



Bernstein 34th Annual Strategic Decisions Conference

May 30, 2018

Mike Petters
President and CEO

Chris Kastner
Executive Vice President, Business Management and CFO

Statements in this presentation, other than statements of historical fact, may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed in these statements. Factors that may cause such differences include: changes in government and customer priorities and requirements (including government budgetary constraints, shifts in defense spending, and changes in customer short-range and long-range plans); our ability to estimate our future contract costs and perform our contracts effectively; changes in procurement processes and government regulations and our ability to comply with such requirements; our ability to deliver our products and services at an affordable life cycle cost and compete within our markets; natural and environmental disasters and political instability; our ability to execute our strategic plan, including with respect to share repurchases, dividends, capital expenditures, and strategic acquisitions; adverse economic conditions in the United States and globally; changes in key estimates and assumptions regarding our pension and retiree health care costs; security threats, including cyber security threats, and related disruptions; and other risk factors discussed in our filings with the U.S. Securities and Exchange Commission. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business, and we undertake no obligation to update any forward-looking statements. You should not place undue reliance on any forward-looking statements that we may make. This presentation also contains non-GAAP financial measures and includes a GAAP reconciliation of these financial measures. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures.



Huntington Ingalls Industries at a Glance

❖ America's premier military shipbuilder and mission critical partner of the U.S. Navy

➤ **Newport News Shipbuilding**

- Sole source for U.S. Navy nuclear-powered aircraft carriers and their refueling and inactivation services
- One of two builders constructing *Virginia* class nuclear-powered submarines

➤ **Ingalls Shipbuilding**

- Builder of record for LPD and LHA-class amphibious ships and National Security Cutters
- One of two builders constructing *Arleigh Burke* guided missile destroyers

❖ Professional services provider for government and commercial partners

➤ **Technical Solutions**

- Enterprise information technology
- Ship maintenance, modernization and repair
- Nuclear management and operations
- Pipeline services

❖ Significant revenue stability and visibility



Company Snapshot

FY 2017 Revenues:	~\$7.4B	Employees:	~39,000
FY 2017 Operating Margin:	11.6%	Engineers / Designers:	~5,400
FY 2017 Cash from Operations:	\$814M	Headquarters:	Newport News, VA
Current Backlog:	~\$22.1B	History:	132 years



Mission Critical Partner with the U.S. Navy

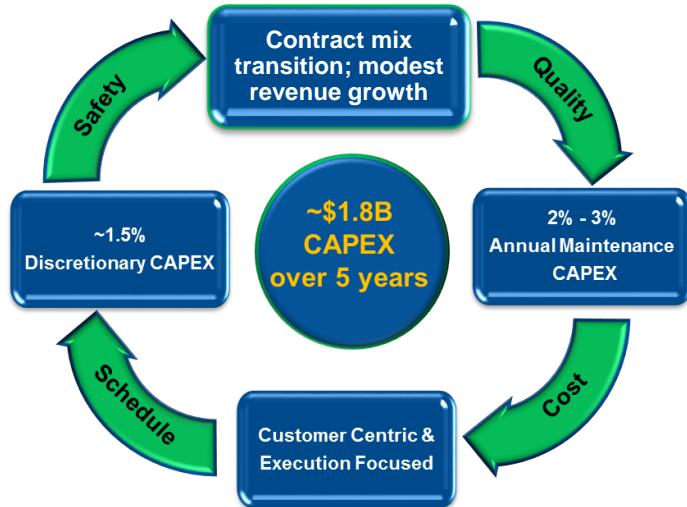
	FY16 Long-Range Plan for Construction of Naval Vessels	2016 Force Structure Assessment (FSA)	HII % Participation
Aircraft Carriers			
Aircraft Carriers	11	12	100%
Aircraft Carrier RCOH			
Aircraft Carrier Inactivation			
Submarines			
Virginia-Class Submarines	48	66	50%
Cruise Missile Submarines	4 to 0	4 to 0	Capability
Ballistic Missile Submarines	12	12	~25%
Surface Combatants			
Large Surface Combatants (DDG-51)	88	104	~50%
Small Surface Combatants	52	52	Capability
Amphibious Ships			
Amphibious Ships LHA	34	38	100%
Amphibious Ships LPD			
Amphibious Ships LXR			Capability
Auxiliaries			
Combat Logistics	29	32	Capability
Support Vessels	34	39	Capability
TOTAL FLEET	308	355	



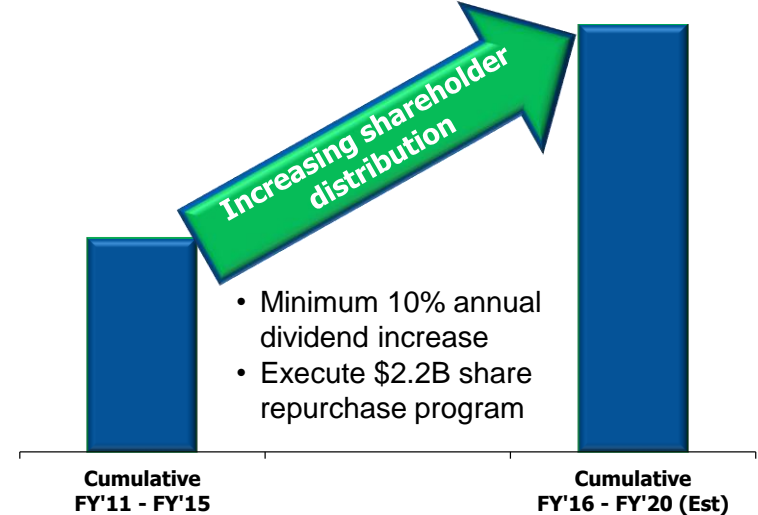
Strong alignment across all U.S. Navy major combatants



Strengthen & Protect Core Shipbuilding Businesses



Return Substantially All Free Cash Flow to Shareholders



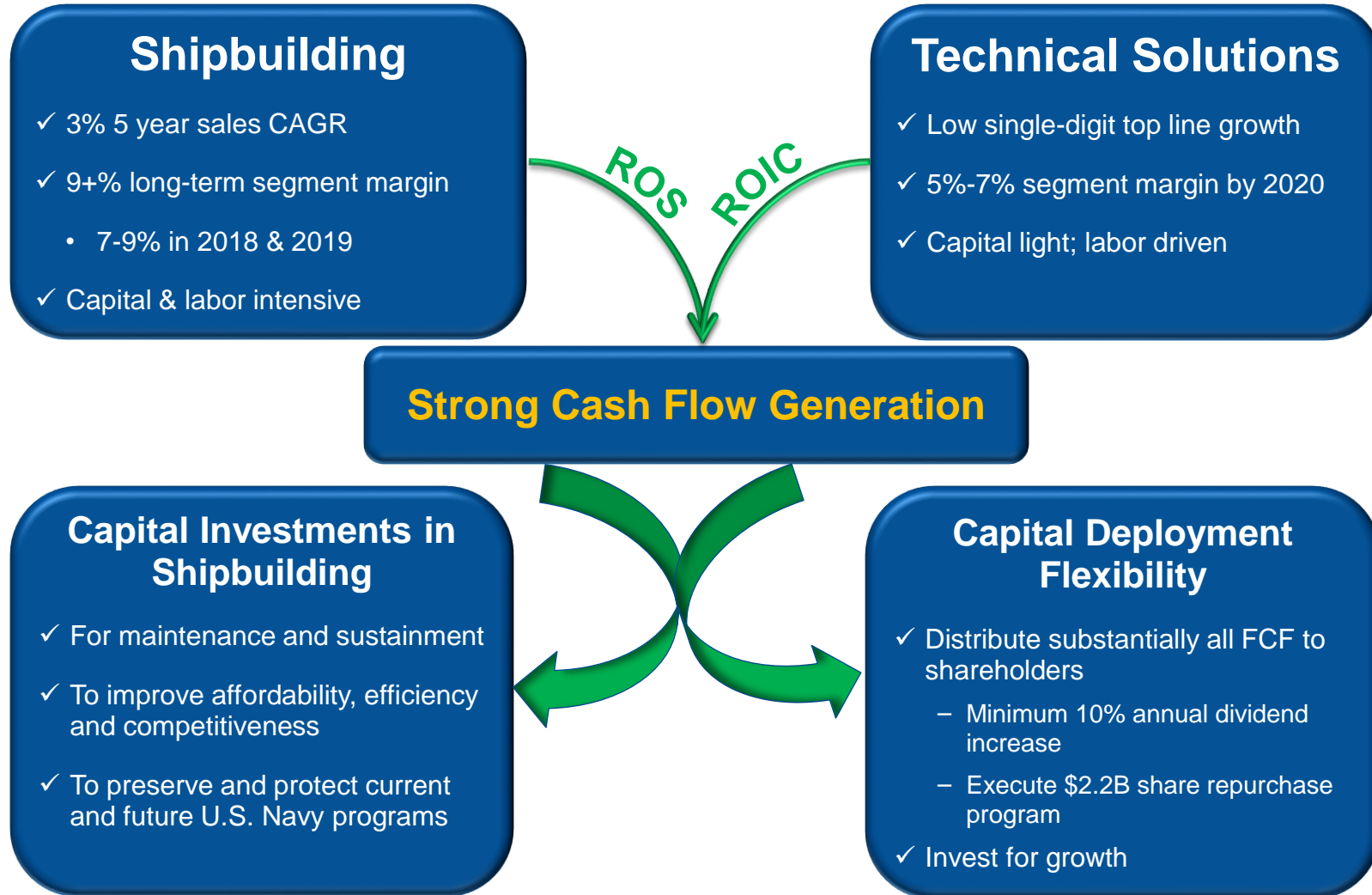
Optimize and Expand Services Portfolio

- Leverage our deep technical services competencies and nuclear operations expertise
- Growing market that fits within HII's core competencies
- Improve competitiveness with increased scale via partnerships, JV's and selective acquisitions
- Asset-light business model
- Strong cash flow generation potential

Disciplined M&A Framework

- | | |
|--|--|
| <ul style="list-style-type: none"> • Financial Requirements <ul style="list-style-type: none"> – Returns exceed cost of capital – Accretive in 2nd full fiscal year – Cash flow positive in 2nd full fiscal year – Commitment to investment grade rating – Rebalance to investment grade metrics | <ul style="list-style-type: none"> • Strategic Rationale <ul style="list-style-type: none"> – Fits core competencies – Enhances service and product offerings – Diversifies customer base – Enhances efficiency and affordability |
|--|--|





Long horizon business.....Long-term value creation





Newport News Shipbuilding





- 132 years of shipbuilding experience
- Largest industrial employer in Virginia, ≈ 23,000 employees
- Product Lines:
 - Submarine design and build teamed with GD Electric Boat
 - *Gerald R. Ford* class aircraft carrier construction
 - Refueling and Complex Overhaul (RCOH) of aircraft carriers
 - Defueling and inactivation of aircraft carriers
 - Fleet maintenance services for submarines and aircraft carriers



Aircraft Carriers



Submarines

Segment Snapshot

FY 2017 Revenues:	~\$4.2B	Employees:	~23,000
FY 2017 Operating Income:	\$354M	Engineers / Designers:	~4,500
FY 2017 Operating Margin:	8.5%	Headquarters:	Newport News, VA
Current Backlog:	~\$12.6B	History:	132 years





Our Shipbuilders

- **~23,000 Employees**
 - 11,100 salaried employees
 - 11,900 hourly employees
- **Employees are represented by three unions on site**
 - USW – largest Steelworker Local in the U.S. with ~11,000 eligible employees
 - SPFFA – Security, Police and Fire Professional Association
 - IAFF – International Association of Fire Fighters
- **Second, third, fourth and fifth generation employees**
 - ~ 3,200 engineers
 - ~ 1,500 employees with advanced degrees
 - 19 different crafts & trades
 - More than 2,800 veterans
- **~1,100 Master Shipbuilders** (40 years+ of continuous service)
- **Unique and specialized training, skills, capabilities and experience**





Aircraft Carrier Program Overview

Aircraft Carrier Construction

John F. Kennedy (CVN 79)



- ✓ Second Ford Class aircraft carrier for 21st century and replacement for *Nimitz*-class
- ✓ 2015 keel laid
- 2019 launch
- 2022 delivery

Enterprise (CVN 80)



- ✓ Third *Ford*-class aircraft carrier
- ✓ 2016 Advanced Planning start
- 2022 keel laid
- 2025 launch
- 2028 delivery

Aircraft Carrier Refueling and Complex Overhaul (RCOH)

USS George Washington (CVN 73)



- ✓ Sixth *Nimitz*-class aircraft carrier to be refueled
- ✓ 2015 planning start
- ✓ 2017 refueling execution start
- 2021 redelivery

USS John C. Stennis (CVN 74)



- ✓ Seventh *Nimitz*-class aircraft carrier to be refueled
- 2018 Advanced Planning start
- 2021 refueling execution start
- 2024 redelivery

Aircraft Carrier Inactivation

Ex-USS Enterprise (CVN 65)



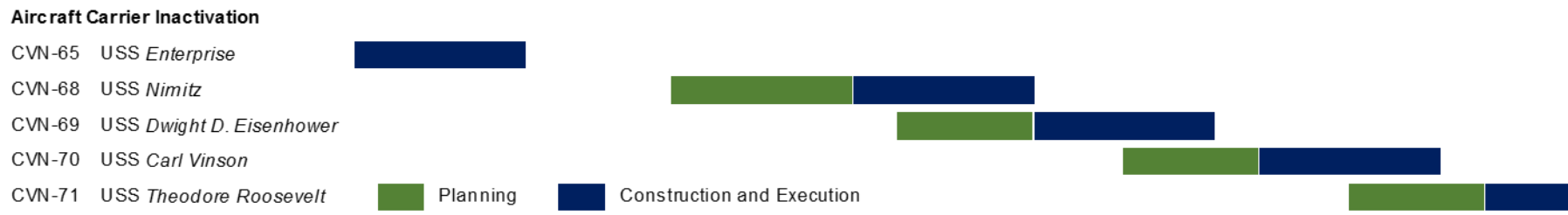
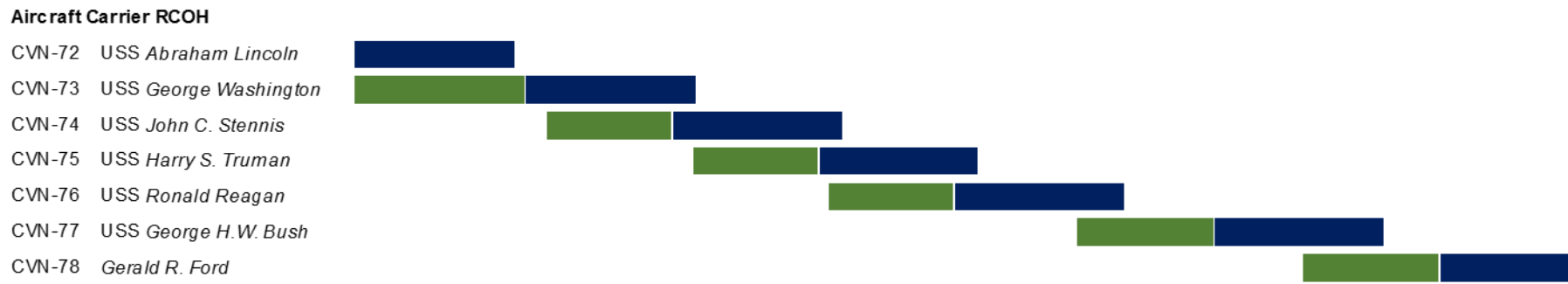
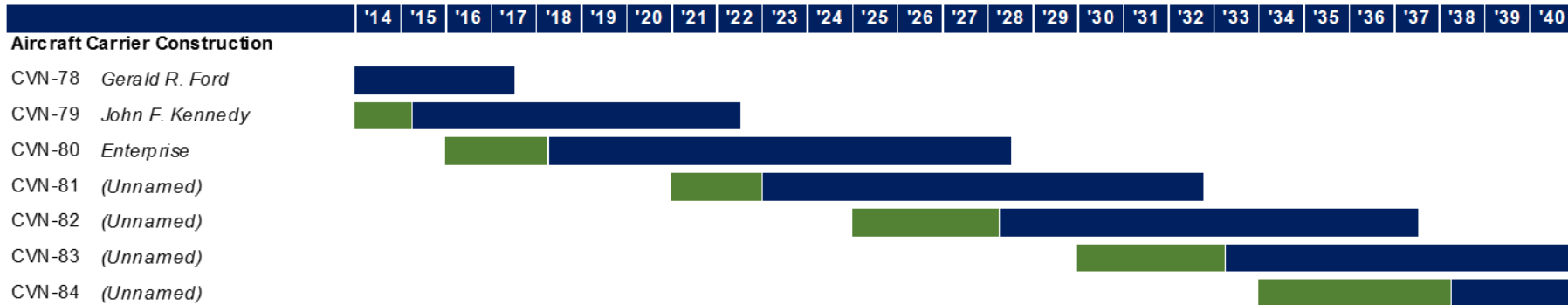
- ✓ First nuclear aircraft carrier to be defueled and inactivated
- ✓ 2013 arrival
- ✓ 2017 undock
- 2018 redelivery and potential storage period

Sole designer, builder, refueler and inactivator of nuclear aircraft carriers





Aircraft Carrier Program Execution Plan



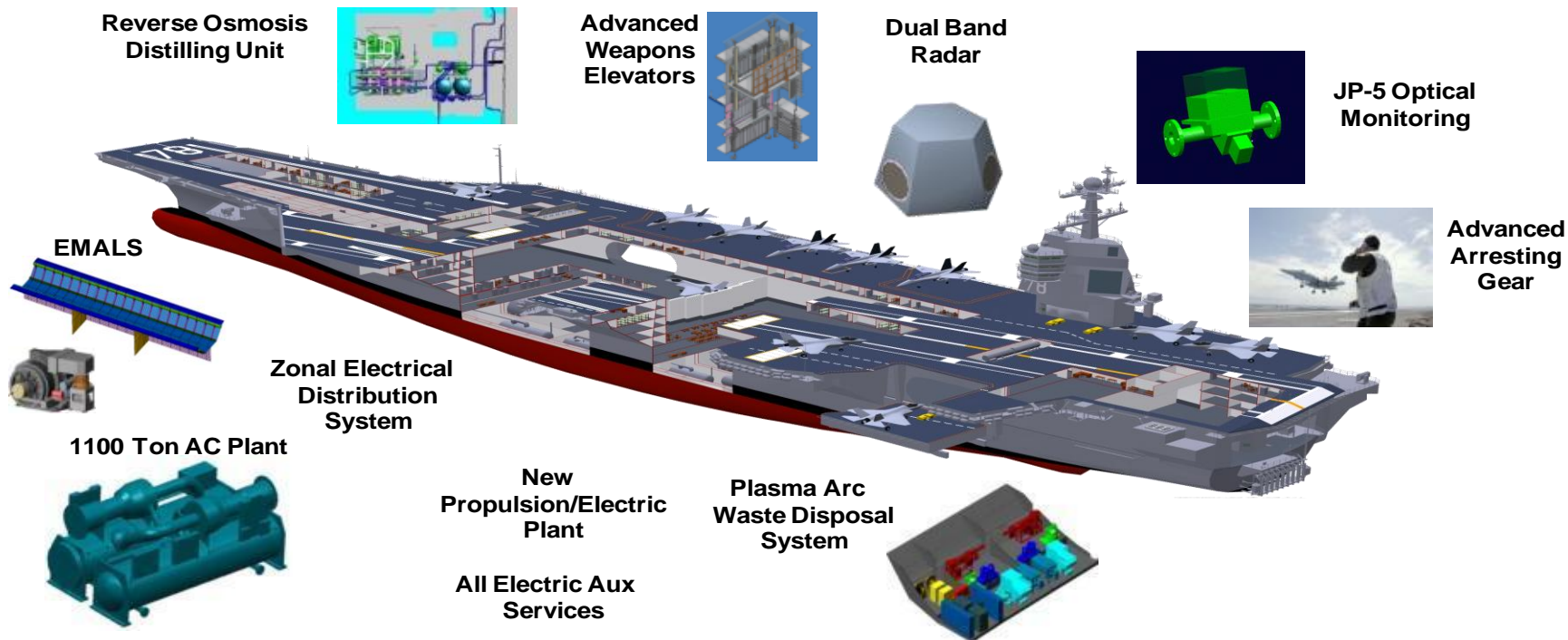
Sources: Annual Long-Range Plan for Construction of Naval Vessels for FY 2016
 Carrier Planning Activity CVN Availability Schedule
 Newport News Shipbuilding Piers, Docks and Facilities Schedule

Long horizon for future workload provides stability for the business





CVN-78 *Gerald R. Ford* Class Aircraft Carriers



Focused Investment

Increased Flexibility

- ✓ Greater operational availability
- ✓ Greater electric plant capacity

Increased Capability

- ✓ Sortie Generation Rates increased over Nimitz class

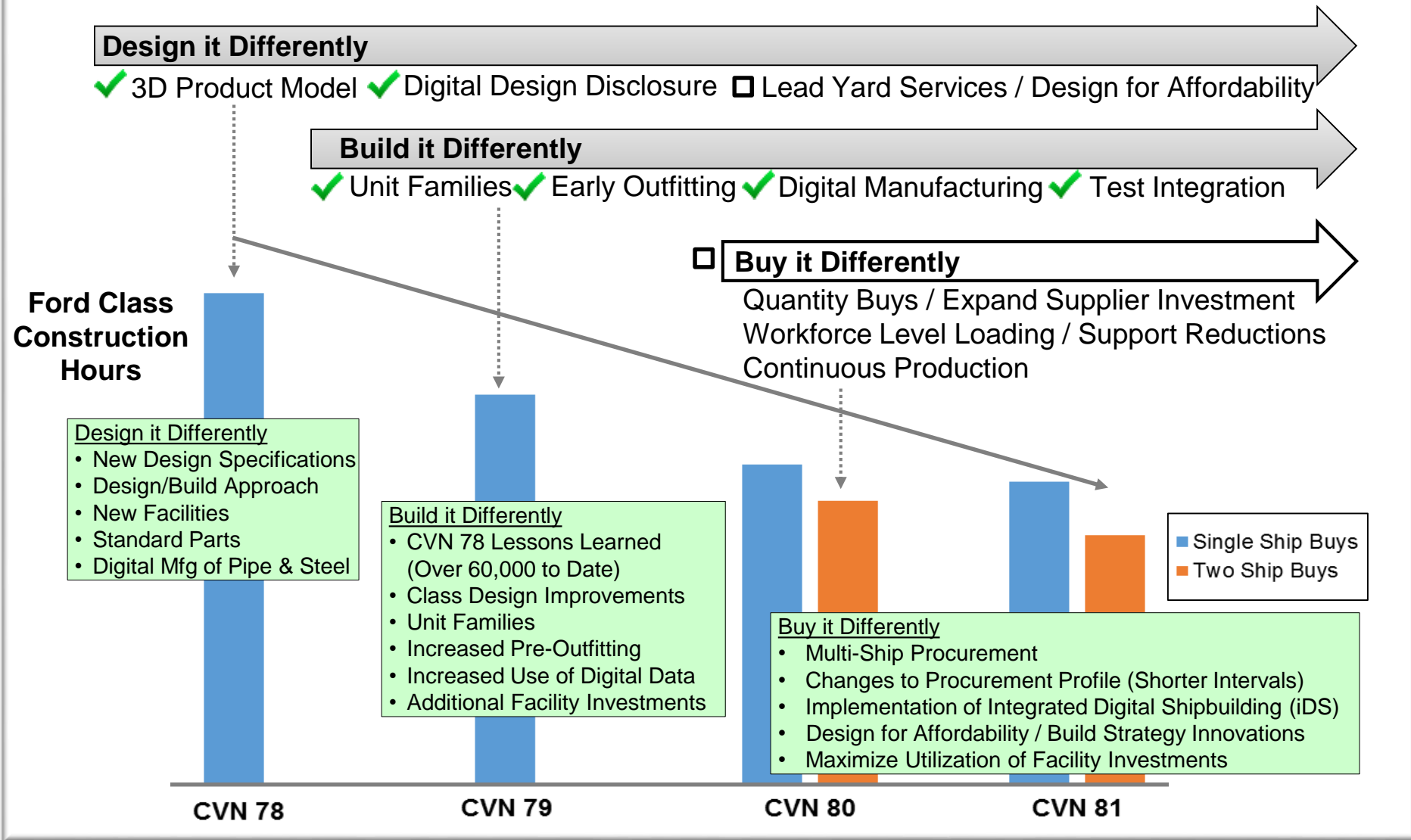
Increased Affordability

- ✓ \$4B TOC reduction
- ✓ Billet reduction

Investments in technology enhance capability and reduce long-term operational costs



Ford Class Affordability Roadmap



Two Ship Buy is Best Opportunity to Support Continued Cost Reduction





Virginia Class Submarine Program Overview



Virginia class Submarines Block I - III

- ✓ Eighteen submarines (SSN 774 to SSN 791)
- ✓ Transitioned to two submarines per year with Block III
- SSN 789 and SSN 790 deliver in 2018
- SSN 791 delivers in 2019

Virginia class Submarines Block IV

- ✓ Ten submarines (SSN 792 to SSN 801)
- ✓ SSN 792 started construction in 2014
- SSN 792 delivers in 2019
- SSN 801 delivers in 2023

Virginia class Submarines Block V

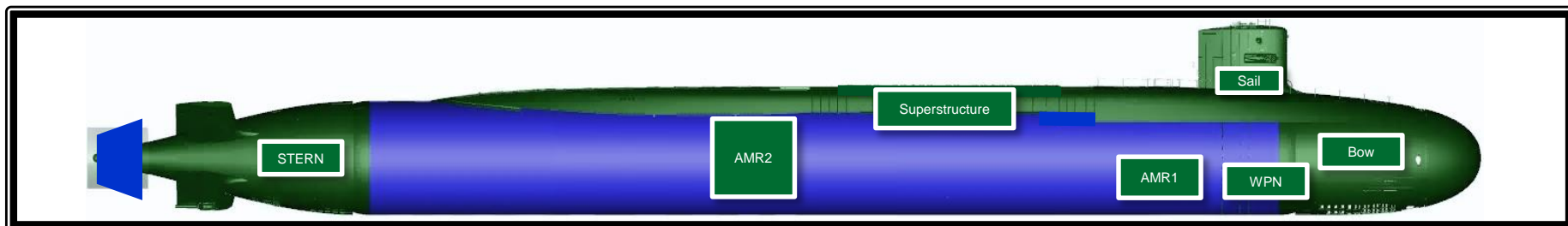
- Expected 2019 award
- Ten submarines (SSN 802 to SSN 811)
- Incorporates Virginia Payload Module (VPM)
- Deliveries 2024-29

Submarine Engineering and Design

- Integrated PY: SSN 688 & SSN 21 Class Engineering
- Worldwide Fleet Support Services

Virginia class construction: boat-to-boat cost reduction





- Work split based on VCS construction experience
- Leveraging experience, skills, investments from the CVN 78 and *VIRGINIA* class programs
- Engaging the industrial base from program onset
- Tremendous opportunity to efficiently and affordably deliver both classes
- Digital from inception
- First steel cut

Fleet Support Programs

Carriers

- Planning or executing maintenance on 7 of 10 Nimitz-Class Aircraft Carriers
- Work ongoing in Puget Sound, Japan and Norfolk



CVN 78 - Gerald R. Ford

- Work Periods prior to PSA Start included 7 Windows of Opportunity (WOO) Periods from June 2017 through April 2018
- Post Shakedown Availability (PSA) / Selected Restricted Availability (SRA) scheduled to start July 2018



Submarines

- USS Helena (SSN 725) - DSRA started 10/18/17.
- USS Columbus (SSN 762) EOH – dry docked on 12/2/17. Work includes major component/system restorations and extensive ship modernization.
- USS Boise (SSN 764) EOH - awarded 10/16/17. Early Start work commences 12/6/18 with dry docking on 1/13/19



Capital Investments

- ❖ Major investments in physical plant infrastructure in last 10 years
 - Facilities, fixtures and production equipment to support:
 - Start of *Ford* class aircraft carrier program
 - Ramp-up to *Virginia* class submarine two-per-year pace
 - Start of aircraft carrier inactivation program
 - Machine shop, foundry, steel fabrication and information technology improvements benefiting all programs
 - Welding equipment modernization
 - Consolidated warehousing and kitting facilities
- ❖ Future investments will continue to maintain key capabilities, improve efficiency and reduce costs
 - Expanding work being performed under cover and maximizing pre-outfitting capability
 - Enhancing submarine production lines for follow-on classes and variants
 - Accelerating deployment of automated, state-of-the-art welding equipment



**Outfitting
Facilities**



**Piers and
Docks**



**Production
Fixtures**

**Manufacturing
Equipment**



**Joint Manufacturing
and Assembly Facility**



Digital Tools



Significant investments made to gain capability, reduce cost and increase efficiency



Ingalls Shipbuilding



Ingalls Shipbuilding at a Glance

- Designs and builds non-nuclear, technologically advanced, highly capable warships for the surface Navy fleet, U.S. Coast Guard and U.S. Marine Corps
- Currently building four classes... 13 hulls under construction
- Sole builder of LHA 6 *America* class large deck amphibious assault ships, LPD 17 *San Antonio* class amphibious transport dock ships and *Legend* class National Security Cutters (NSC)
- One of two builders of record of DDG 51 *Arleigh Burke* class of Aegis guided missile destroyers
- Largest industrial employer in Mississippi



Segment Snapshot

FY 2017 Revenues:	~\$2.4B	Employees:	~11,600
FY 2017 Operating Income	\$313M	Engineers / Designers:	~1,500
FY 2017 Operating Margin:	12.9%	Headquarters:	Pascagoula, MS
Current Backlog:	~\$8.0B	History:	80 years



Our Shipbuilders

- **~11,600 Employees**
 - 4,400 salaried employees
 - 7,200 hourly employees
- **Employees are represented by five unions on site**
 - *PMTC: Pascagoula Metal Trades Council consisting of 9 unions*
 - *IBEW: International Brotherhood of Electrical Workers*
 - *IAM: International Association of Machinists and Aerospace Workers*
 - *OPEIU: Office and Professional Employees International Union*
 - *UFSPSO: United Federation of Special Police and Security Officers, Inc.*
- **Second, third, fourth and fifth generation employees**
 - ~ 700 engineers
 - ~ 1,900 employees with advanced degrees
 - More than 1,300 veterans
- **~330 Master Shipbuilders** (40 years+ of continuous service)
- **Unique and specialized training, skills, capabilities and experience**



Amphibious Assault Ships

LHA 6 *America*

844 feet 44,854 tons



- ✓ LHA 6 *America* Class - Next generation amphibious ship for joint operations with enhanced aviation capabilities
- ✓ 14 large deck amphibious assault ships delivered (LHA 1-5, LHD 1-8, LHA 6)
- ✓ 2014 delivery

LHA 7 *Tripoli*



- ✓ 2nd *America* Class amphibious assault ship
- ✓ 2013 start fabrication
- ✓ 2017 launch
- 2018 delivery

LHA 8 *Bougainville*



- ✓ Based on the *America* Class amphibious ship; re-design to incorporate well deck removed for LHA 6 aviation intensive hull
- ✓ Won competition between Ingalls and NASSCO
- ✓ Received Detail Design and Construction award in June 2017
- 2018 start fabrication
- 2022 launch
- 2024 delivery

LHA 9



- Navy's LHA 9 plan of record: LLTM in FY23; DD&C in FY24

Amphibious Transport Dock Ships

LPD 26

John P. Murtha

684 feet

24,900 tons



- ✓ LPD 17 *San Antonio* Class - Newest ship in the U.S. Navy's amphibious fleet used to transport 700 to 800 marines, equipment and supplies
- ✓ 11 ships delivered
- ✓ 10th *San Antonio* Class amphibious transport dock ship
- ✓ 2016 delivery

LPD 27

Portland



- ✓ 11th *San Antonio* Class amphibious transport dock ship
- ✓ 2017 delivery

LPD 28

Fort Lauderdale



- ✓ 12th *San Antonio* Class amphibious transport dock ship
- ✓ Awarded Detail Design and Construction contract in December 2016
- ✓ 2017 start fabrication
- 2020 launch
- 2021 delivery

LPD 29

Richard M. McCool Jr.










- ✓ 13th *San Antonio* Class amphibious transport dock ship
- ✓ Awarded Detail Design & Construction contract in February 2018
- 2018 start fabrication
- 2021 launch
- 2023 delivery

LPD Flight II / LPD 30



- The Navy's announced the next generation LX(R) amphibious assault ship to replace the services' existing fleet of LSD 41/49 dock landing ships will formally be designated LPD "Flight II"
- LPD Flight II / LPD 30 funded in the FY18 budget appropriation

Surface Combatants

DDG 114 <i>Ralph Johnson</i>	DDG 117 <i>Paul Ignatius</i>	DDG 119 <i>Delbert D. Black</i>	DDG 121 <i>Frank E. Petersen Jr.</i>	DDG 123 <i>Lenah H. Sutcliffe Higbee.</i>	DDG 125 <i>Jack H. Lucas</i>	FY 2018-2022 Multi-Year Procurement
 <p>509.5 feet 9,300 tons</p>						
<ul style="list-style-type: none"> ✓ DDG 51 <i>Arleigh Burke Class</i> - Designed for conducting anti-air, anti-submarine, anti-surface and strike operations ✓ 30 ships delivered ✓ 64th <i>Arleigh Burke Class</i> surface combatant ✓ 2017 delivery 	<ul style="list-style-type: none"> ✓ 67th <i>Arleigh Burke Class</i> surface combatant ✓ 2015 start fabrication ✓ 2017 launch • 2018 delivery 	<ul style="list-style-type: none"> ✓ 69th <i>Arleigh Burke Class</i> surface combatant ✓ 2016 start fabrication ✓ 2018 launch • 2019 delivery 	<ul style="list-style-type: none"> ✓ 71th <i>Arleigh Burke Class</i> surface combatant ✓ 2017 start fabrication • 2019 launch • 2020 delivery 	<ul style="list-style-type: none"> ✓ 73th <i>Arleigh Burke Class</i> surface combatant ✓ 2018 start fabrication • 2020 launch • 2021 delivery 	<ul style="list-style-type: none"> ✓ 75th <i>Arleigh Burke Class</i> surface combatant ✓ Received contract modification in June 2017 to incorporate Flight III upgrades ✓ 2019 start fabrication • 2021 launch • 2023 delivery 	<ul style="list-style-type: none"> • FY 2018-2022 ships continue the Flight III configuration • Limited competition between Ingalls and Bath Iron Works

National Security Cutters

NSC 6 *Munro*

418 feet 4,480 tons



- ✓ Legend-class NSCs – Largest and most technologically advanced ships in the Coast Guard's fleet
- ✓ 6 ships delivered
- ✓ 6th National Security Cutter
- ✓ 2016 delivery

NSC 7 *Kimball*



- ✓ 7th National Security Cutter
- ✓ 2015 start fabrication
- ✓ 2016 launch
- 2018 delivery

NSC 8 *Midgett*



- ✓ 8th National Security Cutter
- ✓ 2016 start fabrication
- ✓ 2018 launch
- 2019 delivery

NSC 9 *Stone*



- ✓ 9th National Security Cutter
- ✓ Awarded Construction contract in December 2016
- ✓ 2017 start fabrication
- 2019 launch
- 2020 delivery

NSC 10



- ✓ 10th National Security Cutter
- ✓ Long lead time material (LLTM) contract awarded in 2018
- Construction fully funded in the FY18 budget appropriation

NSC 11



- Fully funded in the FY18 budget appropriation



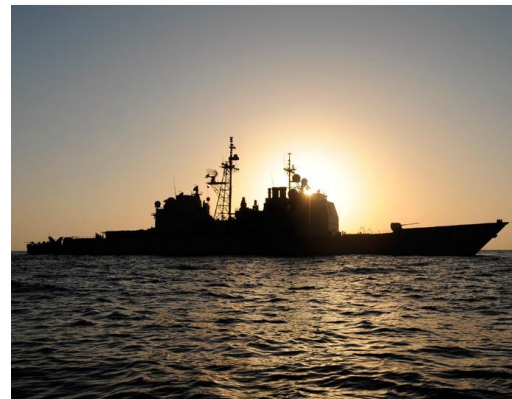
Ingalls Construction Schedule

	2018	2019	2020	2021	2022	Comments
LHA 7						<ul style="list-style-type: none"> LHA 7 <i>Tripoli</i> and LHA 8 <i>Bougainville</i> are under construction
LHA 8						
LPD 28						<ul style="list-style-type: none"> LPD 28 <i>Fort Lauderdale</i> and LPD 29 <i>Richard M. McCool Jr.</i> are under construction Navy designated upcoming LX(R) program as LPD Flight II
LPD 29						
Future LPDs						
DDG 117						<ul style="list-style-type: none"> DDG 51 FY13 multi-year procurement was awarded in 2013 (DDG 117, 119, 121, 123, & 125) DDG 117 <i>Paul Ignatius</i>, DDG 119 <i>Delbert D. Black</i>, DDG 121 <i>Frank E. Petersen Jr.</i>, DDG 123 <i>Lenah H. Sutcliffe Higbee</i> and DDG 125 <i>Jack Lucas</i> are under construction DDG 125 includes DDG 51 Flight III engineering change to upgrade radars DDG FY18 multi-year procurement competition is ongoing.
DDG 119						
DDG 121						
DDG 123						
DDG 125						
Future DDGs						
NSC 7						<ul style="list-style-type: none"> NSC 7 <i>Kimball</i>, NSC 8 <i>Midgett</i> and NSC 9 <i>Stone</i> are under construction NSC 10 long lead time material contract awarded in 2018 NSC 10 and NSC 11 were added and fully funded in the FY18 budget appropriation
NSC 8						
NSC 9						
Future USCG Work						
DDG 62						<ul style="list-style-type: none"> Selected to repair and modernize USS <i>Fitzgerald</i>



Fleet Maintenance and Support Services

- Comprehensive life-cycle services for CG 47 and LPD 17 Class
 - Class life-cycle planning yard for many products we build
 - Ship repair
 - Overhaul
 - Restricted availability services
 - Naval architecture and marine engineering
 - Ship system assessments
 - Maintenance engineering
 - Logistics services
- Locations nationwide and overseas



Supporting the customer by providing worldwide services



Capital Investments

❖ Over \$1B invested in physical plant and infrastructure in last 10 years

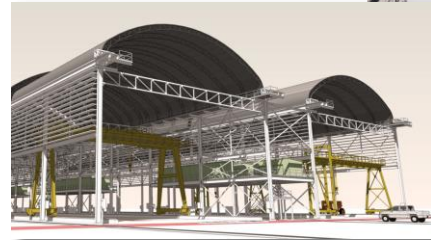
- Facilities and production equipment
 - Electrical upgrades, pier upgrades, utilities improvements
 - New cranes and refurbishments
 - New compressor station
- New machine shop, IPD, panel shop, and propulsion assembly building
- Facility upgrades to covered slab area (CSA), wet dock, fab shop, land based test facility (LBTF), and blast and paint hall

❖ Future investments maintain key capabilities, improve efficiency and reduce cost for our Navy and Coast Guard customers

- Expanding work being performed under cover
 - Rolling covers, CSA west expansion and CSA III
- New welding capabilities
 - Fab shop bay 4 robotic line, west panel line expansion and east panel line seamer replacement
- New drydock and infrastructure improvements



Automated Lines



Outfitting Facilities



Electrical Upgrades



- Improved Product Flow
- Manufacturing Optimization
- Substantial Under Cover Work

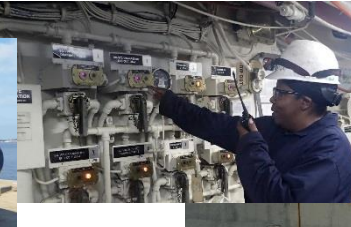
Significant investments made to expand capacity, reduce cost and increase efficiency



Technical Solutions



- High-end information technology and mission-based solutions to DoD, intelligence and federal civilian customers
- Comprehensive life-cycle sustainment services to the U.S. Navy
- Unmanned systems engineering, operations and fabrication
- Nuclear site management and operations, nuclear and non-nuclear fabrication and repair
- Engineering, procurement and construction management services to the oil and gas industry



Segment Snapshot

FY 2017 Revenues:	\$952M	Employees:	~5,300
FY 2017 Operating Income:	\$21M	Locations:	70+ Worldwide
FY 2017 Operating Margin:	2.2%	History:	>35 years
Current Backlog:	~\$0.8B		





Integrated Mission Solutions

- Enterprise Information Technology
- Preparedness and Logistics
- Intelligence Analysis and Operations
- Acquisition, Operations and Engineering
- Training and Simulation



Fleet Support

- Shipboard Maintenance and Modernization
- CNO Availability Execution and Management
- Undersea Vehicles and Specialized Craft
- Marine Architecture, Engineering and Design
- Software Design Development and IT Infrastructure Support
- Asset Management and Logistics Support
- Interactive Media Instruction



Nuclear & Environmental

- Nuclear Site Management and Operations
- Site and Facility Restoration
- Environmental Remediation
- High Complexity Program Management
- Nuclear Fabrication and Modular Construction
- Nuclear Pump and Valve Repair Services



Oil & Gas

- Pipeline and Facilities Engineering, Design and Procurement
- Upstream/Midstream Gas Processing
- Program and Project Management
- Field Surveying and Mapping
- Construction Management and Inspection
- Asset Integrity Management
- Innovation Technology

Low single-digit top line growth; low single-digit margin expanding to 5-7% by 2020

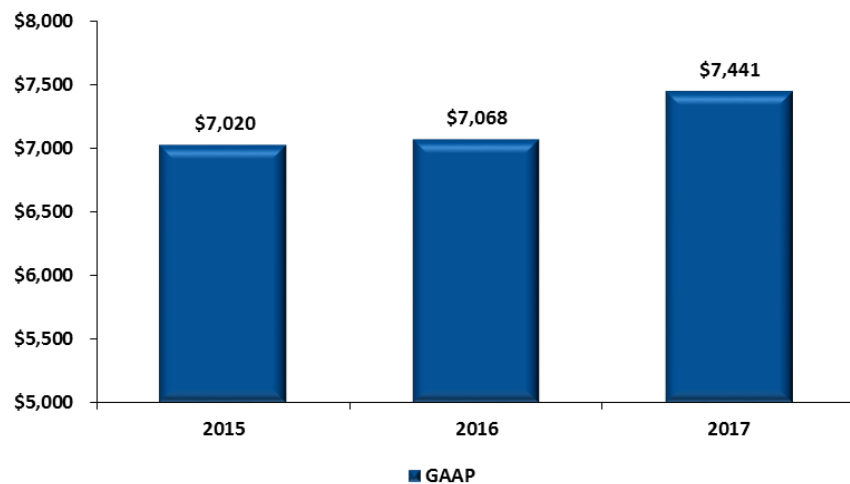


Consolidated Financial Highlights

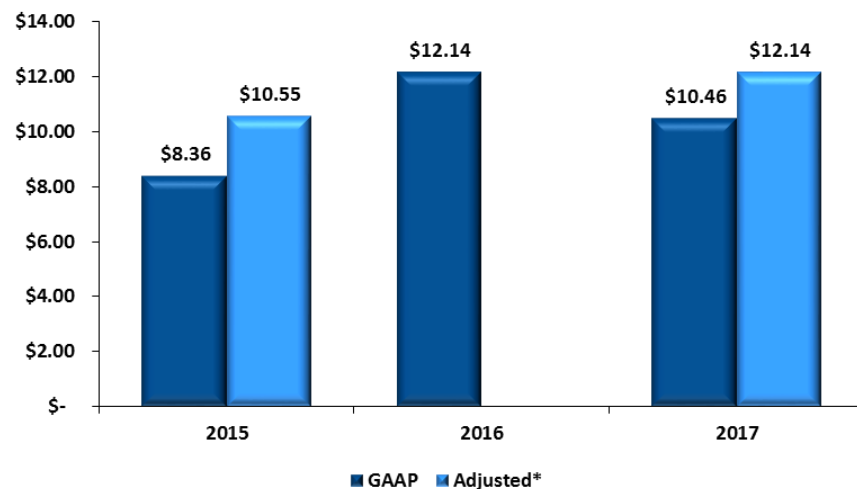


Consolidated Revenues

(\$ in millions)



Diluted EPS



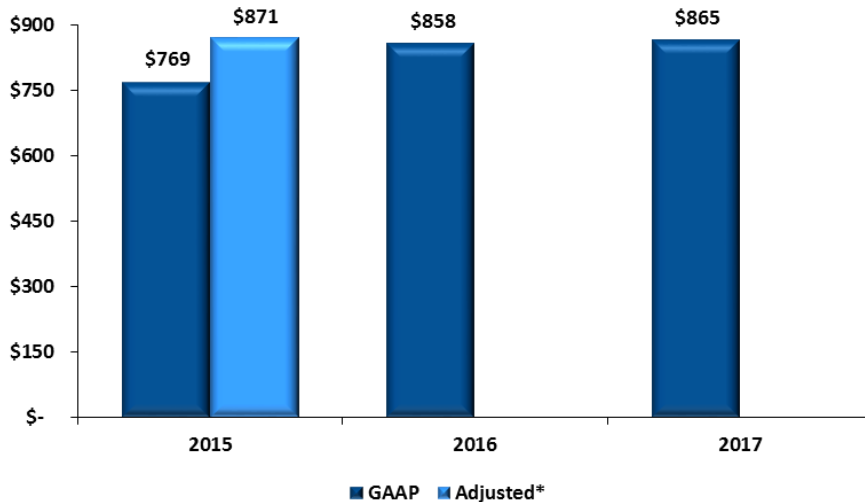
*Non-GAAP measure. See appendix for reconciliation to GAAP

Improving revenue generation and EPS growth



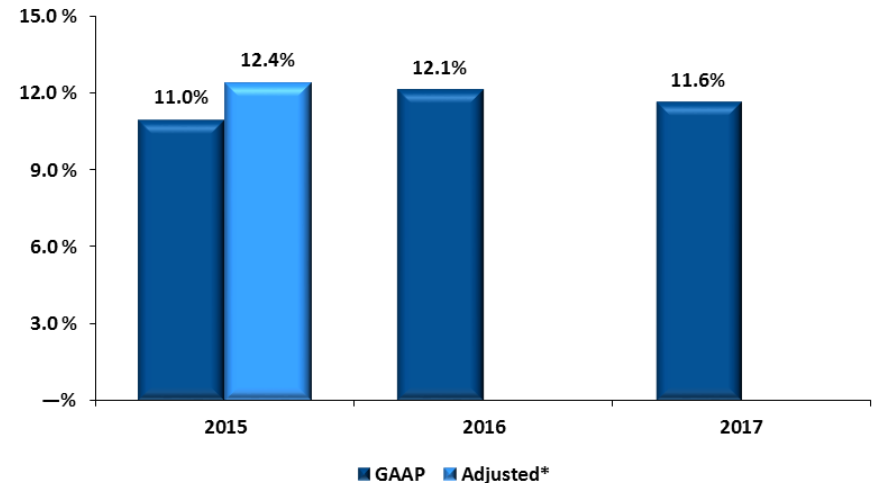
Operating Income

(\$ in millions)



*Non-GAAP measure. See appendix for reconciliation to GAAP

Operating Margin



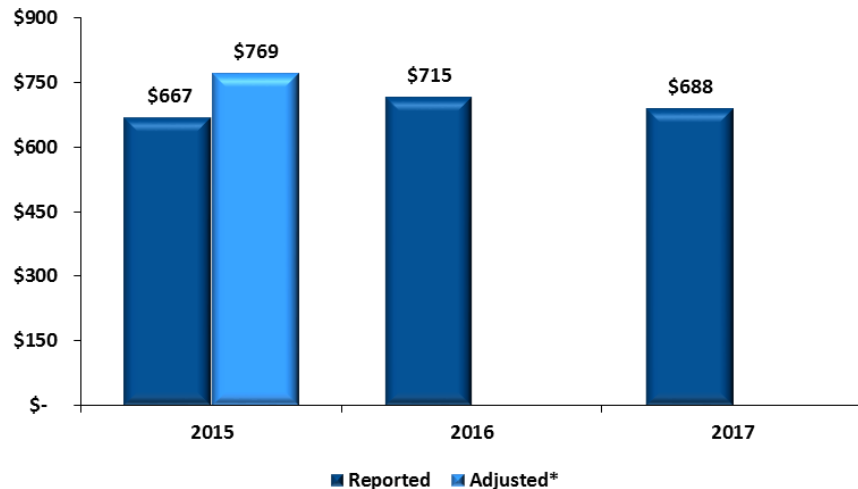
*Non-GAAP measure. See appendix for reconciliation to GAAP

Consistent operating margin performance



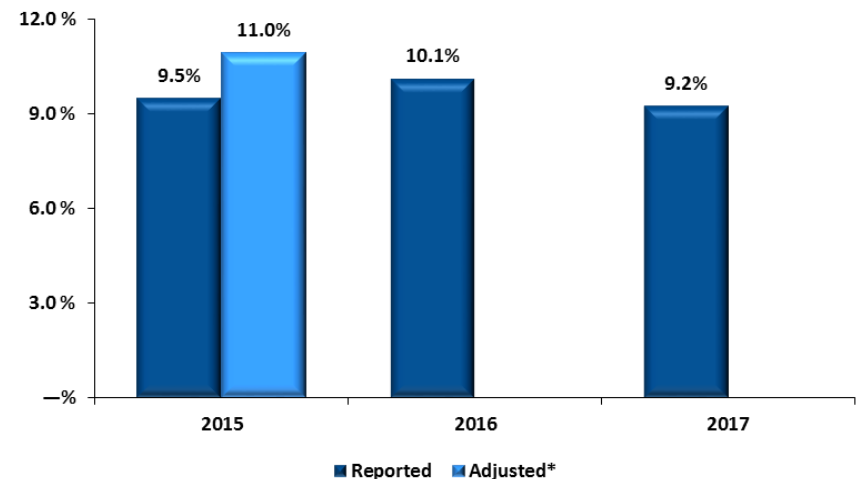
Segment Operating Income

(\$ in millions)



*Non-GAAP measure. See appendix for reconciliation to GAAP

Segment Operating Margin



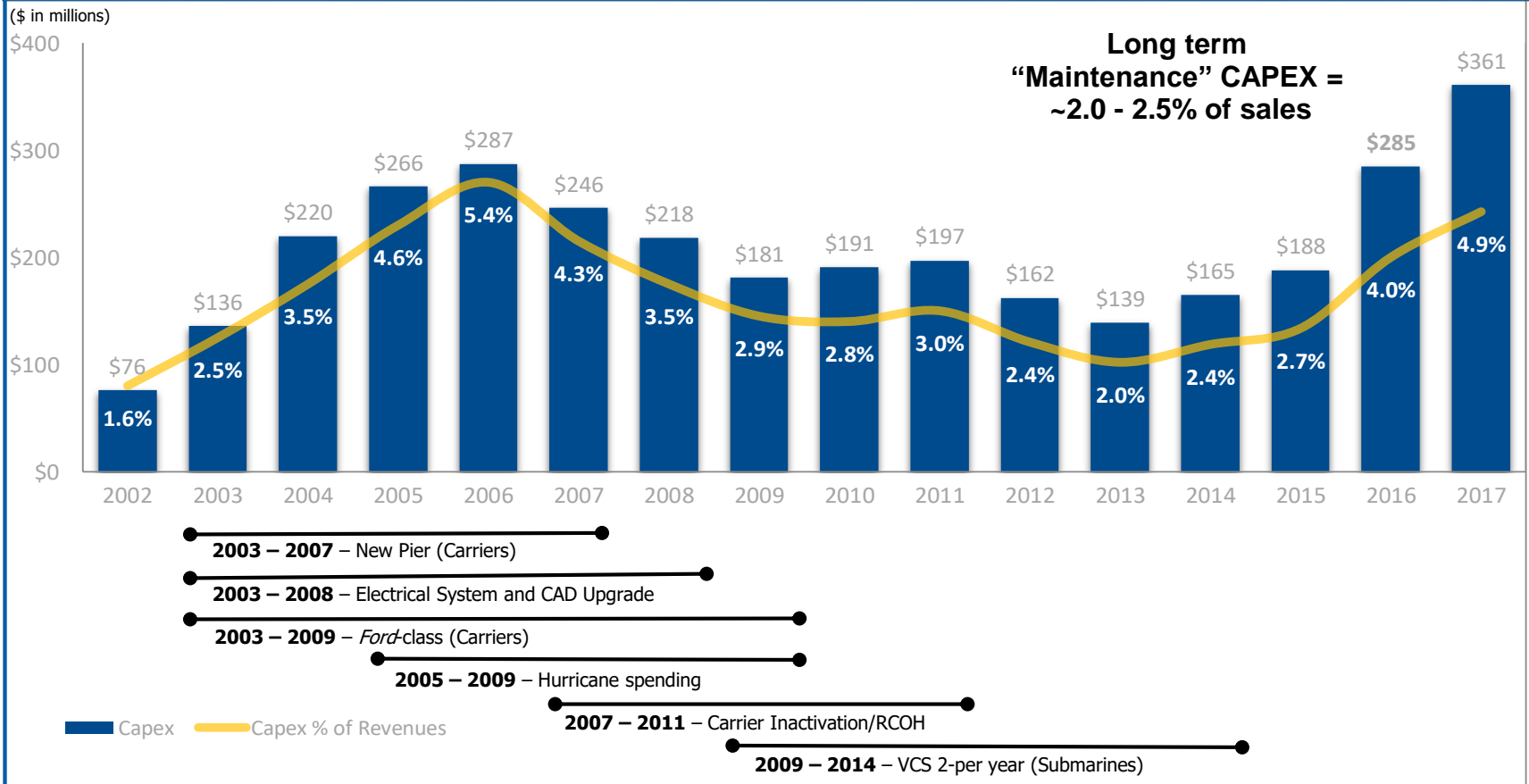
*Non-GAAP measure. See appendix for reconciliation to GAAP

Steady segment operating margin performance



Historical Capital Expenditures

Capital Expenditures



Substantial capital investments planned through 2020





Non-GAAP Reconciliations



Reconciliation – Adjusted Net Earnings & Adjusted Diluted EPS

\$ in millions, except per share amounts

	Year Ended Dec. 31,		
	2017	2016	2015
Net Earnings	\$ 479	\$ 573	\$ 404
Adjustment for non-cash goodwill impairment ¹	-	-	59
Adjustment for non-cash purchased intangibles impairment ²	-	-	18
Adjustment for loss on early extinguishment of debt ³	14	-	29
Adjustment for tax expense related to the 2017 Tax Act ⁴	56	-	-
Adjustment for tax expense related to discretionary pension contributions ⁵	7	-	-
Adjusted Net Earnings	\$ 556	\$ 573	\$510
Adjusted Diluted EPS			
Diluted earnings per share	\$ 10.46	\$ 12.14	\$ 8.36
Non-cash goodwill impairment per share ¹	-	-	1.22
Non-cash purchased intangibles impairment per share ²	-	-	0.37
Non-cash loss on early extinguishment of debt per share ³	0.31	-	0.60
Tax expense related to the 2017 Tax Act per share ⁴	1.22	-	-
Tax expense related to discretionary pension contributions per share ⁵	0.15	-	-
Adjusted Diluted EPS	\$12.14	\$12.14	\$ 10.55



(\$ in millions, except per share amounts)

	Year Ended Dec. 31,		
	2017	2016	2015
(1) Non-cash goodwill impairment	-	-	\$ 75
Discrete federal tax impact*	-	-	(16)
After-tax effect	-	-	\$ 59
Weighted-average diluted shares outstanding	-	-	48.3
Per share impact**	-	-	\$ 1.22
(2) Non-cash purchased intangibles impairment	-	-	\$ 27
Tax effect at 35% statutory rate*	-	-	(9)
After-tax effect	-	-	\$ 18
Weighted-average diluted shares outstanding	-	-	48.3
Per share impact**	-	-	\$ 0.37
(3) Loss on early extinguishment of debt	22	-	\$ 44
Tax effect at 35% statutory rate*	(8)	-	(15)
After-tax effect	14	-	\$ 29
Weighted-average diluted shares outstanding	45.8	-	48.3
Per share impact**	\$ 0.31	-	\$ 0.60
(4) Tax expense related to 2017 Tax Act	\$ 56	-	-
Weighted-average diluted shares outstanding	45.8	-	-
Per share impact**	\$ 1.22	-	-
(5) Tax expense related to discretionary pension contributions	\$ 7	-	-
Weighted-average diluted shares outstanding	45.8	-	-
Per share impact**	\$ 0.15	-	-

* The income tax impact is calculated using the tax rate in effect for the relevant non-GAAP adjustment.

** Amounts may not recalculate directly due to rounding.



Reconciliation – Adjusted Operating Income & Margin

(\$ in millions)

	Year Ended Dec. 31,		
	2017	2016	2015
Operating Income	\$865	\$858	\$769
<i>As a percentage of sales and services revenues</i>	11.6%	12.1%	11.0%
Adjustment for goodwill impairment	-	-	75
Adjustment for impairment of intangible assets	-	-	27
Adjusted Operating Income	\$865	\$858	\$871
<i>As a percentage of adjusted sales and services revenues</i>	11.6%	12.1%	12.4%



Reconciliation – Segment Operating Income & Margin

(\$ in millions)	Year Ended Dec. 31,		
	2017	2016	2015
Operating Income	\$865	\$858	\$769
<i>As a percentage of sales and services revenues</i>	11.6%	12.1%	11.0%
Non-segment factors affecting operating income:			
FAS/CAS Adjustment	(189)	(145)	(104)
Non-current state income taxes	12	2	2
Unadjusted Segment Operating Income	\$688	\$715	\$667
<i>As a percentage of sales and services revenues</i>	9.2%	10.1%	9.5%
Adjusted Segment Operating Income			
Ingalls operating income	313	321	379
<i>As a percentage of Ingalls adjusted revenues</i>	12.9%	13.4%	17.3%
Newport News segment operating Income	354	386	401
<i>As a percentage of Newport News revenues</i>	8.5%	9.4%	9.3%
Technical Solutions segment operating (loss)	21	8	(113)
Adjustment for goodwill impairment	-	-	75
Adjustment for impairment of intangible assets	-	-	27
Technical Solutions adjusted segment operating (loss)	21	8	(11)
<i>As a percentage of Technical Solutions revenues</i>	2.2%	1.2%	(1.8%)
Adjusted Segment Operating Income	\$688	\$715	\$769
<i>As a percentage of adjusted sales and services revenues</i>	9.2%	10.1%	11.0%

Segment information includes the realignment of AMSEC, CMSD, SN3, NNI, SRNS and USG business units from Newport News segment to Technical Solutions segment

