

Contacts:

Jerri Fuller Dickseski (Media)  
[jerri.dickseski@hii-co.com](mailto:jerri.dickseski@hii-co.com)  
757-380-2341

Dwayne Blake (Investors)  
[dwayne.blake@hii-co.com](mailto:dwayne.blake@hii-co.com)  
757-380-2104

## Huntington Ingalls Industries Reports Third Quarter Results

- Revenues were \$1.8 billion for the third quarter of 2015
- Segment operating margin was 9.6 percent, up from 8.8 percent in Q3 2014
- Total operating margin was 11.1 percent, up from 10.0 percent in Q3 2014
- Diluted earnings per share was \$2.29 for the quarter
- Cash and cash equivalents at the end of the quarter were \$671 million

NEWPORT NEWS, Va. (Nov. 5, 2015) - Huntington Ingalls Industries (NYSE:HII) reported third quarter 2015 revenues of \$1.8 billion, up 4.8 percent compared to the same period last year. Third quarter diluted earnings per share was \$2.29, compared to diluted earnings per share of \$1.96 in the same period of 2014. Adjusted diluted earnings per share for the quarter was \$1.98, compared to \$1.67 in the same period of 2014.

Segment operating income for the third quarter was \$172 million, compared to \$151 million in the same period last year. Total operating income for the quarter was \$200 million, compared to \$171 million in the same period last year. The increase in operating income was primarily attributable to higher performance at Ingalls on the LHA-6 *America*-class and the LPD-17 *San Antonio*-class programs, as well as a favorable FAS/CAS Adjustment.

New contract awards were approximately \$0.8 billion for the quarter, bringing total backlog at the end of Q3 2015 to \$23.3 billion, of which \$12.5 billion was funded.

"Strong execution at Ingalls resulted in solid operating performance during the quarter," said HII President and CEO Mike Petters. "We remain on track to achieve our 9-plus percent shipbuilding operating margin target for 2015."

### Third Quarter 2015 Highlights

| <i>(In millions, except per share amounts)</i>              | Three Months Ended |          |           |          |
|---|--------------------|----------|-----------|----------|
|   | September 30       |          | \$ Change | % Change |
|   | 2015               | 2014     |           |          |
| Revenues  | \$ 1,800           | \$ 1,717 | \$ 83     | 4.8 %    |
| Segment operating income <sup>1</sup>                       | 172                | 151      | 21        | 13.9 %   |
| Segment operating margin % <sup>1</sup>                     | 9.6%               | 8.8%     |           | 76 bps   |
| Total operating income                                      | 200                | 171      | 29        | 17.0 %   |
| Total operating margin %                                    | 11.1%              | 10.0%    |           | 115 bps  |
| Net earnings  | 111                | 96       | 15        | 15.6 %   |
| Diluted earnings per share                                  | \$ 2.29            | \$ 1.96  | \$ 0.33   | 16.8 %   |
| Weighted-average diluted shares outstanding                 | 48.4               | 49.0     |           |          |
| <b>Adjusted Net Earnings</b>                                |                    |          |           |          |
| Net earnings  | 111                | 96       | 15        | 15.6 %   |
| After-tax FAS/CAS Adjustment <sup>2</sup>                   | (18)               | (14)     | (4)       | 28.6 %   |
| After-tax loss on early extinguishment of debt <sup>2</sup> | 3                  | —        | 3         | — %      |
| Adjusted net earnings <sup>3</sup>                          | 96                 | 82       | 14        | 17.1 %   |
| Weighted-average diluted shares outstanding                 | 48.4               | 49.0     |           |          |
| Adjusted diluted earnings per share <sup>3</sup>            | \$ 1.98            | \$ 1.67  | \$ 0.31   | 18.6 %   |

<sup>1</sup> Non-GAAP metric that excludes non-segment factors affecting operating income. See Exhibit B for definition and reconciliation.

<sup>2</sup> Tax effected at 35% federal statutory tax rate.

<sup>3</sup> Non-GAAP metrics - see Exhibit B for definitions and reconciliations.

## Operating Segment Results

### Ingalls Shipbuilding

| (\$ in millions)        | Three Months Ended |        |           |          |
|-------------------------|--------------------|--------|-----------|----------|
|                         | September 30       |        | \$ Change | % Change |
|                         | 2015               | 2014   |           |          |
| Revenues                | \$ 593             | \$ 559 | \$ 34     | 6.1%     |
| Operating income (loss) | 77                 | 55     | 22        | 40.0%    |
| Operating margin %      | 13.0%              | 9.8%   |           | 315 bps  |

Ingalls revenues for the third quarter increased \$34 million, or 6.1 percent, from the same period in 2014, driven by higher revenues in Surface Combatants, partially offset by lower revenues in Amphibious Assault Ships and the National Security Cutter (NSC) program. The increase in Surface Combatants revenues was due to higher volumes on DDG-121 (unnamed) and DDG-119 *Delbert D. Black*. The decrease in Amphibious Assault Ships revenues was due to lower volumes on LPD-26 *John P. Murtha* and LPD-27 *Portland*, partially offset by higher volume on LHA-7 *Tripoli*. The decrease in the NSC program revenues was due to lower volumes on NSC-4 USCGC *Hamilton* and NSC-5 USCGC *James*, partially offset by higher volumes on NSC-8 *Midgett* and NSC-7 *Kimball*.

Ingalls operating income for the quarter was \$77 million, an increase of \$22 million over the same period in 2014. Ingalls operating margin was 13.0 percent for the quarter, compared to 9.8 percent in Q3 2014. These increases were primarily due to improved performance on the LHA-6 *America*-class and the LPD-17 *San Antonio*-class programs.

Key Ingalls highlights for the quarter:

- Launched the sixth National Security Cutter, NSC-6 *Munro* (WMSL 755)
- Began construction of *Arleigh Burke*-class destroyer DDG-119 *Delbert D. Black*
- NSC-5 *James* (WMSL 754) sailed away

Newport News Shipbuilding

| (\$ in millions)        | Three Months Ended |          |           |          |
|-------------------------|--------------------|----------|-----------|----------|
|                         | September 30       |          | \$ Change | % Change |
|                         | 2015               | 2014     |           |          |
| Revenues                | \$ 1,177           | \$ 1,097 | \$ 80     | 7.3 %    |
| Operating income (loss) | 100                | 101      | (1)       | (1.0)%   |
| Operating margin %      | 8.5%               | 9.2%     |           | (71) bps |

Newport News revenues for the third quarter increased \$80 million, or 7.3 percent, from the same period in 2014, driven by higher revenues in Submarines and Fleet Support services, partially offset by lower revenues in Aircraft Carriers. Submarines revenues related to the SSN-774 *Virginia*-class submarine program were higher due to higher volumes on Block IV boats, partially offset by lower volumes on Block III boats. The increase in Fleet Support services revenues was primarily due to higher volumes associated with Aircraft Carrier support services. The decrease in Aircraft Carrier revenues was due to lower volumes on the execution contract for the CVN-72 USS *Abraham Lincoln* RCOH and the construction contract for CVN-78 *Gerald R. Ford*, partially offset by higher volume on the construction contract for CVN-79 *John F. Kennedy*.

Newport News operating income for the quarter was \$100 million, a \$1 million decrease from the same period in 2014. Newport News operating margin was 8.5 percent for the quarter, down from 9.2 percent in Q3 2014. These decreases were due to lower performance on the construction contract for CVN-78 *Gerald R. Ford* and lower volumes on Aircraft Carriers RCOH programs, partially offset by higher volumes on the SSN-774 *Virginia*-class submarine program and the resolution of outstanding contract changes on the CVN-71 USS *Theodore Roosevelt* RCOH.

Key Newport News highlights for the quarter:

- Hosted keel-laying ceremony for CVN-79 *John F. Kennedy*
- Crew moved aboard CVN-78 *Gerald R. Ford*
- Began final testing of the steam-powered systems aboard CVN-72 USS *Abraham Lincoln*
- Achieved "pressure hull complete" construction milestone on the *Virginia*-class submarine *Washington* (SSN-787)
- Awarded a \$106 million contract for engineering and design work on the *Los Angeles*-, *Virginia*- and *Ohio*-class submarines, plus work related to submarine support facilities and special mission submersibles
- Awarded a \$57.8 million contract for planning work to upgrade the *Los Angeles*-class submarine USS *Columbus* (SSN-762)

## Other

| (\$ in millions)        | Three Months Ended |        | \$ Change | % Change  |
|-------------------------|--------------------|--------|-----------|-----------|
|                         | September 30       |        |           |           |
|                         | 2015               | 2014   |           |           |
| Revenues                | \$ 30              | \$ 61  | \$ (31)   | (50.8)%   |
| Operating income (loss) | (5)                | (5)    | —         | — %       |
| Operating margin %      | (16.7)%            | (8.2)% |           | (847) bps |

Revenues in the Other segment for the third quarter decreased \$31 million, or 50.8 percent, from the same period in 2014 due to lower volumes in oil and gas services. Operating loss in the quarter was \$5 million, which was consistent with the operating loss in Q3 2014.

## The Company

Huntington Ingalls Industries is America's largest military shipbuilding company and a provider of manufacturing, engineering and management services to the nuclear energy, oil and gas markets. For more than a century, HII's Newport News and Ingalls shipbuilding divisions in Virginia and Mississippi have built more ships in more ship classes than any other U.S. naval shipbuilder. Headquartered in Newport News, Virginia, HII employs approximately 37,000 people operating both domestically and internationally. For more information, visit: [www.huntingtoningalls.com](http://www.huntingtoningalls.com).

Huntington Ingalls Industries will webcast its earnings conference call at 9 a.m. EST today. A live audio broadcast of the conference call and supplemental presentation will be available on the investor relations page of the company's website: [www.huntingtoningalls.com](http://www.huntingtoningalls.com).

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Statements in this release, other than statements of historical fact, 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 obtain new contracts, estimate our future contract costs and perform our contracts effectively; changes in government regulations and procurement processes and our ability to comply with such requirements; our ability to realize the expected benefits from consolidation of our Ingalls facilities; natural disasters; adverse economic conditions in the United States and globally; risks related to our indebtedness and leverage; 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 obligations to update any forward-looking statements. You should not place undue reliance on any forward-looking statements that we may make.

## Exhibit A: Financial Statements

### HUNTINGTON INGALLS INDUSTRIES, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

| (in millions, except per share amounts)                       | Three Months Ended<br>September 30 |          | Nine Months Ended<br>September 30 |          |
|---|------------------------------------|----------|-----------------------------------|----------|
|   | 2015                               | 2014     | 2015                              | 2014     |
| Sales and service revenues                                    |                                    |          |                                   |          |
| Product sales   | \$ 1,461                           | \$ 1,385 | \$ 4,137                          | \$ 4,150 |
| Service revenues  | 339                                | 332      | 978                               | 880      |
| Total sales and service revenues                              | 1,800                              | 1,717    | 5,115                             | 5,030    |
| Cost of sales and service revenues                            |                                    |          |                                   |          |
| Cost of product sales   | 1,164                              | 1,086    | 3,121                             | 3,277    |
| Cost of service revenues                                      | 292                                | 278      | 846                               | 743      |
| Income (loss) from operating investments, net                 | 6                                  | 7        | 9                                 | 10       |
| General and administrative expenses                           | 150                                | 189      | 473                               | 509      |
| Goodwill impairment   | —                                  | —        | 59                                | —        |
| Operating income (loss)                                       | 200                                | 171      | 625                               | 511      |
| Other income (expense)  |                                    |          |                                   |          |
| Interest expense  | (25)                               | (27)     | (73)                              | (83)     |
| Earnings (loss) before income taxes                           | 175                                | 144      | 552                               | 428      |
| Federal income taxes  | 64                                 | 48       | 198                               | 142      |
| Net earnings (loss)   | \$ 111                             | \$ 96    | \$ 354                            | \$ 286   |
| Basic earnings (loss) per share                               | \$ 2.31                            | \$ 1.97  | \$ 7.33                           | \$ 5.85  |
| Weighted-average common shares outstanding                    | 48.0                               | 48.7     | 48.3                              | 48.9     |
| Diluted earnings (loss) per share                             | \$ 2.29                            | \$ 1.96  | \$ 7.28                           | \$ 5.80  |
| Weighted-average diluted shares outstanding                   | 48.4                               | 49.0     | 48.6                              | 49.3     |
| Dividends declared per share                                  | \$ 0.40                            | \$ 0.20  | \$ 1.20                           | \$ 0.60  |
| Net earnings (loss) from above                                | \$ 111                             | \$ 96    | \$ 354                            | \$ 286   |
| Other comprehensive income (loss)                             |                                    |          |                                   |          |
| Change in unamortized benefit plan costs                      | 21                                 | 8        | 65                                | 24       |
| Other   | (7)                                | (2)      | (7)                               | —        |
| Tax benefit (expense) for items of other comprehensive income | (4)                                | (3)      | (22)                              | (9)      |
| Other comprehensive income (loss), net of tax                 | 10                                 | 3        | 36                                | 15       |
| Comprehensive income (loss)                                   | \$ 121                             | \$ 99    | \$ 390                            | \$ 301   |

**HUNTINGTON INGALLS INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

| (\$ in millions)   | September 30<br>2015 | December 31<br>2014 |
|--|----------------------|---------------------|
| <b>Assets</b>  |                      |                     |
| <b>Current Assets</b>  |                      |                     |
| Cash and cash equivalents  | \$ 671               | \$ 990              |
| Accounts receivable, net   | 1,278                | 1,038               |
| Inventoried costs, net   | 308                  | 339                 |
| Deferred income taxes  | 126                  | 129                 |
| Prepaid expenses and other current assets  | 36                   | 50                  |
| Total current assets   | 2,419                | 2,546               |
| Property, plant, and equipment, net of accumulated depreciation of \$1,453 million as of 2015 and \$1,351 million as of 2014   | 1,750                | 1,792               |
| Goodwill   | 973                  | 1,026               |
| Other purchased intangibles, net   | 528                  | 547                 |
| Pension plan assets  | 28                   | 17                  |
| Long-term deferred tax asset   | 188                  | 212                 |
| Miscellaneous other assets   | 156                  | 129                 |
| <b>Total assets</b>  | <b>\$ 6,042</b>      | <b>\$ 6,269</b>     |
| <b>Liabilities and Stockholders' Equity</b>  |                      |                     |
| <b>Current Liabilities</b>   |                      |                     |
| Trade accounts payable   | \$ 296               | \$ 269              |
| Accrued employees' compensation  | 216                  | 248                 |
| Current portion of long-term debt  | —                    | 108                 |
| Current portion of postretirement plan liabilities   | 143                  | 143                 |
| Current portion of workers' compensation liabilities   | 226                  | 221                 |
| Advance payments and billings in excess of revenues  | 141                  | 74                  |
| Other current liabilities  | 272                  | 249                 |
| Total current liabilities  | 1,294                | 1,312               |
| Long-term debt   | 1,305                | 1,592               |
| Pension plan liabilities   | 879                  | 939                 |
| Other postretirement plan liabilities  | 513                  | 507                 |
| Workers' compensation liabilities  | 458                  | 449                 |
| Other long-term liabilities  | 103                  | 105                 |
| Total liabilities  | 4,552                | 4,904               |
| <b>Commitments and Contingencies</b>   | —                    | —                   |
| <b>Stockholders' Equity</b>  |                      |                     |
| Common stock, \$0.01 par value; 150 million shares authorized; 52.0 million issued and 47.2 million outstanding as of September 30, 2015, and 51.5 million issued and 48.3 million outstanding as of December 31, 2014 | 1                    | 1                   |
| Additional paid-in capital   | 1,948                | 1,959               |
| Retained earnings (deficit)  | 821                  | 525                 |
| Treasury stock   | (454)                | (258)               |
| Accumulated other comprehensive income (loss)  | (826)                | (862)               |
| Total stockholders' equity   | 1,490                | 1,365               |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 6,042</b>      | <b>\$ 6,269</b>     |

**HUNTINGTON INGALLS INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| (\$ in millions)  | Nine Months Ended<br>September 30 |        |
|---|-----------------------------------|--------|
|   | 2015                              | 2014   |
| <b>Operating Activities</b>   |                                   |        |
| Net earnings (loss)   | \$ 354                            | \$ 286 |
| Adjustments to reconcile to net cash provided by (used in) operating activities |                                   |        |
| Depreciation  | 116                               | 136    |
| Amortization of purchased intangibles   | 19                                | 20     |
| Amortization of debt issuance costs   | 6                                 | 8      |
| Stock-based compensation  | 29                                | 22     |
| Excess tax benefit related to stock-based compensation                          | (11)                              | (15)   |
| Deferred income taxes   | 5                                 | 11     |
| Proceeds from insurance settlement related to investing activities              | (21)                              | —      |
| Goodwill impairment   | 59                                | —      |
| Loss on early extinguishment of debt  | 4                                 | —      |
| Change in   |                                   |        |
| Accounts receivable   | (245)                             | 34     |
| Inventoried costs   | 31                                | 41     |
| Prepaid expenses and other assets   | (39)                              | 4      |
| Accounts payable and accruals   | 108                               | (186)  |
| Retiree benefits  | (1)                               | (48)   |
| Other non-cash transactions, net  | 3                                 | 1      |
| Net cash provided by (used in) operating activities                             | 417                               | 314    |
| <b>Investing Activities</b>   |                                   |        |
| Additions to property, plant, and equipment                                     | (86)                              | (91)   |
| Acquisitions of businesses, net of cash received                                | (6)                               | (272)  |
| Proceeds from disposition of assets   | 32                                | —      |
| Proceeds from insurance settlement related to investing activities              | 21                                | —      |
| Net cash provided by (used in) investing activities                             | (39)                              | (363)  |
| <b>Financing Activities</b>   |                                   |        |
| Repayment of long-term debt   | (395)                             | (36)   |
| Debt issuance costs   | (9)                               | —      |
| Dividends paid  | (58)                              | (30)   |
| Repurchases of common stock   | (192)                             | (112)  |
| Employee taxes on certain share-based payment arrangements                      | (54)                              | (64)   |
| Proceeds from stock option exercises  | —                                 | 2      |
| Excess tax benefit related to stock-based compensation                          | 11                                | 15     |
| Net cash provided by (used in) financing activities                             | (697)                             | (225)  |
| Change in cash and cash equivalents   | (319)                             | (274)  |
| Cash and cash equivalents, beginning of period                                  | 990                               | 1,043  |
| Cash and cash equivalents, end of period  | \$ 671                            | \$ 769 |
| <b>Supplemental Cash Flow Disclosure</b>  |                                   |        |
| Cash paid for income taxes  | \$ 210                            | \$ 132 |
| Cash paid for interest  | \$ 68                             | \$ 96  |
| <b>Non-Cash Investing and Financing Activities</b>                              |                                   |        |
| Capital expenditures accrued in accounts payable                                | \$ 3                              | \$ 4   |



## **Exhibit B: Reconciliations**

We make reference to "segment operating income," "segment operating margin," "adjusted net earnings," and "adjusted diluted earnings per share."

**Segment operating income** is defined as total operating income before the FAS/CAS Adjustment and deferred state income taxes.

**Segment operating margin** is defined as segment operating income as a percentage of total sales and service revenues.

**Adjusted net earnings** is defined as net earnings adjusted for the tax effected impact of the loss on early extinguishment of debt in the third quarter of 2015 and the tax effected FAS/CAS Adjustment.

**Adjusted diluted earnings per share** is defined as adjusted net earnings divided by the weighted-average diluted common shares outstanding.

We internally manage our operations by reference to "segment operating income" and "segment operating margin," which are not recognized measures under GAAP. When analyzing our operating performance, investors should use segment operating income and segment operating margin in addition to, and not as alternatives for, total operating income and total operating margin or any other performance measure presented in accordance with GAAP. They are metrics we use to evaluate our core operating performance. We believe segment operating income and segment operating margin reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our business. We believe these measures are used by investors and are a useful indicator to measure our performance. Because not all companies use identical calculations, our presentation of segment operating income and segment operating margin may not be comparable to similarly titled measures of other companies.

Adjusted net earnings and adjusted diluted earnings per share are not measures recognized under GAAP. They should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. We believe these metrics are useful to investors because they normalize our operating performance by excluding non-recurring items or items that do not reflect our core operating performance. They may not be comparable to similarly titled measures of other companies.

## Reconciliation of Segment Operating Income and Segment Operating Margin

| (\$ in millions)                               | Three Months Ended |              |
|--|--------------------|--------------|
|  | September 30       |              |
|  | 2015               | 2014         |
| <b>Sales and Service Revenues</b>              |                    |              |
| Ingalls  | \$ 593             | \$ 559       |
| Newport News                                   | 1,177              | 1,097        |
| Other  | 30                 | 61           |
| <b>Total Sales and Service Revenues</b>        | <b>1,800</b>       | <b>1,717</b> |
| <b>Segment Operating Income</b>                |                    |              |
| Ingalls  | 77                 | 55           |
| <i>As a percentage of revenues</i>             | 13.0 %             | 9.8 %        |
| Newport News                                   | 100                | 101          |
| <i>As a percentage of revenues</i>             | 8.5 %              | 9.2 %        |
| Other  | (5)                | (5)          |
| <i>As a percentage of revenues</i>             | (16.7)%            | (8.2)%       |
| <b>Total Segment Operating Income</b>          | <b>172</b>         | <b>151</b>   |
| <i>As a percentage of revenues</i>             | 9.6 %              | 8.8 %        |
| Non-segment factors affecting operating income |                    |              |
| FAS/CAS Adjustment                             | 27                 | 21           |
| Deferred state income taxes                    | 1                  | (1)          |
| <b>Total Operating Income</b>                  | <b>200</b>         | <b>171</b>   |
| Interest expense                               | (25)               | (27)         |
| Federal income taxes                           | (64)               | (48)         |
| <b>Net Earnings</b>                            | <b>\$ 111</b>      | <b>\$ 96</b> |

## Reconciliation of Adjusted Net Earnings and Adjusted Diluted Earnings per Share

| <i>(in millions, except per share amounts)</i>                   | Three Months Ended |                |
|--|--------------------|----------------|
|  | September 30       |                |
|  | 2015               | 2014           |
| <b>Adjusted Net Earnings</b>                                     |                    |                |
| Net Earnings   | \$ 111             | \$ 96          |
| Adjustment for loss on early extinguishment of debt <sup>1</sup> | 3                  | —              |
| Adjustment for FAS/CAS Adjustment <sup>1</sup>                   | (18)               | (14)           |
| <b>Adjusted Net Earnings</b>                                     | <b>\$ 96</b>       | <b>\$ 82</b>   |
| <b>Adjusted Diluted EPS</b>                                      |                    |                |
| Weighted-Average Diluted Shares Outstanding                      | 48.4               | 49.0           |
| Diluted earnings per share                                       | \$ 2.29            | \$ 1.96        |
| After-tax loss on early extinguishment of debt per share         | 0.06               | —              |
| After-tax FAS/CAS Adjustment per share                           | (0.37)             | (0.29)         |
| <b>Adjusted Diluted EPS</b>                                      | <b>\$ 1.98</b>     | <b>\$ 1.67</b> |

<sup>1</sup>Tax effected at 35% federal statutory tax rate.