisfied over time as work progresses or at a point in time. Revenue from products and services transferred to customers over time accounted for 78% and 79% of our revenue for the three- and nine-month periods ended October 3, 2021, and 77% and 78% of our revenue for the three- and nine-month periods ended September 27, 2020, respectively. Substantially all of our revenue in the defense segments is recognized over time, because control is transferred continuously to our customers. Typically, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material, overhead and, when appropriate, G&A expenses.

Revenue from goods and services transferred to customers at a point in time accounted for 22% and 21% of our revenue for the three- and nine-month periods ended October 3, 2021, and 23% and 22% of our revenue for the three- and nine-month periods ended September 27, 2020, respectively. Most of our revenue recognized at a point in time is for the manufacture of business jet aircraft in our Aerospace segment. Revenue on these contracts is recognized when the customer obtains control of the asset, which is generally upon delivery and acceptance by the customer of the fully outfitted aircraft.

On October 3, 2021, we had $88.1 billion of remaining performance obligations, which we also refer to as total backlog. We expect to recognize approximately 45% of our remaining performance obligations as revenue by year-end 2022, an additional 30% by year-end 2024 and the balance thereafter.

Contract Estimates. The majority of our revenue is derived from long-term contracts and programs that can span several years. Accounting for long-term contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, we estimate the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognize that profit over the life of the contract.

Contract estimates are based on various assumptions to project the outcome of future events that often span several years. These assumptions include labor productivity and availability; the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer.

The nature of our contracts gives rise to several types of variable consideration, including claims and award and incentive fees. We include in our contract estimates additional revenue for submitted contract modifications or claims against the customer when we believe we have an enforceable right to the modification or claim, the amount can be estimated reliably and its realization is probable. In evaluating these criteria, we consider the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. We include award or incentive fees in the estimated transaction price when there is a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and our best judgment at the time. Because of our certainty in estimating these amounts, they are included in the transaction price of our contracts and the associated remaining performance obligations.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the period it is identified.

The impact of adjustments in contract estimates on our operating earnings can be reflected in either operating costs and expenses or revenue. The aggregate impact of adjustments in contract estimates increased our revenue, operating earnings and diluted earnings per share as follows:

	Three Months Ended		Nine Months Ended	
	October 3, 2021	September 27, 2020	**October 3, 2021**	September 27, 2020
Revenue	$ 148	$ 126	$ 308	$ 270
Operating earnings	134	84	273	169
Diluted earnings per share	$ 0.38	$ 0.23	$ 0.76	$ 0.46

No adjustment on any one contract was material to the unaudited Consolidated Financial Statements for the three- and nine-month periods ended October 3, 2021, or September 27, 2020.

Revenue by Category. Our portfolio of products and services consists of approximately 10,000 active contracts. The following series of tables presents our revenue disaggregated by several categories.

Revenue by major products and services was as follows:

	Three Months Ended		Nine Months Ended	
	October 3, 2021	September 27, 2020	**October 3, 2021**	September 27, 2020
Aircraft manufacturing	$ 1,462	$ 1,507	$ 3,906	$ 4,204
Aircraft services and completions	604	468	1,669	1,436
Total Aerospace	2,066	1,975	5,575	5,640
Nuclear-powered submarines	1,741	1,704	5,139	4,972
Surface ships	594	461	1,707	1,433
Repair and other services	302	240	810	717
Total Marine Systems	2,637	2,405	7,656	7,122
Military vehicles	1,099	1,179	3,533	3,428
Weapons systems, armament and munitions	480	496	1,451	1,444
Engineering and other services	166	126	480	391
Total Combat Systems	1,745	1,801	5,464	5,263
Information technology (IT) services	2,058	2,029	6,214	5,901
C4ISR* solutions	1,062	1,221	3,268	3,518
Total Technologies	3,120	3,250	9,482	9,419
Total revenue	$ 9,568	$ 9,431	$ 28,177	$ 27,444

* Command, control, communications, computers, intelligence, surveillance and reconnaissance

Revenue by contract type was as follows:

Three Months Ended October 3, 2021	Aerospace	Marine Systems	Combat Systems	Technologies	Total Revenue
Fixed-price	$ 1,847	$ 1,930	$ 1,515	$ 1,349	$ 6,641
Cost-reimbursement	—	705	216	1,279	2,200
Time-and-materials	219	2	14	492	727
Total revenue	$ 2,066	$ 2,637	$ 1,745	$ 3,120	$ 9,568
Three Months Ended September 27, 2020					
Fixed-price	$ 1,821	$ 1,641	$ 1,552	$ 1,500	$ 6,514
Cost-reimbursement	—	763	231	1,324	2,318
Time-and-materials	154	1	18	426	599
Total revenue	$ 1,975	$ 2,405	$ 1,801	$ 3,250	$ 9,431

Nine Months Ended October 3, 2021	Aerospace	Marine Systems	Combat Systems	Technologies	Total Revenue
Fixed-price	$ 4,996	$ 5,524	$ 4,752	$ 3,993	$ 19,265
Cost-reimbursement	—	2,130	667	4,005	6,802
Time-and-materials	579	2	45	1,484	2,110
Total revenue	$ 5,575	$ 7,656	$ 5,464	$ 9,482	$ 28,177
Nine Months Ended September 27, 2020					
Fixed-price	$ 5,148	$ 4,926	$ 4,524	$ 4,293	$ 18,891
Cost-reimbursement	—	2,188	690	3,942	6,820
Time-and-materials	492	8	49	1,184	1,733
Total revenue	$ 5,640	$ 7,122	$ 5,263	$ 9,419	$ 27,444

Our segments operate under fixed-price, cost-reimbursement and time-and-materials contracts. Our production contracts are primarily fixed-price. Under these contracts, we agree to perform a specific scope of work for a fixed amount. Contracts for research, engineering, repair and maintenance, and other services are typically cost-reimbursement or time-and-materials. Under cost-reimbursement contracts, the customer reimburses contract costs incurred and pays a fixed, incentive or award-based fee. These fees are determined by our ability to achieve targets set in the contract, such as cost, quality, schedule and performance. Under time-and-materials contracts, the customer pays a fixed hourly rate for direct labor and generally reimburses us for the cost of materials.

Each of these contract types presents advantages and disadvantages. Typically, we assume more risk with fixed-price contracts. However, these types of contracts offer additional profits when we complete the work for less than originally estimated. Cost-reimbursement contracts generally subject us to lower risk. Accordingly, the associated base fees are usually lower than fees earned on fixed-price contracts. Under time-and-materials contracts, our profit may vary if actual labor-hour rates vary significantly from the negotiated rates. Also, because these contracts can provide little or no fee for managing material costs, the content mix can impact profitability.

Revenue by customer was as follows:

Three Months Ended October 3, 2021	Aerospace	Marine Systems	Combat Systems	Technologies	Total Revenue
U.S. government:					
Department of Defense (DoD)	$ 73	$ 2,584	$ 937	$ 1,715	$ 5,309
Non-DoD	—	1	2	1,241	1,244
Foreign Military Sales (FMS)	23	51	63	7	144
Total U.S. government	96	2,636	1,002	2,963	6,697
U.S. commercial	1,201	—	55	51	1,307
Non-U.S. government	46	1	670	101	818
Non-U.S. commercial	723	—	18	5	746
Total revenue	$ 2,066	$ 2,637	$ 1,745	$ 3,120	$ 9,568
Three Months Ended September 27, 2020					
U.S. government:					
DoD	$ 41	$ 2,333	$ 942	$ 1,823	$ 5,139
Non-DoD	—	1	3	1,200	1,204
FMS	23	51	87	8	169
Total U.S. government	64	2,385	1,032	3,031	6,512
U.S. commercial	1,123	17	76	64	1,280
Non-U.S. government	59	2	678	139	878
Non-U.S. commercial	729	1	15	16	761
Total revenue	$ 1,975	$ 2,405	$ 1,801	$ 3,250	$ 9,431

Nine Months Ended October 3, 2021	Aerospace	Marine Systems	Combat Systems	Technologies	Total Revenue
U.S. government:					
DoD	$ 203	$ 7,496	$ 2,807	$ 5,220	$ 15,726
Non-DoD	—	5	7	3,782	3,794
FMS	60	148	212	27	447
Total U.S. government	263	7,649	3,026	9,029	19,967
U.S. commercial	3,040	2	163	144	3,349
Non-U.S. government	286	3	2,224	294	2,807
Non-U.S. commercial	1,986	2	51	15	2,054
Total revenue	$ 5,575	$ 7,656	$ 5,464	$ 9,482	$ 28,177
Nine Months Ended September 27, 2020					
U.S. government:					
DoD	$ 254	$ 6,882	$ 2,760	$ 5,155	$ 15,051
Non-DoD	—	3	9	3,531	3,543
FMS	93	151	275	34	553
Total U.S. government	347	7,036	3,044	8,720	19,147
U.S. commercial	2,935	77	217	211	3,440
Non-U.S. government	133	7	1,959	403	2,502
Non-U.S. commercial	2,225	2	43	85	2,355
Total revenue	$ 5,640	$ 7,122	$ 5,263	$ 9,419	$ 27,444

Contract Balances. The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheet. In our defense segments, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, we sometimes receive advances or deposits from our customers, particularly on our international contracts, before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the Consolidated Balance Sheet on a contract-by-contract basis at the end of each reporting period. In our Aerospace segment, we generally receive deposits from customers upon contract execution and upon achievement of contractual milestones. These deposits are liquidated when revenue is recognized. Changes in the contract asset and liability balances during the nine-month period ended October 3, 2021, were not materially impacted by any other factors.

Revenue recognized for the three- and nine-month periods ended October 3, 2021, and September 27, 2020, that was included in the contract liability balance at the beginning of each year was $612 and $3 billion, and $767 and $3.2 billion, respectively. This revenue represented primarily the sale of business jet aircraft.

C. GOODWILL AND INTANGIBLE ASSETS

Goodwill. The changes in the carrying amount of goodwill by reporting unit were as follows:

	Aerospace	Marine Systems	Combat Systems	Technologies	Total Goodwill
December 31, 2020 (a)	$ 3,065	$ 297	$ 2,786	$ 13,905	$ 20,053
Acquisitions (b)	33	—	61	—	94
Other (c)	(85)	—	(3)	33	(55)
October 3, 2021 (a)	$ 3,013	$ 297	$ 2,844	$ 13,938	$ 20,092

(a) Goodwill in the Technologies reporting unit was net of $1.8 billion of accumulated impairment losses.
(b) Included adjustments during the purchase price allocation period.
(c) Consisted primarily of adjustments for foreign currency translation.

Intangible Assets. Intangible assets consisted of the following:

	Gross Carrying Amount (a)	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount (a)	Accumulated Amortization	Net Carrying Amount
	October 3, 2021			December 31, 2020		
Contract and program intangible assets (b)	$ 3,287	$ (1,554)	$ 1,733	$ 3,399	$ (1,600)	$ 1,799
Trade names and trademarks	494	(231)	263	516	(229)	287
Technology and software	72	(49)	23	134	(106)	28
Other intangible assets	66	(63)	3	161	(158)	3
Total intangible assets	$ 3,919	$ (1,897)	$ 2,022	$ 4,210	$ (2,093)	$ 2,117

(a) Changes in gross carrying amounts consisted primarily of adjustments for write-offs of fully amortized intangible assets, acquired intangible assets and foreign currency translation.
(b) Consisted of acquired backlog and probable follow-on work and associated customer relationships.

Amortization expense is included in operating costs and expenses in the Consolidated Statement of Earnings. Amortization expense for intangible assets was $59 and $170 for the three- and nine-month periods ended October 3, 2021, and $65 and $196 for the three- and nine-month periods ended September 27, 2020, respectively.

D. EARNINGS PER SHARE

We compute basic earnings per share (EPS) using net earnings for the period and the weighted average number of common shares outstanding during the period. Basic weighted average shares outstanding have decreased in 2021 and 2020 due to share repurchases. Diluted EPS incorporates the additional shares issuable upon the assumed exercise of stock options and the release of restricted stock and restricted stock units (RSUs).

Basic and diluted weighted average shares outstanding were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	October 3, 2021	September 27, 2020	**October 3, 2021**	September 27, 2020
Basic weighted average shares outstanding	278,596	286,452	281,147	287,136
Dilutive effect of stock options and restricted stock/RSUs*	1,809	775	1,287	927
Diluted weighted average shares outstanding	280,405	287,227	282,434	288,063

* Excludes outstanding options to purchase shares of common stock that had exercise prices in excess of the average market price of our common stock during the period and, therefore, the effect of including these options would be antidilutive. These options totaled 1,547 and 5,015 for the three- and nine-month periods ended October 3, 2021, and 7,551 and 7,034 for the three- and nine-month periods ended September 27, 2020, respectively.

E. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between marketplace participants. Various valuation approaches can be used to determine fair value, each requiring different valuation inputs. The following hierarchy classifies the inputs used to determine fair value into three levels:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, observable by a marketplace participant either directly or indirectly.
- Level 3 - unobservable inputs significant to the fair value measurement.

We did not have any significant non-financial assets or liabilities measured at fair value on October 3, 2021, or December 31, 2020.

Our financial instruments include cash and equivalents, accounts receivable and payable, marketable securities held in trust and other investments, short- and long-term debt, and derivative financial instruments. The carrying values of cash and equivalents and accounts receivable and payable on the unaudited Consolidated Balance Sheet approximate their fair value. The following tables present the fair values of our other financial assets and liabilities on October 3, 2021, and December 31, 2020, and the basis for determining their fair values:

Financial Assets (Liabilities)	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	October 3, 2021				
Measured at fair value:					
Marketable securities held in trust:					
Cash and equivalents	$ 4	$ 4	$ —	$ 4	$ —
Available-for-sale debt securities	133	133	—	133	—
Equity securities	62	62	62	—	—
Other investments	12	12	—	—	12
Cash flow hedge assets	361	361	—	361	—
Cash flow hedge liabilities	(94)	(94)	—	(94)	—
Measured at amortized cost:					
Short- and long-term debt principal	(13,785)	(14,861)	—	(14,861)	—
	December 31, 2020				
Measured at fair value:					
Marketable securities held in trust:					
Cash and equivalents	$ 19	$ 19	$ 17	$ 2	$ —
Available-for-sale debt securities	134	134	—	134	—
Equity securities	58	58	58	—	—
Other investments	9	9	—	—	9
Cash flow hedge assets	498	498	—	498	—
Cash flow hedge liabilities	(79)	(79)	—	(79)	—
Measured at amortized cost:					
Short- and long-term debt principal	(13,117)	(14,606)	—	(14,606)	—

Our Level 1 assets include investments in publicly traded equity securities valued using quoted prices from the market exchanges. The fair value of our Level 2 assets and liabilities, which consist primarily of fixed-income securities, cash flow hedges and our fixed-rate notes, is determined under a market approach using valuation models that incorporate observable inputs such as interest rates, bond yields and quoted prices for similar assets. Our Level 3 assets include direct private equity investments that are measured using inputs unobservable to a marketplace participant.

F. INCOME TAXES

Net Deferred Tax Liability. Our deferred tax assets and liabilities are included in other noncurrent assets and liabilities on the Consolidated Balance Sheet. Our net deferred tax liability consisted of the following:

	October 3, 2021	December 31, 2020
Deferred tax asset	$ 39	$ 37
Deferred tax liability	(457)	(461)
Net deferred tax liability	$ (418)	$ (424)

Tax Uncertainties. We participate in the Internal Revenue Service (IRS) Compliance Assurance Process (CAP), a real-time audit of our consolidated federal corporate income tax return. The IRS has examined our consolidated federal income tax returns through 2019 and is currently reviewing our 2020 tax year.

For all periods open to examination by tax authorities, we periodically assess our liabilities and contingencies based on the latest available information. Where we believe there is more than a 50% chance that our tax position will not be sustained, we record our best estimate of the resulting tax liability, including interest, in the Consolidated Financial Statements. We include any interest or penalties incurred in connection with income taxes as part of income tax expense.

Based on all known facts and circumstances and current tax law, we believe the total amount of any unrecognized tax benefits on October 3, 2021, was not material to our results of operations, financial condition or cash flows. In addition, there are no tax positions for which it is reasonably possible that the unrecognized tax benefits will vary significantly over the next 12 months, producing, individually or in the aggregate, a material effect on our results of operations, financial condition or cash flows.

G. UNBILLED RECEIVABLES

Unbilled receivables represent revenue recognized on long-term contracts (contract costs and estimated profits) less associated advances and progress billings. These amounts will be billed in accordance with the agreed-upon contractual terms. Unbilled receivables consisted of the following:

	October 3, 2021	December 31, 2020
Unbilled revenue	$ 39,224	$ 36,657
Advances and progress billings	(30,890)	(28,633)
Net unbilled receivables	$ 8,334	$ 8,024

On October 3, 2021, and December 31, 2020, net unbilled receivables included $3 billion and $3.4 billion, respectively, associated with two large international contracts in our Combat Systems segment. We had experienced payment delays on a wheeled vehicle contract in 2018 and 2019 before finalizing a contract amendment in 2020 with the customer that included a revised payment schedule. Under the amended contract, we received progress payments of $1 billion in 2020 and $1.5 billion in the first nine months of 2021 reducing the program's unbilled balance to $1.9 billion. The remaining scheduled progress payments will liquidate the net unbilled receivables balance over the next few years. A separate tracked vehicle contract has experienced an unbilled receivable build-up over the past year while we work to resolve technical issues on the program. As a result, the balance on this program has grown to $1.1 billion.

H. INVENTORIES

The majority of our inventories are for business jet aircraft. Our inventories are stated at the lower of cost or net realizable value. Work in process represents largely labor, material and overhead costs associated with aircraft in the manufacturing process and is based primarily on the estimated average unit cost in a production lot. Raw materials are valued primarily on the first-in, first-out method. We record pre-owned aircraft acquired in connection with the sale of new aircraft at the lower of the trade-in value or the estimated net realizable value.

Inventories consisted of the following:

	October 3, 2021		December 31, 2020	
Work in process	$	3,916	$	3,990
Raw materials		1,610		1,712
Finished goods		26		30
Pre-owned aircraft		99		13
Total inventories	$	5,651	$	5,745

I. DEBT

Debt consisted of the following:

		October 3, 2021		December 31, 2020	
Fixed-rate notes due:	Interest rate:				
May 2021	3.000%	$	—	$	2,000
July 2021	3.875%		—		500
November 2022	2.250%		1,000		1,000
May 2023	3.375%		750		750
August 2023	1.875%		500		500
November 2024	2.375%		500		500
April 2025	3.250%		750		750
May 2025	3.500%		750		750
June 2026	1.150%		500		—
August 2026	2.125%		500		500
April 2027	3.500%		750		750
November 2027	2.625%		500		500
May 2028	3.750%		1,000		1,000
April 2030	3.625%		1,000		1,000
June 2031	2.250%		500		—
April 2040	4.250%		750		750
June 2041	2.850%		500		—
November 2042	3.600%		500		500
April 2050	4.250%		750		750
Floating-rate notes due:					
May 2021	3-month LIBOR + 0.38%		—		500
Commercial paper	0.252%		2,000		—
Other	Various		285		117
Total debt principal			13,785		13,117
Less unamortized debt issuance costs and discounts			117		119
Total debt			13,668		12,998
Less current portion			2,183		3,003
Long-term debt		$	11,485	$	9,995

In May 2021, we issued $1.5 billion of fixed-rate notes. The proceeds, together with cash on hand and commercial paper issuances, were used to repay fixed- and floating-rate notes totaling $2.5 billion that matured in May 2021 and for general corporate purposes. In July 2021, we repaid an additional $500 of fixed-rate notes at the scheduled maturity.

On October 3, 2021, we had $2 billion of commercial paper outstanding with a dollar-weighted average interest rate of 0.252%. Separately, we have $5 billion in committed bank credit facilities for general corporate purposes and working capital needs and to support our commercial paper issuances. These credit facilities include a $2 billion 364-day facility expiring in March 2022, a $2 billion multi-year facility expiring in March 2023 and a $1 billion multi-year facility expiring in March 2025. We may renew or replace these credit facilities in whole or in part at or prior to their expiration dates. We also have an effective shelf registration on file with the SEC that allows us to access the debt markets.

Our financing arrangements contain a number of customary covenants and restrictions. We were in compliance with all covenants and restrictions on October 3, 2021.

J. OTHER LIABILITIES

A summary of significant other liabilities by balance sheet caption follows:

	October 3, 2021	December 31, 2020
Salaries and wages	$ 1,041	$ 1,007
Lease liabilities	334	330
Dividends payable	333	316
Retirement benefits	295	306
Workers' compensation	275	338
Other	1,294	1,436
Total other current liabilities	$ 3,572	$ 3,733
Retirement benefits	$ 4,731	$ 5,182
Lease liabilities	1,311	1,404
Customer deposits on commercial contracts	1,223	872
Other	2,295	2,230
Total other liabilities	$ 9,560	$ 9,688

K. SHAREHOLDERS' EQUITY

Share Repurchases. Our board of directors from time to time authorizes management to repurchase outstanding shares of our common stock on the open market. On June 2, 2021, the board of directors authorized management to repurchase up to 10 million additional shares of the company's outstanding stock. In the nine-month period ended October 3, 2021, we repurchased 8.5 million of our outstanding shares for $1.5 billion. On October 3, 2021, 13.8 million shares remained authorized by our board of directors for repurchase, representing 5% of our total shares outstanding. We repurchased 3.4 million shares for $501 in the nine-month period ended September 27, 2020.

Dividends per Share. Our board of directors declared dividends of $1.19 and $3.57 per share for the three- and nine-month periods ended October 3, 2021, and $1.10 and $3.30 per share for the three- and nine-month periods ended September 27, 2020, respectively. We paid cash dividends of $332 and $983 for the three- and nine-month periods ended October 3, 2021, and $315 and $925 for the three- and nine-month periods ended September 27, 2020, respectively.

Accumulated Other Comprehensive Loss. The changes, pretax and net of tax, in each component of accumulated other comprehensive loss (AOCL) consisted of the following:

	(Losses) Gains on Cash Flow Hedges	Foreign Currency Translation Adjustments	Changes in Retirement Plans' Funded Status	AOCL
December 31, 2020	$ 272	$ 641	$ (4,463)	$ (3,550)
Other comprehensive income, pretax	(134)	(77)	260	49
Provision for income tax, net	36	—	(56)	(20)
Other comprehensive income, net of tax	(98)	(77)	204	29
October 3, 2021	$ 174	$ 564	$ (4,259)	$ (3,521)
December 31, 2019	$ 2	$ 288	$ (4,108)	$ (3,818)
Other comprehensive income, pretax	181	60	247	488
Provision for income tax, net	(49)	—	(52)	(101)
Other comprehensive income, net of tax	132	60	195	387
September 27, 2020	$ 134	$ 348	$ (3,913)	$ (3,431)

Amounts reclassified out of AOCL related primarily to changes in our retirement plans' funded status and included pretax recognized net actuarial losses and amortization of prior service credit. See Note N for these amounts, which are included in our net periodic pension and other post-retirement benefit cost.

L. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to market risk, primarily from foreign currency exchange rates, commodity prices and investments. We may use derivative financial instruments to hedge some of these risks as described below. We do not use derivative financial instruments for trading or speculative purposes.

Foreign Currency Risk. Our foreign currency exchange rate risk relates to receipts from customers, payments to suppliers and inter-company transactions denominated in foreign currencies. To the extent possible, we include terms in our contracts that are designed to protect us from this risk. Otherwise, we enter into derivative financial instruments, principally foreign currency forward purchase and sale contracts, designed to offset and minimize our risk. The dollar-weighted two-year average maturity of these instruments generally matches the duration of the activities that are at risk.

Commodity Price Risk. We are subject to rising labor and commodity price risk, primarily on long-term, fixed-price contracts. To the extent possible, we include terms in our contracts that are designed to protect us from these risks. Some of the protective terms included in our contracts are considered derivative financial instruments but are not accounted for separately, because they are clearly and closely related to the host contract. We have not entered into any material commodity hedging contracts but may do so as circumstances warrant. We do not believe that changes in labor or commodity prices will have a material impact on our results of operations or cash flows.

Investment Risk. Our investment policy allows for purchases of fixed-income securities with an investment-grade rating and a maximum maturity of up to five years. On October 3, 2021, and December 31, 2020, we held $3.1 billion and $2.8 billion in cash and equivalents, respectively, but held no marketable securities other than those held in trust to meet some of our obligations under workers' compensation and non-qualified pension plans. On October 3, 2021, and December 31, 2020, we held marketable securities in trust of $199 and $211, respectively. These marketable securities are reflected at fair value on the Consolidated Balance Sheet in other current and noncurrent assets. See Note E for additional details.

Hedging Activities. On October 3, 2021, we had notional forward exchange contracts outstanding of $7.5 billion. On December 31, 2020, we had notional forward exchange and interest rate swap contracts outstanding of $9.4 billion. These derivative financial instruments are cash flow hedges, and are reflected at fair value on the Consolidated Balance Sheet in other current assets and liabilities. See Note E for additional details.

Changes in fair value (gains and losses) related to derivative financial instruments that qualify as cash flow hedges are deferred in AOCL until the underlying transaction is reflected in earnings. Alternatively, gains and losses on derivative financial instruments that do not qualify for hedge accounting are recorded each period in earnings. All gains and losses from derivative financial instruments recognized in the Consolidated Statement of Earnings are presented in the same line item as the underlying transaction, either operating costs and expenses or interest expense.

Net gains and losses recognized in earnings on derivative financial instruments that do not qualify for hedge accounting were not material to our results of operations for the three- and nine-month periods ended October 3, 2021, and September 27, 2020. Net gains and losses reclassified to earnings from AOCL related to qualified hedges were also not material to our results of operations for the three- and nine-month periods ended October 3, 2021, and September 27, 2020, and we do not expect the amount of these gains and losses that will be reclassified to earnings during the next 12 months to be material.

We had no material derivative financial instruments designated as fair value or net investment hedges on October 3, 2021, and December 31, 2020.

Foreign Currency Financial Statement Translation. We translate foreign currency balance sheets from our international businesses' functional currency (generally the respective local currency) to U.S. dollars at the end-of-period exchange rates, and statements of earnings at the average exchange rates for each period. The resulting foreign currency translation adjustments are a component of AOCL.

We do not hedge the fluctuation in reported revenue and earnings resulting from the translation of these international operations' results into U.S. dollars. The impact of translating our non-U.S. operations' revenue and earnings into U.S. dollars was not material to our results of operations for the three- and nine-month periods ended October 3, 2021, and September 27, 2020. In addition, the effect of changes in foreign exchange rates on non-U.S. cash balances was not material for the nine-month periods ended October 3, 2021, and September 27, 2020.

M. COMMITMENTS AND CONTINGENCIES

Litigation

In 2015, Electric Boat Corporation, a subsidiary of General Dynamics Corporation, received a Civil Investigative Demand from the U.S. Department of Justice regarding an investigation of potential False Claims Act violations relating to alleged failures of Electric Boat's quality system with respect to allegedly non-conforming parts purchased from a supplier. In 2016, Electric Boat was made aware that it is a defendant in a lawsuit related to this matter which had been filed under seal in U.S. district court. Also in 2016, the Suspending and Debarring Official for the U.S. Department of the Navy issued a Show Cause Letter to Electric Boat requesting that Electric Boat respond to the official's concerns regarding Electric Boat's oversight and management with respect to its quality assurance systems for subcontractors and suppliers. Electric Boat responded to the Show Cause Letter and engaged in discussions with the U.S. government.

In the third quarter of 2019, the Department of Justice declined to intervene in the qui tam action, noting that its investigation continues, and the court unsealed the relator's complaint. In the fourth quarter of 2020, the relator filed a second amended complaint. In the third quarter of 2021, the court dismissed the relator's complaint with prejudice and, in October 2021, the relator filed a notice of appeal to the United States Court of Appeals. Given the current status of these matters, we are unable to express a view regarding the ultimate outcome or, if the outcome is adverse, to estimate an amount or range of reasonably possible loss. Depending on the outcome of these matters, there could be a material impact on our results of operations, financial condition and cash flows.

Additionally, various other claims and legal proceedings incidental to the normal course of business are pending or threatened against us. These other matters relate to such issues as government investigations and claims, the protection of the environment, asbestos-related claims and employee-related matters. The nature of litigation is such that we cannot predict the outcome of these other matters. However, based on information currently available, we believe any potential liabilities in these other proceedings, individually or in the aggregate, will not have a material impact on our results of operations, financial condition or cash flows.

Environmental

We are subject to and affected by a variety of federal, state, local and foreign environmental laws and regulations. We are directly or indirectly involved in environmental investigations or remediation at some of our current and former facilities and third-party sites that we do not own but where we have been designated a Potentially Responsible Party (PRP) by the U.S. Environmental Protection Agency or a state environmental agency. Based on historical experience, we expect that a significant percentage of the total remediation and compliance costs associated with these facilities will continue to be allowable contract costs and, therefore, recoverable under U.S. government contracts.

As required, we provide financial assurance for certain sites undergoing or subject to investigation or remediation. We accrue environmental costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. Where applicable, we seek insurance recovery for costs related to environmental liabilities. We do not record insurance recoveries before collection is considered probable. Based on all known facts and analyses, we do not believe that our liability at any individual site, or in the aggregate, arising from such environmental conditions will be material to our results of operations, financial condition or cash flows. We also do not believe that the range of reasonably possible additional loss beyond what has been recorded would be material to our results of operations, financial condition or cash flows.

Other

Government Contracts. As a government contractor, we are subject to U.S. government audits and investigations relating to our operations, including claims for fines, penalties, and compensatory and treble damages. We believe the outcome of such ongoing government audits and investigations will not have a material impact on our results of operations, financial condition or cash flows.

In the performance of our contracts, we routinely request contract modifications that require additional funding from the customer. Most often, these requests are due to customer-directed changes in the scope of work. While we are entitled to recovery of these costs under our contracts, the administrative process with our customer may be protracted. Based on the circumstances, we periodically file requests for equitable adjustment (REAs) that are sometimes converted into claims. In some cases, these requests are disputed by our customer. We believe our outstanding modifications, REAs and other claims will be resolved without material impact to our results of operations, financial condition or cash flows.

Letters of Credit and Guarantees. In the ordinary course of business, we have entered into letters of credit, bank guarantees, surety bonds and other similar arrangements with financial institutions and insurance carriers totaling approximately $1 billion on October 3, 2021. In addition, from time to time and in the ordinary course of business, we contractually guarantee the payment or performance of our subsidiaries arising under certain contracts.

Aircraft Trade-ins. In connection with orders for new aircraft in contract backlog, our Aerospace segment has outstanding options with some customers to trade in aircraft as partial consideration in their new-aircraft transaction. These trade-in commitments are generally structured to establish the fair market value of the trade-in aircraft at a date generally 45 or fewer days preceding delivery of the new aircraft to the customer. At that time, the customer is required to either exercise the option or allow its expiration. Other trade-in commitments are structured to guarantee a pre-determined trade-in value. These commitments present more risk in the event of an adverse change in market conditions. In either case, any excess of the pre-established trade-in price above the fair market value at the time the new aircraft is delivered is treated as a reduction of revenue in the new-aircraft sales transaction. As of October 3, 2021, the estimated change in fair market values from the date of the commitments was not material.

Product Warranties. We provide warranties to our customers associated with certain product sales. We record estimated warranty costs in the period in which the related products are delivered. The warranty liability recorded at each balance sheet date is based generally on the number of months of warranty coverage remaining for the products delivered and the average historical monthly warranty payments. Warranty obligations incurred in connection with long-term production contracts are accounted for within the contract estimates at completion. Our other warranty obligations, primarily for business jet aircraft, are included in other current and noncurrent liabilities on the Consolidated Balance Sheet.

The changes in the carrying amount of warranty liabilities for the nine-month periods ended October 3, 2021, and September 27, 2020, were as follows:

Nine Months Ended	October 3, 2021	September 27, 2020
Beginning balance	$ 660	$ 619
Warranty expense	73	72
Payments	(94)	(72)
Adjustments	(14)	39
Ending balance	$ 625	$ 658

N. RETIREMENT PLANS

We provide retirement benefits to eligible employees through a variety of plans:

- Defined contribution
- Defined benefit
  - Pension (qualified and non-qualified)
  - Other post-retirement benefit

For our defined benefit plans, net periodic benefit credit for the three- and nine-month periods ended October 3, 2021, and September 27, 2020, consisted of the following:

	Pension Benefits		Other Post-retirement Benefits	
Three Months Ended	October 3, 2021	September 27, 2020	October 3, 2021	September 27, 2020
Service cost	$ 30	$ 29	$ 2	$ 2
Interest cost	90	123	5	7
Expected return on plan assets	(241)	(234)	(9)	(9)
Net actuarial loss	91	77	—	—
Prior service credit	(5)	(4)	—	(1)
Net periodic benefit credit	$ (35)	$ (9)	$ (2)	$ (1)
Nine Months Ended				
Service cost	$ 89	$ 88	$ 7	$ 7
Interest cost	270	369	14	21
Expected return on plan assets	(723)	(703)	(27)	(27)
Net actuarial loss (gain)	274	217	—	(2)
Prior service credit	(15)	(13)	—	(1)
Net periodic benefit credit	$ (105)	$ (42)	$ (6)	$ (2)

Our contractual arrangements with the U.S. government provide for the recovery of pension and other post-retirement benefit costs related to employees working on government contracts. For these plans, the amount allocated to contracts is determined in accordance with the Cost Accounting Standards and Federal Acquisition Regulation. At this time, cumulative benefit costs exceed the amount allocated to contracts. To the extent we consider recovery of benefit costs to be probable based on our backlog and probable follow-on contracts, we defer the excess in other contract costs in other current assets on the Consolidated Balance Sheet until the cost is allocable to contracts. To the extent there is a non-service component of net periodic benefit credit for our defined benefit plans, it is reported in other income (expense) in the Consolidated Statement of Earnings.

O. SEGMENT INFORMATION

We have four operating segments: Aerospace, Marine Systems, Combat Systems and Technologies. We organize our segments in accordance with the nature of products and services offered. We measure each segment's profitability based on operating earnings. As a result, we do not allocate net interest, other income and expense items, and income taxes to our segments.

Summary financial information for each of our segments follows:

	Revenue		Operating Earnings	
Three Months Ended	October 3, 2021	September 27, 2020	October 3, 2021	September 27, 2020
Aerospace	$ 2,066	$ 1,975	$ 262	$ 283
Marine Systems	2,637	2,405	229	223
Combat Systems	1,745	1,801	276	270
Technologies	3,120	3,250	327	314
Corporate*	—	—	(14)	(18)
Total	$ 9,568	$ 9,431	$ 1,080	$ 1,072
Nine Months Ended				
Aerospace	$ 5,575	$ 5,640	$ 677	$ 682
Marine Systems	7,656	7,122	639	607
Combat Systems	5,464	5,263	786	732
Technologies	9,482	9,419	941	859
Corporate*	—	—	(66)	(40)
Total	$ 28,177	$ 27,444	$ 2,977	$ 2,840

* Corporate operating results consist primarily of equity-based compensation expense.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in millions, except per-share amounts or unless otherwise noted)

BUSINESS OVERVIEW

General Dynamics is a global aerospace and defense company that offers a broad portfolio of products and services in business aviation; ship construction and repair; land combat vehicles, weapons systems and munitions; and technology products and services.

Our company is organized into four operating segments: Aerospace, Marine Systems, Combat Systems and Technologies. We refer to the latter three collectively as our defense segments. Our primary customer is the U.S. government, including the Department of Defense (DoD), the intelligence community and other U.S. government customers. We also have significant business with non-U.S. governments and a diverse base of corporate and individual buyers of business jet aircraft and related services. The following discussion should be read in conjunction with our 2020 Annual Report on Form 10-K and with the unaudited Consolidated Financial Statements included in this Form 10-Q.

BUSINESS ENVIRONMENT

GLOBAL PANDEMIC UPDATE

The Coronavirus (COVID-19) pandemic has caused significant disruptions to national and global economies and government activities since March 2020. During this time, we have continued to conduct our operations while responding to the pandemic with actions to mitigate adverse consequences to our employees, business, supply chain and customers. While we expect this situation to be temporary, any longer-term impact to our business is currently unknown due to the uncertainty around the pandemic's duration and its broader impact. For additional information, see the Risk Factors in Part I, Item 1A, and the Business Environment in Part II, Item 7, in our most recent Form 10-K filing.

The United States and other governments have taken several steps to respond to the pandemic. Most recently, on September 9, 2021, the president signed Executive Order 14042, initiating a process whereby covered federal contractors and subcontractors must implement federally required vaccine mandates. This federal contract requirement may affect various business units differently. We are working closely with our customer to ensure that we minimize disruptions and potential employee attrition at the site level as contract modifications are received that could trigger implementation. However, to the extent that we or our subcontractors experience employee attrition and/or work stoppages, our costs could increase, schedules could slip on affected programs and our ability to perform under some contracts could be negatively affected, particularly in those instances where we cannot receive cost reimbursement.

Our Aerospace segment's operating results have experienced the most significant impact from the pandemic. New aircraft deliveries in the first half of 2021 reflect last year's decision to reduce production rates to accommodate supply chain challenges and reduced demand due to the pandemic. However, aircraft orders have been strong in the first nine months of 2021, and deliveries are increasing in the second half of the year. As air travel has increased, demand for aircraft services has improved, but remains below pre-pandemic levels in some regions of the world. Our U.S. government business continues to experience some disruption from the COVID-19 pandemic, such as supply chain shortages, particularly in our Technologies segment. The Review of Operating Segments includes additional information on the third-quarter results for each of our segments.

U.S. GOVERNMENT BUDGET

With approximately 70% of our revenue from the U.S. government, government spending levels — particularly defense spending — influence our financial performance. The Congress has not yet passed a defense appropriations bill for the government's fiscal year (FY) 2022 despite the fact that the new year began on October 1, 2021. However, on September 30, 2021, a continuing resolution (CR) was signed into law, providing funding for federal agencies through December 3, 2021. When the government operates under a CR, all programs of record are funded at the prior year's appropriated levels, and the DoD is prohibited from starting new programs. While this could result in delayed revenue growth as programs that were expected to have increased funding levels continue to operate at the prior-year levels until the current-year appropriations bill is passed, we do not anticipate that the current CR, or any subsequent extensions, will have a material impact on our results of operations, financial condition or cash flows.

OTHER LEGISLATIVE ACTIVITY

In September 2021, legislation was introduced in the U.S. House of Representatives that provides for significant changes to U.S. corporate income taxation, including an increase in the top corporate income tax rate from 21% to 26.5% and material changes to U.S. taxation of international activity. The legislation would also delay a requirement to capitalize and amortize over five years certain research and experimental expenditures beginning in 2022 that currently are deductible immediately.

We cannot determine whether some or all of these or other proposals will be enacted into law or what, if any, change may be made to such proposals prior to being enacted into law. If U.S. tax laws change in a manner that increases our tax obligations, our financial position and results of operations would be adversely impacted.

RESULTS OF OPERATIONS

INTRODUCTION

An understanding of our accounting practices is necessary in the evaluation of our financial statements and operating results. The following paragraphs explain how we recognize revenue and operating costs in our operating segments and the terminology we use to describe our operating results.

In the Aerospace segment, we record revenue on contracts for new aircraft when the customer obtains control of the asset, which is generally upon delivery and acceptance by the customer of the fully outfitted aircraft. Revenue associated with the segment's custom completions of narrow-body and wide-body aircraft and the segment's services businesses is recognized as work progresses or upon delivery of services. Fluctuations in revenue from period to period result from the number and mix of new aircraft deliveries, progress on aircraft completions, and the level and type of aircraft services performed during the period.

The majority of the Aerospace segment's operating costs relates to new aircraft production on firm orders and consists of labor, material, subcontractor and overhead costs. The costs are accumulated in production lots, recorded in inventory and recognized as operating costs at aircraft delivery based on the estimated average unit cost in a production lot. While changes in the estimated average unit cost for a production lot impact the level of operating costs, the amount of operating costs reported in a given period is based largely on the number and type of aircraft delivered. Operating costs in the Aerospace segment's completions and services businesses are recognized generally as incurred.

For new aircraft, operating earnings and margin are a function of the prices of our aircraft, our operational efficiency in manufacturing and outfitting the aircraft, and the mix of ultra-large-cabin, large-cabin and mid-cabin aircraft deliveries. Aircraft mix can also refer to the stage of program maturity for our aircraft models. A new aircraft model typically has lower margins in its initial production lots, and then margins generally increase as we realize efficiencies in the production process. Additional factors affecting the segment's earnings and margin include the volume, mix and profitability of completions and services work performed, the market for pre-owned aircraft, and the level of general and administrative (G&A) and net research and development (R&D) costs incurred by the segment.

In the defense segments, revenue on long-term government contracts is recognized generally over time as the work progresses, either as products are produced or as services are rendered. Typically, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material, overhead and, when appropriate, G&A expenses. Variances in costs recognized from period to period reflect primarily increases and decreases in production or activity levels on individual contracts. Because costs are used as a measure of progress, year-over-year variances in cost result in corresponding variances in revenue, which we generally refer to as volume.

Operating earnings and margin in the defense segments are driven by changes in volume, performance or contract mix. Performance refers to changes in profitability based on adjustments to estimates at completion on individual contracts. These adjustments result from increases or decreases to the estimated value of the contract, the estimated costs to complete the contract or both. Therefore, changes in costs incurred in the period compared with prior periods do not necessarily impact profitability. It is only when total estimated costs at completion on a given contract change without a corresponding change in the contract value (or vice versa) that the profitability of that contract may be impacted. Contract mix refers to changes in the volume of higher- versus lower-margin work. Higher or lower margins can result from a number of factors, including contract type (e.g., fixed-price/cost-reimbursable) and type of work (e.g., development/production). Contract mix can also refer to the stage of program maturity for our long-term production contracts. New long-term production contracts typically have lower margins initially, and then margins generally increase as we achieve learning curve improvements or realize other cost reductions.

CONSOLIDATED OVERVIEW

Three Months Ended	October 3, 2021	September 27, 2020	Variance	
Revenue	$ 9,568	$ 9,431	$ 137	1.5 %
Operating costs and expenses	(8,488)	(8,359)	(129)	1.5 %
Operating earnings	1,080	1,072	8	0.7 %
Operating margin	11.3 %	11.4 %		
Nine Months Ended	**October 3, 2021**	**September 27, 2020**	**Variance**	
Revenue	$ 28,177	$ 27,444	$ 733	2.7 %
Operating costs and expenses	(25,200)	(24,604)	(596)	2.4 %
Operating earnings	2,977	2,840	137	4.8 %
Operating margin	10.6 %	10.3 %		

Our consolidated revenue increased in the first nine months of 2021 driven by growth in each of our defense segments, including increases in U.S. Navy ship construction in our Marine Systems segment, international military vehicle programs in our Combat Systems segment and IT services in our Technologies segment. These increases were offset partially by fewer aircraft deliveries in our Aerospace segment reflecting last year's decision to lower aircraft production rates in response to the COVID-19 pandemic. On a quarter-over-quarter basis, the increase in U.S. Navy ship construction in our Marine Systems segment was offset partially by lower C4ISR solutions revenue in our Technologies segment. Operating margin decreased slightly in the third quarter of 2021 but was up 30 basis points in the first nine months of 2021 on strong operating results at our Technologies and Combat Systems segments.

REVIEW OF OPERATING SEGMENTS

Following is a discussion of operating results for each of our operating segments. For the Aerospace segment, results are analyzed by specific types of products and services, consistent with how the segment is managed. For the defense segments, the discussion is based on markets and the lines of products and services offered with a supplemental discussion of specific contracts and programs when significant to the results. Additional information regarding our segments can be found in Note O to the unaudited Consolidated Financial Statements in Part I, Item 1.

AEROSPACE

Three Months Ended	October 3, 2021	September 27, 2020	Variance	
Revenue	$ 2,066	$ 1,975	$ 91	4.6 %
Operating earnings	262	283	(21)	(7.4)%
Operating margin	12.7 %	14.3 %		
Gulfstream aircraft deliveries (in units)	31	32	(1)	(3.1)%
Nine Months Ended	**October 3, 2021**	**September 27, 2020**	**Variance**	
Revenue	$ 5,575	$ 5,640	$ (65)	(1.2)%
Operating earnings	677	682	(5)	(0.7)%
Operating margin	12.1 %	12.1 %		
Gulfstream aircraft deliveries (in units)	80	87	(7)	(8.0)%

Operating Results

The change in the Aerospace segment's revenue in the third quarter and first nine months of 2021 consisted of the following:

	Third Quarter	Nine Months
Aircraft manufacturing	$ (45)	$ (298)
Aircraft services and completions	136	233
Total increase (decrease)	$ 91	$ (65)

Aircraft manufacturing revenue decreased in the first nine months of 2021 due to fewer aircraft deliveries reflecting the full impact of last year's decision to reduce aircraft production rates in response to the COVID-19 pandemic. Aircraft services and completions revenue was higher in the third quarter and first nine months of 2021 due to increased air travel driving additional demand for maintenance work and activity at our fixed-base operator (FBO) facilities.

The change in the segment's operating earnings in the third quarter and first nine months of 2021 consisted of the following:

	Third Quarter	Nine Months
Aircraft manufacturing	$ (38)	$ (157)
Aircraft services and completions	45	116
Impact of 2020 restructuring charge	—	42
G&A/other expenses	(28)	(6)
Total decrease	$ (21)	$ (5)

Aircraft manufacturing operating earnings were down in the first nine months of 2021 due to the planned reduced aircraft production and delivery rates, a less favorable mix of aircraft deliveries and sales of G500 flight-test aircraft, which typically sell at less than new plane prices. In the third quarter of 2021, aircraft manufacturing operating earnings were impacted negatively by the settlement of claims with a supplier related to the assignment of warranties following the end of G550 production. These decreases were offset by increased aircraft services and completions operating earnings due to higher volume and a favorable mix of aircraft services. Operating earnings in the first nine months of 2021 were also up due to a restructuring charge taken in the second quarter of 2020 to adjust the workforce size to the revised production levels. Operating earnings in the third quarter and first nine months of 2021 reflected higher G&A/other expenses due primarily to increased net R&D expenses associated with ongoing product development efforts, including flight test activities for the G700, which is scheduled to enter service in the fourth quarter of 2022. In total, the Aerospace segment's operating margin decreased 160 basis points in the third quarter of 2021 and remained steady in the first nine months of 2021 compared with the prior-year periods.

MARINE SYSTEMS

Three Months Ended	October 3, 2021		September 27, 2020		Variance		
Revenue	$	2,637	$	2,405	$	232	9.6 %
Operating earnings		229		223		6	2.7 %
Operating margin		8.7 %		9.3 %			
Nine Months Ended	**October 3, 2021**		**September 27, 2020**		**Variance**		
Revenue	$	7,656	$	7,122	$	534	7.5 %
Operating earnings		639		607		32	5.3 %
Operating margin		8.3 %		8.5 %			

Operating Results

The increase in the Marine Systems segment's revenue in the third quarter and first nine months of 2021 consisted of the following:

	Third Quarter		Nine Months	
U.S. Navy ship construction	$	228	$	612
Commercial ship construction		(15)		(69)
U.S. Navy ship engineering, repair and other services		19		(9)
Total increase	$	232	$	534

Revenue from U.S. Navy ship construction was up across our shipyards in the third quarter and first nine months of 2021 due to increased volume on the Columbia-class submarine program, the Arleigh Burke-class (DDG-51) destroyer program and the John Lewis-class (T-AO-205) fleet replenishment oiler program. These increases were offset partially by lower commercial ship construction. Overall, the Marine Systems segment's operating margin decreased 60 basis points in the third quarter of 2021 and 20 basis points in the first nine months of 2021, reflecting the shift in mix to early work on new submarine programs with typical lower initial profit rates.

COMBAT SYSTEMS

Three Months Ended	October 3, 2021		September 27, 2020		Variance		
Revenue	$	1,745	$	1,801	$	(56)	(3.1)%
Operating earnings		276		270		6	2.2 %
Operating margin		15.8 %		15.0 %			
Nine Months Ended	**October 3, 2021**		**September 27, 2020**		**Variance**		
Revenue	$	5,464	$	5,263	$	201	3.8 %
Operating earnings		786		732		54	7.4 %
Operating margin		14.4 %		13.9 %			

Operating Results

The change in the Combat Systems segment's revenue in the third quarter and first nine months of 2021 consisted of the following:

	Third Quarter	Nine Months
International military vehicles	$ (27)	$ 214
Weapons systems and munitions	(16)	20
U.S. military vehicles	(13)	(33)
Total (decrease) increase	$ (56)	$ 201

Revenue from international military vehicles increased in the first nine months of 2021 due to higher volume on wheeled armored vehicle programs, including contracts to produce armored combat support vehicles (ACSVs) and light armored vehicles (LAVs) for the Canadian government. In the third quarter of 2021, revenue was down due primarily to timing on several programs. The Combat Systems segment's operating margin increased 80 basis points in the third quarter of 2021 and 50 basis points in the first nine months of 2021 on strong program performance, favorable product mix and continued cost reduction efforts.

TECHNOLOGIES

Three Months Ended	October 3, 2021	September 27, 2020	Variance	
Revenue	$ 3,120	$ 3,250	$ (130)	(4.0)%
Operating earnings	327	314	13	4.1 %
Operating margin	10.5 %	9.7 %		
Nine Months Ended	**October 3, 2021**	**September 27, 2020**	**Variance**	
Revenue	$ 9,482	$ 9,419	$ 63	0.7 %
Operating earnings	941	859	82	9.5 %
Operating margin	9.9 %	9.1 %		

Operating Results

The change in the Technologies segment's revenue in the third quarter and first nine months of 2021 consisted of the following:

	Third Quarter	Nine Months
IT services	$ 28	$ 313
C4ISR* solutions	(158)	(250)
Total (decrease) increase	$ (130)	$ 63

* Command, control, communications, computers, intelligence, surveillance and reconnaissance

IT services revenue increased due to the ramp up of several new programs and the reopening of, and increased access to, customer sites. The decrease in C4ISR solutions revenue was due to timing on several programs driven, in part, by impacts to customer acquisition cycles, chip shortages and other supply chain impacts resulting from the COVID-19 pandemic, which may extend into the fourth quarter. C4ISR solutions revenue also decreased due to approximately $115 of revenue in the prior-year period from a satellite communications business that was sold in the second quarter of 2020. Year-over-year growth for the segment was 1.9% excluding the impact of the sale.

Overall, the Technologies segment's operating margin increased 80 basis points in the third quarter and first nine months of 2021 due to favorable contract mix and reduced COVID-related impacts in our IT services business, particularly customer reimbursement of idle workforce cost at zero fee in 2020 and early 2021. Additionally, operating results in the first nine months of 2020 included an approximate $40 loss on a contract with a non-U.S. customer from schedule delays caused by COVID-related travel restrictions, offset partially by a gain on the sale of the satellite communications business.

CORPORATE

Corporate operating results consisted primarily of equity-based compensation expense and totaled $14 in the third quarter and $66 in the first nine months of 2021 compared with $18 and $40 in the prior-year periods, respectively.

OTHER INFORMATION

PRODUCT REVENUE AND OPERATING COSTS

Three Months Ended	October 3, 2021	September 27, 2020	Variance	
Revenue	$ 5,518	$ 5,454	$ 64	1.2 %
Operating costs	(4,552)	(4,459)	(93)	2.1 %
Nine Months Ended	October 3, 2021	September 27, 2020	Variance	
Revenue	$ 16,033	$ 15,849	$ 184	1.2 %
Operating costs	(13,249)	(13,052)	(197)	1.5 %

The increase in product revenue in the third quarter and first nine months of 2021 consisted of the following:

	Third Quarter	Nine Months
Ship construction	$ 213	$ 543
Aircraft manufacturing	(45)	(298)
C4ISR products	(113)	(228)
Other, net	9	167
Total increase	$ 64	$ 184

Ship construction revenue increased in the third quarter and first nine months of 2021 driven by higher U.S. Navy ship construction volume across our shipyards. This increase was offset partially by lower aircraft manufacturing revenue due to fewer aircraft deliveries and decreased C4ISR products revenue driven by timing on several programs and supply chain shortages. In the third quarter and first nine months of 2021, the primary drivers of the changes in product operating costs were the changes in volume on the programs described above.

SERVICE REVENUE AND OPERATING COSTS

Three Months Ended		October 3, 2021		September 27, 2020		Variance	
Revenue	$	4,050	$	3,977	$	73	1.8 %
Operating costs		(3,386)		(3,388)		2	(0.1)%
Nine Months Ended		**October 3, 2021**		**September 27, 2020**		**Variance**	
Revenue	$	12,144	$	11,595	$	549	4.7 %
Operating costs		(10,286)		(9,941)		(345)	3.5 %

The increase in service revenue in the third quarter and first nine months of 2021 consisted of the following:

		Third Quarter		Nine Months
IT services	$	28	$	313
Aircraft services and completions		136		233
Other, net		(91)		3
Total increase	$	73	$	549

Services revenue increased in the third quarter and first nine months of 2021 due to the ramp up of several new IT services programs and the reopening of, and increased access to, customer sites, and higher aircraft services and completions revenue driven by additional maintenance work and FBO activity. Service operating costs decreased on increased revenue in the third quarter of 2021, and increased at a lower rate than revenue in the first nine months of 2021, due primarily to favorable contract mix and reduced COVID-related impacts in our IT services business.

G&A EXPENSES

As a percentage of revenue, G&A expenses were 5.9% in the first nine months of 2021 and 2020.

OTHER, NET

Net other income was $95 in the first nine months of 2021 compared with $70 in the first nine months of 2020. Other represents primarily the non-service components of pension and other post-retirement benefits, which were income in both periods.

INTEREST, NET

Net interest expense was $331 in the first nine months of 2021 compared with $357 in the prior-year period. See Note I to the unaudited Consolidated Financial Statements in Part I, Item 1, for additional information regarding our debt obligations, including interest rates.

PROVISION FOR INCOME TAX, NET

Our effective tax rate was 15.9% in the first nine months of 2021 compared with 15.2% in the prior-year period.

BACKLOG AND ESTIMATED POTENTIAL CONTRACT VALUE

Our total backlog, including funded and unfunded portions, was $88.1 billion at the end of the third quarter of 2021 compared with $89.2 billion on July 4, 2021. Our total backlog is equal to our remaining performance obligations under contracts with customers as discussed in Note B to the unaudited Consolidated Financial Statements in Part I, Item 1. Our total estimated contract value, which combines total backlog with estimated potential contract value, was $129.6 billion on October 3, 2021.

The following table details the backlog and estimated potential contract value of each segment at the end of the third and second quarters of 2021:

	Funded	Unfunded	Total Backlog	Estimated Potential Contract Value	Total Estimated Contract Value
October 3, 2021					
Aerospace	$ 14,312	$ 378	$ 14,690	$ 1,974	$ 16,664
Marine Systems	24,639	21,684	46,323	5,127	51,450
Combat Systems	13,040	308	13,348	7,594	20,942
Technologies	9,619	4,118	13,737	26,784	40,521
Total	$ 61,610	$ 26,488	$ 88,098	$ 41,479	$ 129,577
July 4, 2021					
Aerospace	$ 13,155	$ 366	$ 13,521	$ 2,099	$ 15,620
Marine Systems	26,435	21,095	47,530	4,689	52,219
Combat Systems	14,157	271	14,428	7,711	22,139
Technologies	9,769	3,999	13,768	26,594	40,362
Total	$ 63,516	$ 25,731	$ 89,247	$ 41,093	$ 130,340

AEROSPACE

Aerospace funded backlog represents new aircraft and custom completion orders for which we have definitive purchase contracts and deposits from customers. Unfunded backlog consists of agreements to provide future aircraft maintenance and support services. The Aerospace segment ended the third quarter of 2021 with backlog of $14.7 billion, up 8.6% from $13.5 billion on July 4, 2021, following growth of 13.3% in the second quarter of 2021.

Reflecting strong demand across our aircraft portfolio, unit orders in the third quarter of 2021 were the second highest of any quarter in more than five years. The segment's book-to-bill ratio (orders divided by revenue) was 1.6-to-1 in the third quarter of 2021, resulting in a book-to-bill of 1.4-to-1 over the trailing 12 months. Our October 3, 2021, backlog included orders for the recently announced G400 and G800 aircraft.

Beyond total backlog, estimated potential contract value represents primarily options and other agreements with existing customers to purchase new aircraft and long-term aircraft services agreements. On October 3, 2021, estimated potential contract value in the Aerospace segment was $2 billion.

DEFENSE SEGMENTS

The total backlog in our defense segments represents the estimated remaining sales value of work to be performed under firm contracts. The funded portion of total backlog includes items that have been authorized and appropriated by the U.S. Congress and funded by customers, as well as commitments by international customers that are approved and funded similarly by their governments. The unfunded portion of total backlog includes the amounts we believe are likely to be funded, but there is no guarantee that future budgets and appropriations will provide the same funding level currently anticipated for a given program.

Estimated potential contract value in our defense segments includes unexercised options associated with existing firm contracts and unfunded work on indefinite delivery, indefinite quantity (IDIQ) contracts. Contract options represent agreements to perform additional work under existing contracts at the election of the customer. We recognize options in backlog when the customer exercises the option and establishes a firm order. For IDIQ contracts, we evaluate the amount of funding we expect to receive and include this amount in our estimated potential contract value. This amount is often less than the total IDIQ contract value, particularly when the contract has multiple awardees. The actual amount of funding received in the future may be higher or lower than our estimate of potential contract value.

Total backlog in our defense segments was $73.4 billion on October 3, 2021. In the third quarter of 2021, the Technologies segment achieved a book-to-bill ratio of 1-to1, and overall, the defense segments achieved a book-to-bill ratio of 1.1-to-1 over the trailing 12 months. Estimated potential contract value in our defense segments was $39.5 billion on October 3, 2021. We received the following significant contract awards during the third quarter of 2021:

MARINE SYSTEMS

- $475 from the U.S. Navy to provide ongoing lead yard services for the Columbia-class submarine program.
- $195 from the Navy to provide engineering, technical, design and planning yard support services for operational strategic and attack submarines.
- $160 from the Navy to provide maintenance and repair services for the Arleigh Burke-class destroyer, Nimitz-class aircraft carrier, San Antonio-class amphibious transport dock and Whidbey Island-class dock landing ship programs.
- $150 from the Navy for Advanced Nuclear Plant Studies (ANPS) in support of the Columbia-class submarine program and options totaling $570 of additional potential value.

COMBAT SYSTEMS

- $165 to produce various munitions, ordnance and missile subcomponents for the U.S. Army.
- $125 for Abrams main battle tank upgrades, mission control units and systems technical support.
- $60 from the Army for the concept design phase of the Optionally Manned Fighting Vehicle (OMFV) acquisition program.
- $30 from the Army for the production of Hydra-70 rockets.

TECHNOLOGIES

- $540 for several key contracts for classified customers and additional classified IDIQ awards with a maximum potential value of $4.2 billion among multiple awardees.
- A contract to provide cloud support services to the U.S. Patent and Trademark Office (USPTO). The contract has a maximum potential value of $190.
- A contract to modernize and consolidate existing information technology (IT) help desks for the Navy. The contract has a maximum potential value of $135.
- $85 from the Army for computing and communications equipment under the Common Hardware Systems-5 (CHS-5) program.
- $75 to provide logistics, sustainment and maintenance support services for the Army.
- $70 to provide command, control and communications capabilities for the DoD.
- $65 from the U.S. Department of State (DoS) to provide overseas consular services to support visa application and issuance at U.S. embassies and consulates throughout the world under the Global Support Strategy (GSS) program.
- $50 to provide simulation and training support for the Army.
- $45 from the Centers for Medicare and Medicaid Services (CMS) to provide cloud services and software tools.
- $45 to provide service desk; endpoint support and maintenance; and account, asset and security management services to the DoS.
- $45 from the U.S. Department of Veterans Affairs under the Veterans Intake, Conversion and Communications Services (VICCS) program to modernize benefits and claim processing.
- $40 to provide communications technical support for the U.S. Air Force.
- $35 to provide design, development, testing, installation, maintenance, logistics support and modernization for Navy airborne and shipboard platforms.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We ended the third quarter of 2021 with a cash and equivalents balance of $3.1 billion compared with $2.8 billion at the end of 2020.

We expect to continue to generate funds in excess of our short- and long-term liquidity needs. We believe we have adequate funds on hand and sufficient borrowing capacity to execute our financial and operating strategy. The following is a discussion of our major operating, investing and financing activities in the first nine months of 2021 and 2020, as classified on the unaudited Consolidated Statement of Cash Flows in Part I, Item 1.

OPERATING ACTIVITIES

Cash provided by operating activities was $2.6 billion in the first nine months of 2021 compared with $1.3 billion in the same period in 2020. The primary driver of cash inflows in both periods was net earnings. However, cash flows in both periods were affected negatively by growth in operating working capital (OWC), which is defined as current assets, excluding cash and equivalents, less current liabilities, excluding short-term debt and current portion of long-term debt. Throughout 2020, we experienced growth in OWC in our Aerospace segment due to our position in the development and production cycles of our Gulfstream aircraft models. While Aerospace OWC has decreased in the first nine months of 2021, the timing of billings and payments in our defense segments resulted in net OWC growth.

INVESTING ACTIVITIES

Cash used by investing activities was $501 in the first nine months of 2021 compared with $589 in the same period in 2020. Our investing activities include cash paid for capital expenditures and business acquisitions; purchases, sales and maturities of marketable securities; and proceeds from asset sales. The primary use of cash for investing activities in both periods was capital expenditures. Capital expenditures were $502 in the first nine months of 2021 compared with $622 in the same period in 2020.

FINANCING ACTIVITIES

Cash used by financing activities was $1.8 billion in the first nine months of 2021 compared with $100 in the same period in 2020. Net cash from financing activities includes proceeds received from debt and commercial paper issuances and employee stock option exercises. Our financing activities also include the use of cash for repurchases of common stock, payment of dividends and debt repayments.

Our board of directors from time to time authorizes management to repurchase outstanding shares of our common stock on the open market. We paid $1.5 billion and $501 in the first nine months of 2021 and 2020, respectively, to repurchase our outstanding shares. On October 3, 2021, 13.8 million shares remained authorized by our board of directors for repurchase, representing 5% of our total shares outstanding.

On March 3, 2021, our board of directors declared an increased quarterly dividend of $1.19 per share, the 24th consecutive annual increase. Previously, the board had increased the quarterly dividend to $1.10 per share in March 2020. Cash dividends paid were $983 in the first nine months of 2021 compared with $925 in the same period in 2020.

In May 2021, we issued $1.5 billion of fixed-rate notes. The proceeds, together with cash on hand and commercial paper issuances, were used to repay fixed- and floating-rate notes totaling $2.5 billion that matured in May 2021 and for general corporate purposes. In July 2021, we repaid an additional $500 of fixed-rate notes at the scheduled maturity. For additional information regarding our debt obligations, including scheduled debt maturities and interest rates, see Note I to the unaudited Consolidated Financial Statements in Part 1, Item 1.

In the first nine months of 2021, we received net proceeds of $2 billion from the issuance of commercial paper, which remained outstanding on October 3, 2021. Separately, we have $5 billion in committed bank credit facilities for general corporate purposes and working capital needs and to support our commercial paper issuances. We also have an effective shelf registration on file with the Securities and Exchange Commission (SEC) that allows us to access the debt markets.

NON-GAAP FINANCIAL MEASURES

We emphasize the efficient conversion of net earnings into cash and the deployment of that cash to maximize shareholder returns. As described below, we use free cash flow from operations and net debt to measure our performance in these areas. While we believe these metrics provide useful information, they are not defined operating measures under U.S. generally accepted accounting principles (GAAP), and there are limitations associated with their use. Our calculation of these metrics may not be completely comparable to similarly titled measures of other companies due to potential differences in the method of calculation. As a result, the use of these metrics should not be considered in isolation from, or as a substitute for, other GAAP measures.

Free Cash Flow. We define free cash flow from operations as net cash provided by operating activities less capital expenditures. We believe free cash flow from operations is a useful measure for investors because it portrays our ability to generate cash from our businesses for purposes such as repaying maturing debt, funding business acquisitions, repurchasing our common stock and paying dividends. We use free cash flow from operations to assess the quality of our earnings and as a key performance measure in evaluating management. The following table reconciles the free cash flow from operations with net cash provided by operating activities, as classified on the unaudited Consolidated Statement of Cash Flows in Part I, Item 1:

Nine Months Ended	October 3, 2021	September 27, 2020
Net cash provided by operating activities	$ 2,589	$ 1,296
Capital expenditures	(502)	(622)
Free cash flow from operations	$ 2,087	$ 674
Cash flows as a percentage of net earnings:		
Net cash provided by operating activities	112 %	60 %
Free cash flow from operations	91 %	31 %

Net Debt. We define net debt as short- and long-term debt (total debt) less cash and equivalents. We believe net debt is a useful measure for investors because it reflects the borrowings that support our operations and capital deployment strategy. We use net debt as an important indicator of liquidity and financial position. The following table reconciles net debt with total debt:

	October 3, 2021	December 31, 2020
Total debt	$ 13,668	$ 12,998
Less cash and equivalents	3,139	2,824
Net debt	$ 10,529	$ 10,174

ADDITIONAL FINANCIAL INFORMATION

ENVIRONMENTAL MATTERS AND OTHER CONTINGENCIES

For a discussion of environmental matters and other contingencies, see Note M to the unaudited Consolidated Financial Statements in Part I, Item 1. Except as otherwise noted in Note M, we do not expect our aggregate liability with respect to these matters to have a material impact on our results of operations, financial condition or cash flows.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on the unaudited Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of financial statements in accordance with GAAP requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. We employ judgment in making our estimates, but they are based on historical experience, currently available information and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. We believe our judgment is applied consistently and produces financial information that fairly depicts our results of operations for all periods presented.

Accounting for long-term contracts and programs involves the use of various techniques to estimate total contract revenue and costs. Contract estimates are based on various assumptions to project the outcome of future events that often span several years. We review and update our contract-related estimates regularly. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. The aggregate impact of adjustments in contract estimates increased our operating earnings (and diluted earnings per share) by $134 ($0.38) and $273 ($0.76) for the three- and nine-month periods ended October 3, 2021, and $84 ($0.23) and $169 ($0.46) for the three- and nine-month periods ended September 27, 2020, respectively. No adjustment on any one contract was material to the unaudited Consolidated Financial Statements for the three- and nine-month periods ended October 3, 2021, or September 27, 2020.

Other critical accounting policies include long-lived assets and goodwill, commitments and contingencies, and retirement plans. For a full discussion of our critical accounting policies, see our Annual Report on Form 10-K for the year ended December 31, 2020.

GUARANTOR FINANCIAL INFORMATION

The outstanding notes described in Note I to the unaudited Consolidated Financial Statements in Part I, Item 1, issued by General Dynamics Corporation (the parent), are fully and unconditionally guaranteed on an unsecured, joint and several basis by several of the parent's 100%-owned subsidiaries (the guarantors). The guarantee of each guarantor ranks equally in right of payment with all other existing and future senior unsecured indebtedness of such guarantor. A listing of the guarantors is included in an exhibit to this Form 10-Q.

Because the parent is a holding company, its cash flow and ability to service its debt, including the outstanding notes, depends on the performance of its subsidiaries and the ability of those subsidiaries to distribute cash to the parent, whether by dividends, loans or otherwise. Holders of the outstanding notes have a direct claim only against the parent and the guarantors.

Under the relevant indenture, the guarantee of each guarantor is limited to the maximum amount that can be guaranteed without rendering the guarantee voidable under applicable laws relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. Each indenture also provides that, in the event (1) of a merger, consolidation or sale or disposition of all or substantially all of the assets of a guarantor (other than a transaction with the parent or any of its subsidiaries) or (2) there occurs a transfer, sale or other disposition of the voting stock of a guarantor so that the guarantor is no longer a subsidiary of the parent, then the guarantor or the entity acquiring the assets (in the event of the sale or other disposition of all or substantially all of the assets of a guarantor) will be released and relieved of any obligations under the guarantee.

The following summarized financial information presents the parent and guarantors (collectively, the combined obligor group) on a combined basis. The summarized financial information of the combined obligor group excludes net investment in and earnings of subsidiaries related to interests held by the combined obligor group in subsidiaries that are not guarantors of the notes.

STATEMENT OF EARNINGS INFORMATION

	Nine Months Ended October 3, 2021	Year Ended December 31, 2020
Revenue	$ 9,752	$ 13,065
Operating costs and expenses, excluding G&A	(8,423)	(11,190)
Net earnings	464	738

BALANCE SHEET INFORMATION

	October 3, 2021	December 31, 2020
Cash and equivalents	$ 2,691	$ 1,952
Other current assets	2,825	2,894
Noncurrent assets	3,314	3,082
Total assets	$ 8,830	$ 7,928
Short-term debt and current portion of long-term debt	$ 2,000	$ 2,998
Other current liabilities	2,644	2,944
Long-term debt	11,420	9,922
Other noncurrent liabilities	5,206	5,645
Total liabilities	$ 21,270	$ 21,509

The summarized balance sheet information presented above includes the funded status of the company’s primary qualified U.S. government pension plans as the parent has the ultimate obligation for the plans.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes with respect to this item from the disclosure included in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Our management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of October 3, 2021. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, on October 3, 2021, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the quarter ended October 3, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The certifications of the company's Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 to this report.

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements that are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "outlook," "estimates," "should" and variations of these words and similar expressions are intended to identify forward-looking statements. Examples include projections of revenue, earnings, operating margin, segment performance, cash flows, contract awards, aircraft production, deliveries and backlog. In making these statements we rely on assumptions and analyses based on our experience and perception of historical trends, current conditions and expected future developments as well as other factors we consider appropriate under the circumstances. We believe our estimates and judgments are reasonable based on information available to us at the time. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation, the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020. These factors include:

- general U.S. and international political and economic conditions;
- the negative impact of the COVID-19 pandemic, or other similar outbreaks;
- decreases in U.S. government defense spending or changing priorities within the defense budget;
- termination of government contracts due to unilateral government action;
- differences in anticipated and actual program performance, including the ability to perform within estimated costs, and performance issues with key suppliers and subcontractors;
- expected recovery on contract claims and requests for equitable adjustment;
- changing customer demand for business aircraft, including the effects of economic conditions on the business-aircraft market;
- potential for changing prices for energy and raw materials;
- the status or outcome of legal and/or regulatory proceedings;

- potential effects of audits and reviews by government agencies of our government contract performance, compliance and internal control systems and policies;
- risks and uncertainties relating to our acquisitions and joint ventures; and
- potential for cybersecurity events and other disruptions.

All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to General Dynamics or any person acting on our behalf are qualified by the cautionary statements in this section. We do not undertake any obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report. These factors may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information relating to legal proceedings, see Note M to the unaudited Consolidated Financial Statements in Part I, Item 1.

ITEM 1A. RISK FACTORS

There have been no material changes with respect to this item from the disclosure included in our Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about our third-quarter purchases of equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Period	Total Number of Shares	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Program
Shares Purchased Pursuant to Share Buyback Program				
7/5/21-8/1/21	622,337	$ 188.41	622,337	13,834,422
8/2/21-8/29/21	—	—	—	13,834,422
8/30/21-10/3/21	—	—	—	13,834,422
*Shares Delivered or Withheld Pursuant to Restricted Stock Vesting**				
7/5/21-8/1/21	1,176	188.58		
8/2/21-8/29/21	820	197.20		
8/30/21-10/3/21	467	202.00		
	624,800	$ 188.43		

* Represents shares withheld by, or delivered to, us pursuant to provisions in agreements with recipients of restricted stock granted under our equity compensation plans that allow us to withhold, or the recipient to deliver to us, the number of shares with a fair value equal to the statutory tax withholding due upon vesting of the restricted shares.

On June 2, 2021, the board of directors authorized management to repurchase up to 10 million additional shares of the company's outstanding common stock on the open market. We repurchased 0.6 million shares in the third quarter of 2021. On October 3, 2021, 13.8 million shares remained authorized by our board of directors for repurchase.

We did not make any unregistered sales of equity securities in the third quarter of 2021.

ITEM 6. EXHIBITS

10 General Dynamics Corporation Supplemental Savings Plan, amended and restated effective as of October 1, 2021*

22 Subsidiary Guarantors*

31.1 Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*

31.2 Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*

32.1 Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

32.2 Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

101.INS Inline eXtensible Business Reporting Language (XBRL) Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH Inline XBRL Taxonomy Extension Schema Document*

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document*

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document*

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document*

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document*

104 Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

* Filed or furnished electronically herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAL DYNAMICS CORPORATION

by /s/ William A. Moss

William A. Moss
Vice President and Controller
(Authorized Officer and Chief Accounting Officer)

Dated: October 27, 2021

GENERAL DYNAMICS CORPORATION

SUPPLEMENTAL SAVINGS PLAN

Amended and restated as of October 1, 2021

GENERAL DYNAMICS CORPORATION
SUPPLEMENTAL SAVINGS PLAN

Table of Contents

SECTION 1 INTRODUCTION AND PLAN HISTORY

1.1 Introduction. This Plan is maintained so as to strengthen the ability of the Company and its Subsidiaries to attract and retain persons of outstanding competence upon which, in large measure, continued growth and profitability depend. The Plan is intended to supplement Qualified Salary Deferrals and Qualified Matching Contributions. The Plan is intended to be an unfunded deferred compensation plan for a select group of management or highly compensated employees within the meanings of Sections 201(2), 301(a)(3) and 401(a)(l) of ERISA and shall be construed and interpreted accordingly. Effective December 31, 2012, the name of the Plan was changed from General Dynamics Corporation Supplemental Savings and Stock Investment Plan to General Dynamics Corporation Supplemental Savings Plan.

1.2 Effective Date. This Plan was established effective January 1, 1983, and previously amended and restated as of January 1, 1987, January 1, 1998, and August 1, 2003. The Plan was further amended as of March 1, 2005. The Plan was amended and restated effective as of December 24, 2005, and conformed to include amendments through January 1, 2007. The Plan was amended and restated effective as of January 1, 2009, and conformed to include amendments through March 31, 2011. The Plan was amended and restated effective as of December 31, 2012, and conformed to include amendments through that date. The Plan was amended and restated effective as of January 1, 2014, and conformed to include amendments through that date. The Plan was amended and restated January 1, 2017, and is hereby amended and restated effective as of October 1, 2021.

1.3 Plan Appendices. From time to time, the Company may adopt Appendices to the Plan for the purpose of setting forth specific provisions or providing documentation necessary to determine benefits under the Plan for certain Employee groups. Each such Appendix shall be attached to and form a part of the Plan. Each such Appendix shall specify the population to which it applies and shall supersede the provisions of the Plan document to the extent necessary to eliminate any inconsistencies between the Plan document and such Appendix.

1.4 Applicability of Plan Provisions. The provisions of this Plan shall apply to any person who is a Participant on or after January 1, 2005, and to any Account in existence on or after January 1, 2005. Pre-2005 Accounts are considered to be “grandfathered” under Section 409A and, except as otherwise specifically provided under this Plan by reference to Pre-2005 Accounts, the benefits and rights existing as of October 3, 2004, under the prior version of the Plan applicable to any Pre-2005 Account shall continue to apply. For purposes of clarity, except as otherwise specifically provided by this Plan by reference to Pre-2005 Accounts, to the extent that benefits or rights of Pre-2005 Accounts are governed by reference to corresponding Qualified Plan provisions, the Qualified Plan provisions in effect as of October 3, 2004, shall apply.

SECTION 2 DEFINITIONS

Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary. Some of the words and phrases used in the Plan are not defined in this Section 2, but, for convenience, are defined as they are introduced into the text.

2.1 Account shall mean the recordkeeping account to which Salary Deferrals, Matching Contributions and Credited Earnings are credited (or debited for Credited Earnings reflecting an investment loss) under the Plan. An Account may be divided into two or more subaccounts to the extent necessary or desirable, as determined by the Company, for Plan recordkeeping and accounting purposes. Such subaccounts are referred to herein collectively as the "Account" or "Accounts," and sometimes individually as the "Account."

2.2 Accounting Date shall mean each day on which the U.S. financial markets are open for business.

2.3 Beneficiary shall mean the person designated by the Participant either (i) in writing, on a form prescribed by the Company and on file with the Plan's designated recordkeeper, to receive a distribution upon the death of a Participant or (ii) in such other manner as provided by the Company. If no such designation is made or if the person so designated shall have died prior to or coincident with the Participant, the Participant's Beneficiary shall be determined by the following order: (1) the Participant's spouse, and if none, then (2) the Participant's estate.

2.4 Change of Control shall mean a "Change of Control" as that term is defined in the General Dynamics Corporation 2012 Equity Compensation Plan (or any successor thereto), as amended from time to time.

2.5 Code shall mean the Internal Revenue Code of 1986, as amended from time to time and the rules and regulations promulgated thereunder.

2.6 Company shall mean General Dynamics Corporation, a Delaware corporation, and any successor thereof.

2.7 Credited Earnings shall have the meaning set forth in Section 4.1.

2.8 Eligible Employee shall mean an Employee who satisfies the eligibility criteria described at Section 3.

2.9 Employee shall mean any person who is regularly employed as a full-time, salaried employee by the Company or its Subsidiaries, and who is not covered by a collective bargaining agreement (except where such collective bargaining agreement specifically provides for participation). Individuals not initially treated and classified by the Company as common-law employees, including, but not limited to, leased employees, independent contractors or any other contract employees, shall be excluded from participation irrespective of whether a court, administrative agency or other entity determines that such individuals are common-law employees.

2.10 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.11 Key Employee shall mean a "specified employee" as that term is used under Section 409A.

2.12 Matching Contributions shall mean amounts credited to a Participant's Account with reference to the Participant's Salary Deferrals pursuant to Section 3.4.

2.13 Participant shall mean any current or former Employee who has an Account that has not been fully paid or otherwise discharged.

2.14 Plan shall mean the General Dynamics Corporation Supplemental Savings Plan (formerly the General Dynamics Corporation Supplemental Savings and Stock Investment Plan), established January 1, 1983, as amended and restated as set forth herein, as it may be amended from time to time, and its Appendices.

2.15 Plan Year shall mean the 12 month period beginning on January 1st and ending on the following December 31st.

2.16 Post-2004 Account shall mean a Participant's subaccount to which Salary Deferrals and Matching Contributions are credited if not earned and vested by December 31, 2004, and any Credited Earnings with respect to such amounts.

2.17 Pre-2005 Account shall mean a Participant's subaccount to which Salary Deferrals and Matching Contributions are credited to the extent they were earned and vested on or before December 31, 2004, and any Credited Earnings with respect to such amounts.

2.18 Qualified Matching Contributions shall mean amounts contributed to the Qualified Plan by the Company or its Subsidiaries which are determined with reference to amounts of Qualified Salary Deferrals.

2.19 Qualified Plan shall mean the General Dynamics Corporation 401(k) Plan 3.0, General Dynamics Corporation 401(k) Plan 4.0 (known prior to January 1, 2020 as the General Dynamics Corporation 401(k) Plan 3.5), General Dynamics Corporation 401(k) Plan 4.5, General Dynamics Corporation 401(k) Plan 5.0 and General Dynamics Corporation 401(k) Plan 6.0, as each may be amended from time to time. For avoidance of doubt, each Qualified Plan includes each predecessor, successor or replacement to the said Qualified Plan.

2.20 Qualified Plan Limitations shall mean limitations imposed (i) pursuant to Code Sections 401(a)(17), 402(g), 415 or any other section of the Code or (ii) by the Company in order to assure compliance with the actual deferral percentage or actual contribution percentage requirements of the Qualified Plan.

2.21 Qualified Salary Deferrals shall mean pre-tax salary deferrals made by an Employee pursuant to the Qualified Plan.

2.22 Salary shall mean an Employee's annual base salary.

2.23 Salary Deferrals shall mean amounts credited to a Participant's Account corresponding to Salary reductions elected pursuant to Section 3.2.

2.24 Section 409A shall mean Code Section 409A, including, without limitation, applicable regulatory or transition guidance provided by the Internal Revenue Service.

2.25 Separation from Service shall mean a “separation from service” as that term is defined in Section 409A.

2.26 Subsidiary shall mean any corporation of which the Company owns, directly or indirectly, fifty percent (50%) or more of the outstanding voting stock.

SECTION 3 SUPPLEMENTAL BENEFITS DUE TO LIMITATIONS UNDER THE QUALIFIED PLAN

3.1 Eligibility.

(a) Unless otherwise directed by the Chief Executive Officer of the Company (the “Chief Executive Officer”) or his or her duly authorized delegate, eligibility for participation in any benefits provided under this Section 3 for a given Plan Year shall be extended to selected Employees (i) who are eligible to participate in the Qualified Plan, (ii) whose Qualified Salary Deferrals to the Qualified Plan are restricted due to any of the Qualified Plan Limitations, and (iii) whose Salary in effect on November 1 of the year immediately preceding the given Plan Year (or such other date prescribed by the Company from time to time) equals or exceeds the annual compensation limitation of Code Section 401(a)(l7) for the Plan Year.

(b) Notwithstanding the foregoing, if an Employee participated in the Plan for a given Plan Year (starting with the 2021 Plan Year), as provided in Section 3.1(a), such Employee shall continue to be eligible to participate in the subsequent Plan Year so long as the Employee (i) continues to be eligible to participate in the Qualified Plan, (ii) continues to meet the definition of Employee under Section 2.9, (iii) has not had a material demotion in position, and (iv) has not had a material reduction in Salary. Such determination shall be made by the Company in its sole discretion as provided in Section 3.1(c). For purposes of clarity, no Employee can qualify for participation in the Plan unless such Employee first satisfies the conditions of Section 3.1(a).

(c) The selection of eligible Employees who may participate, or continue to participate, in the Plan shall be in the sole discretion of the Company, and participation may be limited to such otherwise eligible Employees as the Company shall determine by the application of minimum compensation or position levels or otherwise. All determinations shall be made prior to the given Plan Year and may be made as of a given date at the sole discretion of the Company.

(d) Notwithstanding anything to the contrary, to the extent that an Employee meets the requirements of this Section 3.1 during a Plan Year, such Employee shall not become an Eligible Employee during that Plan Year except as directed by the Chief Executive Officer or his or her duly authorized delegate.

3.2 Salary Deferral Elections. Salary Deferrals shall be credited to an Eligible Employee’s Post-2004 Account in accordance with such Eligible Employee’s election and subject to the following rules:

(a) An Eligible Employee may elect to defer up to the maximum amount described in Section 3.3.

(b) An Eligible Employee's Salary Deferral election under this Plan shall be irrevocable for the 2005 Plan Year after March 15, 2005.

(c) For Plan Years commencing after 2005, an Eligible Employee may make an irrevocable Salary Deferral election at the time and in the form prescribed by the Company, but in no event later than December 31 of the year preceding a given Plan Year (or such earlier time as provided by the Company).

(d) For purposes of clarity, and without limitation, the Company may prescribe a "negative" election for Salary Deferrals, meaning that it may impose an automatic or default Salary Deferral election, provided the Eligible Employee has an opportunity during the election period to affirmatively change such election.

(e) Notwithstanding the preceding requirements, in the event an Employee becomes eligible to participate during the Plan Year in accordance with Section 3.1(c) above, such Eligible Employee may make an irrevocable Salary Deferral election within 30 days from the date of eligibility with respect to any Salary earned after such election. For purposes of clarity, and without limitation, the Company may prescribe a "negative" election for Salary Deferrals, meaning that it may impose an automatic Salary Deferral election, provided the Eligible Employee has an opportunity during the election period to affirmatively change such election.

3.3 Maximum Amount of Salary Deferrals. Effective starting with the 2014 Plan Year, an Eligible Employee may elect to make Salary Deferrals in an amount up to 10% (in whole multiples of 1%) of the Eligible Employee's Salary in effect as of the November 1 immediately preceding the Plan Year (or such other date prescribed by the Company from time to time).

For Plan Years prior to the 2014 Plan Year, the maximum amount of Salary Deferrals that an Eligible Employee may elect for a given Plan Year is equal to (X times Y) minus Z, where:

X is the Eligible Employee's annual Salary in effect as of the November 1st of the year immediately preceding the Plan Year (or such other date prescribed by the Company from time to time).

Y is 10% (or such other grandfathered percentage as determined by the Company in its sole discretion, and communicated to such affected Eligible Employee).

Z is the Code Section 402(g) limit for such Plan Year.

3.4 Matching Contributions. An Eligible Employee will be eligible for a Matching Contribution under this Plan, which shall be credited to an Eligible Employee's Post-2004 Account, based on his or her Salary Deferrals under this Plan.

Effective starting with the 2014 Plan Year, Eligible Employees shall be credited with a Matching Contribution equal to 100% of the first 2% of the Eligible Employee's Salary deferred under the Plan (for a maximum Matching Contribution of 2% of the Eligible Employee's Salary).

For Plan Years prior to the 2014 Plan Year, eligibility for, and the amount of any Matching Contribution under this Plan, shall be determined by the Qualified Matching Contribution provisions in the Qualified Plan that are applicable to the business unit to which the Eligible Employee is assigned as of the end of the Salary Deferral election period prescribed by the Company for a given Plan Year.

3.5 Transfer. For purposes of clarity, should an Eligible Employee transfer business units during a Plan Year, such Eligible Employee's Salary Deferrals and Matching Contributions, if any, shall not change during that Plan Year.

SECTION 4 CREDITED EARNINGS

4.1 Initial Credited Earnings. Effective for the Plan Years commencing on and after January 1, 2006, Salary Deferrals and Matching Contributions credited to the Participant's Post-2004 Account shall be deemed invested in the same investment funds that the Participant's Qualified Salary Deferrals are invested in as of the December 15th of the preceding Plan Year (or such other date as determined from time to time by the Company) under the Qualified Plan. For 2005, Credited Earnings shall be determined under the prior provisions of the Plan. Effective April 22, 2011, Salary Deferrals and Matching Contributions credited to the Participant's Post-2004 Account shall be deemed invested in the same investment funds as Qualified Salary Deferrals and Qualified Matching Contributions would be invested under the Qualified Plan as of the crediting date.

Notwithstanding anything to the contrary, effective for Plan Years commencing after December 31, 2012, Salary Deferrals and Matching Contributions shall be deemed invested in the investment funds selected by the Participant. If a Participant fails to make a selection regarding how his or her Salary Deferrals and Matching Contributions are invested, such Participant shall be deemed to have elected to have his or her Salary Deferrals and Matching Contributions invested in the applicable default investment fund designated by the Company and communicated to Participants. The investment funds shall be the investment funds offered under the Qualified Plan.

For purposes of clarity, Participants will not actually be invested in any actual fund, trust or account. Rather, for purposes of this Plan, "investment funds" used herein refers to notional (phantom) investments used to credit earnings to Participants' Accounts. The investment returns (gains, losses and expenses) credited to Participants' Accounts will match the investment returns that would actually be recognized had the money been invested in those funds in the Qualified Plan; provided, however, that investment returns (gains, losses and expenses) for notional (phantom) investments in the General Dynamics Stock Fund will instead be based on rules established by the Company for this Plan.

4.2 Account Adjustments. Each Account shall be adjusted to reflect investment gain or loss on any balance in the Account as of the close of the immediately preceding Accounting Date. The adjustment shall be the same as what would actually have been recognized if the Account had been invested in the Qualified Plan under the investment options actually selected (or deemed selected) by the Participant hereunder.

4.3 Investment Fund Transfers. If a Participant makes an investment fund transfer pursuant to the provisions of the Qualified Plan, the identical investment fund transfer shall be performed in this Plan, but no such transfer shall be permitted in this Plan unless made in the Qualified Plan. Notwithstanding the foregoing, the Company may, in its discretion, approve transfers in this Plan where no transfer is possible in the Qualified Plan due to loans and withdrawals. Effective for Plan Years commencing after December 31, 2012, the preceding rules of this Section 4.3 will no longer apply, and Participants will be able to make investment fund transfers in the time and manner established by the Company.

SECTION 5 PAYMENT, NONFORFEITABILITY OF BENEFITS AND MAINTENANCE OF ACCOUNTS

5.1 Pre-2005 Accounts: Payment and Nonforfeitability of Benefits and Maintenance of Accounts. This Section 5.1 shall be effective as of January 1, 2005, and shall only apply to Pre- 2005 Accounts. Except as otherwise provided in this Plan, a Participant's Pre-2005 Account, if any, shall be paid under the same conditions, rules and restrictions as would apply to the benefits as if they were provided under the Qualified Plan. The following rules shall apply to such Pre- 2005 Accounts, notwithstanding the conditions, rules and restrictions of the Qualified Plan:

(a) Participants shall not be entitled to receive distributions or loans or to make withdrawals of any portion of their Pre-2005 Account balances while employed by the Company or any of its Subsidiaries.

(b) Upon termination of employment with the Company and its Subsidiaries, the entire balance of a Participant's Pre-2005 Account (valued as of the Accounting Date coincident with or immediately preceding the date of payment) shall be paid to the Participant as soon as administratively practicable. However, any Participant may, by a written statement (including internet and telephone methods approved by the Company for this purpose) filed with the Company or its delegated agent on or before one year prior to the termination of employment, irrevocably elect to defer commencement of such payments until a specific date which may be as late as the Participant attaining age 70½. If a deferral is elected, the Participant may choose to have his or her Pre-2005 Account balance subsequently paid in a lump sum or in such number of equal annual installments (not to exceed 15) as he or she may request (which will commence as soon as practicable, but no later than 60 days following the payment date(s) selected, after the conclusion of the deferral period and will be payable annually thereafter). To the extent consistent with the above requirements, deferrals and installment payments of distributions shall be governed by the applicable provisions of the Qualified Plan.

(c) All Pre-2005 Account balances shall be paid in cash. No Participant shall have any right to receive payment in any other form.

(d) Upon the death of a Participant prior to the entire balance of the Participant's Pre- 2005 Account having been paid, the remaining unpaid balance shall be payable to the Beneficiary. Amounts shall be paid as soon as practicable, but no later than 90 days following the Participant's death.

(e) In the event that a Subsidiary ceases to meet the definition of Subsidiary (e.g., on account of a sale of its stock to an unrelated third party), or an unincorporated business unit ceases to be owned by the Company or a Subsidiary, such cessation shall not, by itself, be treated as a termination of employment by the Participants employed by such Subsidiary or business unit unless the Company shall so determine. In those circumstances, the Company may also determine whether the Pre-2005 Accounts of the Participants employed by such Subsidiary or business unit will be vested or distributed.

(f) The Company shall promulgate such other additional rules and procedures governing the operation of this Plan in relation to such Pre-2005 Accounts as it may, from time to time and in its sole discretion, determine are necessary or desirable.

(g) Pursuant to transition guidance under Section 409A, Participants in the Plan (i) who are former Employees (as of November 30, 2005) and (ii) whose Pre-2005 Account is worth less than $100,000 (as of November 30, 2005), shall be terminated from participation in the Plan and such Participants shall be paid their respective Accounts in a single lump sum payment on or before December 31, 2005.

5.2 Post-2004 Accounts: Payment and Nonforfeitability of Benefits and Maintenance of Accounts. This Section 5.2 shall be effective as of January 1, 2005, and shall apply to Post-2004 Accounts.

(a) Six months following a Separation from Service from the Company and its Subsidiaries, the entire balance of a Participant's Post-2004 Account (valued as of the Accounting Date coincident with or immediately preceding the date of payment) shall be paid to the Participant as soon as administratively practicable, but no later than 60 days following the six-month anniversary of the Participant's Separation from Service. Notwithstanding the foregoing, in the event that a Participant's Post-2004 Account is less than the applicable dollar amount under Section 402(g) of the Code, the Company shall have the discretion to distribute such amount in a single lump sum payment.

(b) All Post-2004 Account balances shall be paid in cash. No Participant shall have any right to receive payment in any other form.

(c) In the event that a Subsidiary ceases to meet the definition of Subsidiary (e.g., on account of a sale of its stock to an unrelated third party), or an unincorporated business unit ceases to be owned by the Company or a Subsidiary, the Company, in its sole discretion, may fully vest the Post-2004 Account balances of Participants employed by such Subsidiary or business unit and the Post-2004 Account shall be paid in accordance with Section 5.2(a).

(d) The Company shall promulgate such other additional rules and procedures governing the operation of this Plan in relation to such Post-2004 Accounts as it may, from time to time and in its sole discretion, determine are necessary or desirable.

(e) Notwithstanding, Section 5.2(a) above, upon the death of a Participant prior to the entire balance of the Participant's Post-2004 Account having been paid, the remaining unpaid balance shall be payable to the Beneficiary as soon as practicable but no later than 90 days following the Participant's death.

(f) Notwithstanding anything to the contrary contained in this Section 5.2, payment to a Participant shall be delayed should the Company reasonably anticipate that the making of such payment would violate federal securities laws or other applicable law. In such an event, payment shall be made at the earliest date at which the Company reasonably anticipates that the making of the payment would not cause such violation.

SECTION 6 SPECIAL SUPPLEMENTAL BENEFITS

6.1 Participation. Recognizing the need to make special retirement and other compensation or employee benefit provisions for certain Employees, the Company may, from time to time and in its best judgment, designate such other individual Employees or groups of select management or highly compensated Employees as being eligible to receive benefits under this Plan. Any such Employees or groups of Employees, and the benefits applicable to them, will be described in the Appendices attached to this Plan.

6.2 Benefits. Such supplemental benefits may be provided in such amounts as the Company determines are appropriate. Such benefits need not be uniform among such Employees.

SECTION 7 MISCELLANEOUS PROVISIONS

7.1 Construction. In the construction of the Plan, the masculine shall include the feminine and the singular the plural in all cases where such meanings would be appropriate. Except as may be governed by ERISA or other applicable federal Law, this Plan shall be construed, governed, regulated and administered according to the laws of the Commonwealth of Virginia.

7.2 Employment. Participation in the Plan shall not give any Employee the right to be retained in the employ of the Company or its Subsidiaries, or upon dismissal or upon his or her voluntary termination of employment, to have any right, legal or equitable, under the Plan or any portion thereof, except as expressly granted by the Plan.

7.3 Nonalienability of Benefits. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, and no such benefit shall in any manner be liable for or subject to the debts, liabilities, engagements or torts of the person entitled to such benefit, except as specifically provided in the Plan.

The preceding paragraph shall not apply to any domestic relations order as defined in Code Section 414(p)(1)(B). If a domestic relations order is submitted to the Company that is intended to divide a Participant's Account between the Participant and an alternate payee, such order shall be applied by the Company if it clearly specifies the manner for determining the alternate payee's share of the Participant's Account and it does not require the Company to provide to the alternate payee a benefit that is not otherwise provided or available under the Plan. The Company may make payments to an alternate payee on the earliest date specified in the domestic relations order, without regard to whether such payment is made prior to the earliest date that the Participant could receive payments pursuant to the Plan. The Company may adopt rules, policies and procedures regarding the administration of domestic relations orders similar to those rules, policies and procedures used for applicable Qualified Plans.

7.4 Facility of Payment. If the Company judges any recipient of benefits, in its sole discretion, to be legally incapable of personally receiving and giving a valid receipt for any payment due him or her under the Plan, the Company may, unless and until claims shall have been made by a duly appointed guardian or committee of such person, make such payment or any part thereof to such person's spouse, children or other legal entity deemed by the Company to have incurred expenses or assumed responsibility for the expenses of such person. Any payment so made shall be a complete discharge of any liability under the Plan for such payment.

7.5 Obligation to Pay Amounts Hereunder.

(a) No trust fund, escrow account or other segregation of assets need be established or made by the Company to guarantee, secure or assure the payment of any amount payable hereunder. The Company's obligation to make payments pursuant to this Plan shall constitute only a general contractual liability of the Company to individuals entitled to benefits hereunder and other actual or possible payees hereunder in accordance with the terms hereof. Payments hereunder shall be made only from such funds of the Company as it shall determine, and no individual entitled to benefits hereunder shall have any interest in any particular asset of the Company by reason of the existence of this Plan. No provision of the Plan shall be interpreted so as to give any individual any right in any assets of the Company greater than the rights of a general unsecured creditor of the Company. It is expressly understood as a condition for receipt of any benefits under this Plan that the Company is not obligated to create a trust fund or escrow account or to segregate any asset of the Company in any fashion.

(b) The Company may, in its sole discretion, establish segregated funds, escrow accounts or trust funds whose primary purpose would be for the provision of benefits under this Plan. If such funds or accounts are established, however, individuals entitled to benefits hereunder shall not have any identifiable interest in any such funds or accounts nor shall such individuals be entitled to any preference or priority with respect to the assets of such funds or accounts. These funds and accounts would still be available to judgment creditors of the Company and to all creditors in the event of the Company's insolvency or bankruptcy.

7.6 Administration. The Plan shall be administered by the Company. The Company shall have the discretionary authority to construe and interpret the provisions of the Plan and make factual determinations thereunder, including the power to determine the rights or eligibility of Employees or Participants and any other persons, and the amounts of their benefits under the Plan, and to remedy ambiguities, inconsistencies or omissions, and any such determinations shall be binding on all parties. Benefits will only be paid if the Company, in its sole discretion, determines that the Participant or Beneficiary is entitled to them.

The Company has the authority to delegate any of its powers under this Plan (including, without limitation, Section 7.7) to any other person, persons, or committee. This person, persons, or committee may further delegate its reserved powers to another person, persons, or committee as they see fit. Any delegation or subsequent delegation shall include the same full, final and discretionary authority that the Company has listed herein and any decisions, actions or interpretations made by any delegate shall have the same ultimate binding effect as if made by the Company.

7.7 Claims Appeal Procedure. Upon receipt of a claim for benefits under the Plan, the Company shall notify the Participant, Beneficiary or authorized representative of any action taken within 90 days of receiving the claim. If the claim is denied, the denial shall be set forth in writing and shall include the specific reasons for the denial, with reference to pertinent Plan provisions on which the denial is based, and shall describe the procedure for perfecting the claim, or for requesting a review of the denial. Within 60 days after receiving a notification of denial of a claim, a Participant, Beneficiary or authorized representative may request that the Company make a full and fair review of the denial. In connection with this request, the Participant may review pertinent documents and submit issues or comments in writing. The Company will make a final decision on the claim within 120 days of the request for review. Any decision made by the Company in good faith shall be final and binding on all parties.

7.8 Change of Control. Notwithstanding any provision herein to the contrary, immediately prior to the occurrence of a Change of Control, all allocations made to Accounts of Participants who are then active Employees shall become fully vested and nonforfeitable.

7.9 Action by the Company. Any action or authorization by the Company hereunder shall be made by the Chief Executive Officer or its Board of Directors, or any delegate of either.

SECTION 8 AMENDMENT AND TERMINATION OF THE PLAN

8.1 Amendment. The Company has the right to modify or amend this Plan in whole or in part, effective as of any specified date; provided, however, that the Company shall have no authority to modify or amend the Plan to:

(a) Reduce any benefit accrued hereunder based on service and compensation to the date of amendment unless such action is necessary to prevent this Plan from being subject to any provision of Title 1, Subtitle B, Parts 2, 3 or 4 of ERISA;

(b) Permit the accrual, holding or payment of actual shares of common stock of the Company under the Plan (such right to amend being reserved to the Board of Directors of the Company or its delegate); or

(c) Adversely affect any accrued benefits hereunder (and any benefits that will accrue upon a Change of Control) and any rights attaching thereto after or in anticipation of the occurrence of a Change of Control.

No benefit hereunder shall be deemed to be adversely affected or otherwise reduced to the extent that any amendment or action affects the tax treatment of Plan benefits or an interest in future investment returns.

8.2 Termination.

(a) The Company reserves the right to terminate this Plan, in whole or in part. This Plan shall be automatically terminated upon (i) a dissolution of the Company (but not upon a merger, consolidation, reorganization, recapitalization or acquisition of a controlling interest in the voting stock of the Company by another person or entity); (ii) the Company being legally adjudicated bankrupt; (iii) the appointment of a receiver or trustee in bankruptcy with respect to the Company’s assets and business if such appointment is not set aside within ninety (90) days thereafter; or (iv) the making by the Company of an assignment for the benefit of creditors.

(b) Upon a termination of this Plan, (i) no additional Employees shall become entitled to benefits hereunder; (ii) all benefits accrued through the date of termination will become immediately nonforfeitable as to each Participant; and (iii) no additional benefits (except that the Company, in its sole discretion, may provide for an allocation of "income" or "earnings" on the Participant's contributions) shall be accrued hereunder for subsequent payment.

(c) Pre-2005 Accounts accrued to the date of termination of the Plan shall be paid to the Participants as soon as practicable.

(d) Post-2004 Accounts accrued to the date of termination of the Plan shall be paid to the Participants as soon as practicable to the extent permitted under Section 409A and otherwise shall remain payable in accordance with Section 5.2.

SECTION 9 SECTION 409A COMPLIANCE

It is intended that the Plan (and any payments) will comply with or be exempt from Section 409A, if applicable, and the Plan (and any payments) shall be interpreted and construed on a basis consistent with such intent. The Plan (and any payments) may be amended (in accordance with Section 8.1 of the Plan) in any respect deemed necessary or desirable (including retroactively) by the Company with the intent to preserve compliance with or exemption from Section 409A. The preceding shall not be construed as a guarantee of any particular tax effect for Plan benefits. A Participant (or Beneficiary) is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on such person in connection with the Plan (including any taxes and penalties under Section 409A), and the Company shall have no obligation to indemnify or otherwise hold a Participant (or Beneficiary) harmless from any or all of such taxes or penalties.

Following a Change of Control or a "change in control" as defined under Section 409A, no action shall be taken under the Plan that will cause a Participant's benefit that has previously been determined to be (or is determined to be) subject to Section 409A, to fail to comply in any respect with Section 409A without the written consent of such Participant.

Exhibit 22

Subsidiary Guarantors

Each of the following subsidiaries of General Dynamics Corporation, a Delaware corporation (the Company), has fully and unconditionally guaranteed on an unsecured, joint and several basis each of the debt securities of the Company listed below.

Subsidiary Guarantors

American Overseas Marine Company, LLC, a Delaware limited liability company
Bath Iron Works Corporation, a Maine corporation
Electric Boat Corporation, a Delaware corporation
General Dynamics Government Systems Corporation, a Delaware corporation
General Dynamics Land Systems Inc., a Delaware corporation
General Dynamics Ordnance and Tactical Systems, Inc., a Virginia corporation
General Dynamics-OTS, Inc., a Delaware corporation
Gulfstream Aerospace Corporation, a Delaware corporation
National Steel and Shipbuilding Company, a Nevada corporation

Debt Securities of the Company Guaranteed by each of the Subsidiary Guarantors

2.250% Fixed-Rate Notes due November 2022
3.375% Fixed-Rate Notes due May 2023
1.875% Fixed-Rate Notes due August 2023
2.375% Fixed-Rate Notes due November 2024
3.250% Fixed-Rate Notes due April 2025
3.500% Fixed-Rate Notes due May 2025
1.150% Fixed-Rate Notes due June 2026
2.125% Fixed-Rate Notes due August 2026
3.500% Fixed-Rate Notes due April 2027
2.625% Fixed-Rate Notes due November 2027
3.750% Fixed-Rate Notes due May 2028
3.625% Fixed-Rate Notes due April 2030
2.250% Fixed-Rate Notes due June 2031
4.250% Fixed-Rate Notes due April 2040
2.850% Fixed-Rate Notes due June 2041
3.600% Fixed-Rate Notes due November 2042
4.250% Fixed-Rate Notes due April 2050

Exhibit 31.1

**CERTIFICATION BY CEO PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Phebe N. Novakovic, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Dynamics Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Phebe N. Novakovic

Phebe N. Novakovic
Chairman and Chief Executive Officer

October 27, 2021

Exhibit 31.2

**CERTIFICATION BY CFO PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason W. Aiken, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Dynamics Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Jason W. Aiken
Jason W. Aiken
Senior Vice President and Chief Financial Officer

October 27, 2021

Exhibit 32.1

CERTIFICATION BY CEO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of General Dynamics Corporation (the Company) on Form 10-Q for the quarter ended October 3, 2021, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Phebe N. Novakovic, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Phebe N. Novakovic
Phebe N. Novakovic
Chairman and Chief Executive Officer

October 27, 2021

Exhibit 32.2

CERTIFICATION BY CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of General Dynamics Corporation (the Company) on Form 10-Q for the quarter ended October 3, 2021, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jason W. Aiken, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jason W. Aiken
Jason W. Aiken
Senior Vice President and Chief Financial Officer

October 27, 2021