

**HUNTINGTON INGALLS INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in millions, except per share amounts)	Year Ended December 31		
	2018	2017	2016
Sales and service revenues			
Product sales	\$ 6,023	\$ 5,573	\$ 5,631
Service revenues	2,153	1,868	1,437
Sales and service revenues	8,176	7,441	7,068
Cost of sales and service revenues			
Cost of product sales	4,627	4,277	4,237
Cost of service revenues	1,758	1,536	1,208
Income from operating investments, net	17	12	6
Other income and gains	14	—	15
General and administrative expenses	871	759	768
Operating income	951	881	876
Other income (expense)			
Interest expense	(58)	(94)	(74)
Non-operating retirement benefit (expense)	74	(16)	(18)
Other, net	4	1	—
Earnings before income taxes	971	772	784
Federal and foreign income taxes	135	293	211
Net earnings	\$ 836	\$ 479	\$ 573
Basic earnings per share	\$ 19.09	\$ 10.48	\$ 12.24
Weighted-average common shares outstanding	43.8	45.7	46.8
Diluted earnings per share	\$ 19.09	\$ 10.46	\$ 12.14
Weighted-average diluted shares outstanding	43.8	45.8	47.2
Net earnings from above	\$ 836	\$ 479	\$ 573
Other comprehensive income (loss)			
Change in unamortized benefit plan costs	(232)	59	(172)
Other	(2)	14	(1)
Tax benefit (expense) for items of other comprehensive income	59	(22)	67
Other comprehensive income (loss), net of tax	(175)	51	(106)
Comprehensive income	\$ 661	\$ 530	\$ 467

The accompanying notes are an integral part of these consolidated financial statements.

**HUNTINGTON INGALLS INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(\$ in millions)	December 31	
	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 240	\$ 701
Accounts receivable, net of allowance for doubtful accounts of \$9 million as of 2018 and \$13 million as of 2017	252	429
Contract assets	1,003	759
Inventoried costs, net	128	183
Prepaid expenses and other current assets	122	123
Total current assets	1,745	2,195
<b>Property, Plant, and Equipment</b>		
Land and land improvements	321	292
Buildings and leasehold improvements	2,043	1,923
Machinery and other equipment	1,771	1,559
Capitalized software costs	211	211
	4,346	3,985
Accumulated depreciation and amortization	(1,829)	(1,770)
Property, plant, and equipment, net	2,517	2,215
<b>Other Assets</b>		
Goodwill	1,263	1,217
Other intangible assets, net of accumulated amortization of \$564 million as of 2018 and \$528 million as of 2017	492	508
Long-term deferred tax assets	163	114
Miscellaneous other assets	203	125
Total other assets	2,121	1,964
<b>Total assets</b>	<b>\$ 6,383</b>	<b>\$ 6,374</b>

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**HUNTINGTON INGALLS INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED**

(\$ in millions)	December 31	
	2018	2017
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Trade accounts payable	\$ 562	\$ 375
Accrued employees' compensation	248	245
Current portion of postretirement plan liabilities	131	139
Current portion of workers' compensation liabilities	225	250
Contract liabilities	331	146
Other current liabilities	332	236
<b>Total current liabilities</b>	<b>1,829</b>	<b>1,391</b>
Long-term debt	1,283	1,279
Pension plan liabilities	764	922
Other postretirement plan liabilities	348	414
Workers' compensation liabilities	454	509
Other long-term liabilities	189	101
<b>Total liabilities</b>	<b>4,867</b>	<b>4,616</b>
<b>Commitments and Contingencies (Note 16)</b>		
<b>Stockholders' Equity</b>		
Common stock, \$0.01 par value; 150 million shares authorized; 53.1 million issued and 41.9 million outstanding as of December 31, 2018, and 53.0 million issued and 45.1 million outstanding as of December 31, 2017	1	1
Additional paid-in capital	1,954	1,942
Retained earnings	2,609	1,687
Treasury stock	(1,760)	(972)
Accumulated other comprehensive loss	(1,288)	(900)
<b>Total stockholders' equity</b>	<b>1,516</b>	<b>1,758</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 6,383</b>	<b>\$ 6,374</b>

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**HUNTINGTON INGALLS INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$ in millions)	Year Ended December 31		
	2018	2017	2016
<b>Operating Activities</b>			
Net earnings	\$ 836	\$ 479	\$ 573
Adjustments to reconcile to net cash provided by (used in) operating activities			
Depreciation	167	165	163
Amortization of purchased intangibles	36	40	23
Amortization of debt issuance costs	4	6	5
Provision for doubtful accounts	(4)	10	—
Stock-based compensation	36	34	36
Deferred income taxes	10	184	85
Loss on early extinguishment of debt	—	22	—
Change in			
Accounts receivable	195	(126)	(16)
Contract assets	(242)	91	(6)
Inventoried costs	40	18	75
Prepaid expenses and other assets	(40)	(52)	(17)
Accounts payable and accruals	335	102	(41)
Retiree benefits	(454)	(163)	(44)
Other non-cash transactions, net	(5)	4	(14)
Net cash provided by operating activities	914	814	822
<b>Investing Activities</b>			
Capital expenditures			
Capital expenditure additions	(463)	(382)	(285)
Grant proceeds for capital expenditures	61	21	—
Acquisitions of businesses, net of cash received	(77)	3	(372)
Investment in affiliates	(10)	—	—
Proceeds from disposition of assets	13	9	4
Net cash used in investing activities	(476)	(349)	(653)
<b>Financing Activities</b>			
Proceeds from issuance of long-term debt	—	600	—
Repayment of long-term debt	—	(600)	—
Proceeds from line of credit borrowings	95	—	—
Repayment of line of credit borrowings	(95)	—	—
Debt issuance costs	—	(12)	—
Premiums and fees related to early extinguishment of debt	—	(15)	—
Dividends paid	(132)	(115)	(98)
Repurchases of common stock	(742)	(286)	(194)
Employee taxes on certain share-based payment arrangements	(25)	(56)	(51)
Net cash used in financing activities	(899)	(484)	(343)
Change in cash and cash equivalents	(461)	(19)	(174)
Cash and cash equivalents, beginning of period	701	720	894
Cash and cash equivalents, end of period	\$ 240	\$ 701	\$ 720
<b>Supplemental Cash Flow Disclosure</b>			
Cash paid for income taxes	\$ 142	\$ 223	\$ 229
Cash paid for interest	\$ 62	\$ 72	\$ 71
<b>Non-Cash Investing and Financing Activities</b>			
Capital expenditures accrued in accounts payable	\$ 55	\$ 33	\$ 24
Accrued repurchases of common stock	\$ 48	\$ 2	\$ —
Capital assets received from government grants	\$ —	\$ —	\$ 30

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