



News Release

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HII Reports First Quarter 2023 Results

- Record first quarter revenues of \$2.7 billion, up 3.8% compared to first quarter 2022
- Net earnings of \$129 million or \$3.23 diluted earnings per share
- Awarded \$1.3 billion contract for amphibious transport dock LPD 32
- Company reaffirms FY23 guidance expectations¹

NEWPORT NEWS, Va. (May 4, 2023) - HII (NYSE:HII) reported first quarter 2023 revenues of \$2.7 billion, up 3.8% from the first quarter of 2022, driven by growth at Newport News Shipbuilding and Mission Technologies.

Operating income in the first quarter of 2023 was \$141 million and operating margin was 5.3%, compared to \$138 million and 5.4%, respectively, in the first quarter of 2022. The increase in operating income was primarily driven by favorable changes to the operating FAS/CAS adjustment and non-current state income taxes compared to the prior year, partially offset by lower segment operating income².

Segment operating income² in the first quarter of 2023 was \$156 million and segment operating margin² was 5.8%, compared to \$176 million and 6.8%, respectively, in the first quarter of 2022. The decrease in segment operating income² was driven primarily by lower risk retirement at Ingalls Shipbuilding following the delivery of USS *Fort Lauderdale* (LPD 28) in the first quarter of 2022.

Net earnings in the quarter were \$129 million, compared to \$140 million in the first quarter of 2022. Diluted earnings per share in the quarter was \$3.23, compared to \$3.50 in the first quarter of 2022. The decrease in diluted earnings per share was driven by a less favorable non-operating retirement benefit in the current quarter.

Net cash used in operating activities in the quarter was \$9 million and free cash flow² was negative \$49 million, compared to cash used in operating activities of \$83 million and negative free cash flow² of \$126 million in the first quarter of 2022.

New contract awards in the first quarter of 2023 were approximately \$2.6 billion, bringing total backlog to approximately \$47.0 billion as of March 31, 2023.

"First quarter results reflect a good start to the year, as we stay on course executing our nearly \$50 billion of backlog and growing our Mission Technologies business in markets that support our customers," said Chris Kastner, HII's president and CEO. "Our priority continues to be a focus on the fundamentals in shipbuilding and delivery of critically needed assets to the fleet. Our shipbuilding milestones for 2023 and 2024 remain on track as we work closely with the Navy to optimize the delivery schedule for aircraft carrier *John F. Kennedy*."

¹The financial outlook, expectations and other forward looking statements provided by the company for 2023 and beyond reflect the company's judgement based on information available at the time of this release.

²Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Results of Operations

	Three Months Ended			
	March 31			
(\$ in millions, except per share amounts)	2023	2022	\$ Change	% Change
Sales and service revenues	\$ 2,674	\$ 2,576	\$ 98	3.8 %
Operating income	141	138	3	2.2 %
Operating margin %	5.3 %	5.4 %		(8) bps
Segment operating income ¹	156	176	(20)	(11.4)%
Segment operating margin % ¹	5.8 %	6.8 %		(100) bps
Net earnings	129	140	(11)	(7.9)%
Diluted earnings per share	\$ 3.23	\$ 3.50	\$ (0.27)	(7.7)%

¹ Non-GAAP measures that exclude non-segment factors affecting operating income. See Exhibit B for definitions and reconciliations.

Segment Operating Results

Ingalls Shipbuilding

	Three Months Ended			
	March 31			
(\$ in millions)	2023	2022	\$ Change	% Change
Revenues	\$ 577	\$ 631	\$ (54)	(8.6)%
Segment operating income ¹	55	86	(31)	(36.0)%
Segment operating margin % ¹	9.5 %	13.6 %		(410) bps

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Ingalls Shipbuilding revenues for the first quarter of 2023 were \$577 million, a decrease of \$54 million, or 8.6%, from the same period in 2022, primarily driven by lower revenues in amphibious assault ships and the *Legend*-class National Security Cutter (NSC) program, partially offset by higher revenues in surface combatants. Revenues on amphibious assault ships decreased due to lower volumes on USS *Fort Lauderdale* (LPD 28), *Bougainville* (LHA 8), amphibious ship planning yard services contract and *Richard M. McCool Jr.* (LPD 29), partially offset by higher volumes on *Fallujah* (LHA 9) and LPD 32 (unnamed). Revenues on the NSC program decreased due to lower volume on *Friedman* (NSC 11). Revenues on surface combatants increased due to higher volumes on *George M. Neal* (DDG 131), *Jeremiah Denton* (DDG 129), *John F. Lehman* (DDG 137) and *Ted Stevens* (DDG 128), partially offset by lower volumes on *Lenah Sutcliffe Higbee* (DDG 123) and USS *Jack H. Lucas* (DDG 125).

Ingalls Shipbuilding segment operating income¹ for the first quarter of 2023 was \$55 million, a decrease of \$31 million from the same period in 2022. Segment operating margin¹ in the first quarter of 2023 was 9.5%, compared to 13.6% in the same period last year. The decrease was primarily driven by lower risk retirement on USS *Fort Lauderdale* (LPD 28), which was delivered in the first quarter of 2022, and *Bougainville* (LHA 8).

Key Ingalls Shipbuilding milestones for the quarter:

- Awarded \$1.3 billion detail design & construction contract for LPD 32 (unnamed)
- Awarded \$10.5 million modernization planning contract for *Zumwalt*-class guided missile destroyers, USS *Zumwalt* (DDG 1000) and USS *Michael Monsoor* (DDG 1001)

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

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Page 2 of 12

Newport News Shipbuilding

(\$ in millions)	Three Months Ended			
	March 31			
	2023	2022	\$ Change	% Change
Revenues	\$ 1,506	\$ 1,390	\$ 116	8.3 %
Segment operating income ¹	84	81	3	3.7 %
Segment operating margin % ¹	5.6 %	5.8 %		(25) bps

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Newport News Shipbuilding revenues for the first quarter of 2023 were \$1.5 billion, an increase of \$116 million, or 8.3%, from the same period in 2022, primarily driven by higher revenues in aircraft carriers and submarines, partially offset by lower revenues in naval nuclear support services. Aircraft carrier revenues increased primarily as a result of higher volumes on the refueling and complex overhaul (RCOH) of USS *John C. Stennis* (CVN 74) and the construction of *Doris Miller* (CVN 81), *Enterprise* (CVN 80) and *John F. Kennedy* (CVN 79), partially offset by lower volume on the RCOH of USS *George Washington* (CVN 73). Submarine revenues increased due to higher volumes on the Block V boats of the *Virginia*-class submarine (VCS) program and the *Columbia*-class submarine program, partially offset by lower volumes on Block IV boats of the VCS program. Naval nuclear support services revenue decreased primarily as a result of lower volumes in carrier fleet support services.

Newport News Shipbuilding segment operating income¹ for the first quarter of 2023 was \$84 million, an increase of \$3 million from the same period in 2022. Segment operating margin¹ in the first quarter of 2023 was 5.6%, compared to 5.8% in the same period last year. The increase in segment operating income¹ was primarily due to higher sales volume across all programs, partially offset by unfavorable risk retirement on the *Enterprise* (CVN 80).

Key Newport News Shipbuilding milestones for the quarter:

- Broke ground on a new multi-class submarine production facility to support the construction and delivery of *Columbia*-class and *Virginia*-class submarines
- Reached approximate 99% completion of the RCOH of USS *George Washington* (CVN 73)
- Reached approximate 89% completion of *John F. Kennedy* (CVN 79) based on current scope and schedule

Mission Technologies

(\$ in millions)	Three Months Ended			
	March 31			
	2023	2022	\$ Change	% Change
Revenues	\$ 624	\$ 590	\$ 34	5.8 %
Segment operating income ¹	17	9	8	88.9 %
Segment operating margin % ¹	2.7 %	1.5 %		120 bps

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Mission Technologies revenues for the first quarter of 2023 were \$624 million, an increase of \$34 million, or 5.8%, from the same period in 2022. The increase was primarily due to higher volumes in Mission Based Solutions, which includes our C5ISR, Cyber and Electronic Warfare and Live, Virtual, and Constructive Solutions businesses, as well as higher volumes in Fleet Sustainment.

Mission Technologies segment operating income¹ for the first quarter of 2023 was \$17 million, compared to \$9 million in the first quarter of 2022. Segment operating margin¹ in the first quarter of 2023 was 2.7%, compared to 1.5% in the same period last year. The increases were primarily driven by improved performance in Mission Based Solutions and Unmanned Systems and higher equity income from Nuclear and Environmental joint ventures, partially offset by lower performance in Fleet Sustainment.

¹Non-GAAP measures. See Exhibit B for definitions and reconciliations.

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Mission Technologies results included approximately \$27 million of amortization of purchased intangible assets in the first quarter of 2023, compared to approximately \$30 million in the same period last year. Mission Technologies EBITDA margin¹ in the first quarter of 2023 was 8.0%.

Key Mission Technologies milestones for the quarter:

- Awarded a \$1.3 billion ASTRO task order for U.S. Africa Command (USAFRICOM) Personnel Recovery Enterprise Services and Solutions (PRESS)
- Awarded a \$70.8 million follow-on contract with the Air Force Nuclear Weapons Center to provide professional and engineering support for key storage, security and infrastructure systems

¹Non-GAAP measures. See Exhibit B for definitions and reconciliations.

2023 Financial Outlook¹

- Reaffirming prior 2023 outlook expectations
- Expect FY23 shipbuilding revenue² between \$8.4 and \$8.6 billion; expect shipbuilding operating margin² between 7.7% and 8.0%
- Expect FY23 Mission Technologies revenue of approximately \$2.5 billion, Mission Technologies segment operating margin² between 2.5% and 3.0%, and Mission Technologies EBITDA margin² between 8.0% and 8.5%
- Expect FY23 free cash flow² between \$400 and \$450 million³
- Continue to expect cumulative FY20-FY24 free cash flow² of approximately \$2.9 billion³

	FY23 Outlook
Shipbuilding Revenue ²	\$8.4B - \$8.6B
Shipbuilding Operating Margin ²	7.7% - 8.0%
Mission Technologies Revenue	~\$2.5B
Mission Technologies Segment Operating Margin ²	2.5% - 3.0%
Mission Technologies EBITDA Margin ²	8.0% - 8.5%
Operating FAS/CAS Adjustment	(\$68M)
Non-current State Income Tax Expense ⁴	~\$0M
Interest Expense	(\$105M)
Non-operating Retirement Benefit	\$149M
Effective Tax Rate	~21%
Depreciation & Amortization	~\$365M
Capital Expenditures	~3.0% of Sales
Free Cash Flow ² based on current tax law ³	\$400M - \$450M

¹The financial outlook, expectations and other forward-looking statements provided by the company for 2023 and beyond reflect the company's judgment based on the information available at the time of this release.

²Non-GAAP measures. See Exhibit B for definitions. In reliance upon Item 10(e)(1)(i)(B) of Regulation S-K, reconciliations of forward-looking GAAP and non-GAAP measures are not provided because of the unreasonable effort associated with providing such reconciliations due to the variability in the occurrence and the amounts of certain components of GAAP and non-GAAP measures. For the same reasons, we are unable to address the significance of the unavailable information, which could be material to future results.

³Outlook is based on current tax law and assumes the provisions requiring capitalization of R&D expenditures for tax purposes are not deferred or repealed.

⁴Outlook is based on current tax law. Repeal or deferral of provisions requiring capitalization of R&D expenditures would result in elevated non-current state income tax expense.

About Huntington Ingalls Industries

HII is a global, all-domain defense partner, building and delivering the world's most powerful, survivable naval ships and technologies that safeguard our seas, sky, land, space and cyber. As America's largest shipbuilder and with a more than 135-year history of advancing U.S. national defense, we are united by our mission in service of the heroes who protect our freedom. HII's diverse workforce includes skilled tradespeople; artificial intelligence, machine learning (AI/ML) experts; engineers; technologists; scientists; logistics experts; and business professionals. Headquartered in Virginia, HII's workforce is 43,000 strong. For more information, please visit www.HII.com.

Conference Call Information

HII will webcast its earnings conference call at 9 a.m. Eastern time 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.HII.com. A telephone replay of the conference call will be available from noon today through Thursday, May 11th by calling (866) 813-9403 or (929) 458-6194 and using access code 742643.

Cautionary Statement Regarding Forward-Looking Statements

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. You can generally identify forward-looking statements by words such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," and similar words or phrases or the negative of these words or phrases. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. Although we believe the expectations reflected in the forward-looking statements are reasonable when made, we cannot guarantee future results, levels of activity, performance, or achievements. There are a number of important factors that could cause our actual results to differ materially from the results anticipated by our forward-looking statements, which include, but are not limited to: 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, including cost increases due to inflation, 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; health epidemics, pandemics and similar outbreaks; our ability to attract, train and retain a qualified workforce; disruptions impacting global supply, including those attributable to ongoing public health issues and the ongoing conflict between Russia and Ukraine; 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 Annual Report on Form 10-K for the year ended December 31, 2022 and our other 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 release 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.

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 March 31	
	2023	2022
Sales and service revenues		
Product sales	\$ 1,829	\$ 1,724
Service revenues	845	852
Sales and service revenues	2,674	2,576
Cost of sales and service revenues		
Cost of product sales	1,568	1,468
Cost of service revenues	756	759
Income from operating investments, net	12	7
Other income and gains (losses), net	(1)	(1)
General and administrative expenses	220	217
Operating income	141	138
Other income (expense)		
Interest expense	(24)	(26)
Non-operating retirement benefit	37	71
Other, net	9	(7)
Earnings before income taxes	163	176
Federal and foreign income tax expense	34	36
Net earnings	\$ 129	\$ 140
Basic earnings per share	\$ 3.23	\$ 3.50
Weighted-average common shares outstanding	39.9	40.0
Diluted earnings per share	\$ 3.23	\$ 3.50
Weighted-average diluted shares outstanding	39.9	40.0
Dividends declared per share	\$ 1.24	\$ 1.18
Net earnings from above	\$ 129	\$ 140
Other comprehensive income (loss)		
Change in unamortized benefit plan costs	4	(86)
Tax benefit (expense) for items of other comprehensive income	(1)	22
Other comprehensive income (loss), net of tax	3	(64)
Comprehensive income	\$ 132	\$ 76

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

(\$ in millions)	March 31, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 318	\$ 467
Accounts receivable, net of allowance for doubtful accounts of \$2 million as of 2023 and 2022	755	636
Contract assets	1,298	1,240
Inventoried costs	190	183
Income taxes receivable	113	170
Prepaid expenses and other current assets	78	50
Total current assets	2,752	2,746
Property, Plant, and Equipment, net of accumulated depreciation of \$2,351 million as of 2023 and \$2,319 million as of 2022	3,182	3,198
Other Assets		
Operating lease assets	264	282
Goodwill	2,618	2,618
Other intangible assets, net of accumulated amortization of \$913 million as of 2023 and \$881 million as of 2022	987	1,019
Pension plan assets	623	600
Miscellaneous other assets	423	394
Total other assets	4,915	4,913
Total assets	\$ 10,849	\$ 10,857
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable	505	642
Accrued employees' compensation	330	345
Current portion of long-term debt	399	399
Current portion of postretirement plan liabilities	134	134
Current portion of workers' compensation liabilities	229	229
Contract liabilities	810	766
Other current liabilities	460	380
Total current liabilities	2,867	2,895
Long-term debt	2,498	2,506
Pension plan liabilities	216	214
Other postretirement plan liabilities	259	260
Workers' compensation liabilities	464	463
Long-term operating lease liabilities	225	246
Deferred tax liabilities	389	418
Other long-term liabilities	368	366
Total liabilities	7,286	7,368
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$0.01 par value; 150 million shares authorized; 53.6 million shares issued and 39.9 million shares outstanding as of March 31, 2023, and 53.5 million shares issued and 39.9 million shares outstanding as of December 31, 2022	1	1
Additional paid-in capital	2,024	2,022
Retained earnings	4,354	4,276
Treasury stock	(2,220)	(2,211)
Accumulated other comprehensive loss	(596)	(599)
Total stockholders' equity	3,563	3,489
Total liabilities and stockholders' equity	\$ 10,849	\$ 10,857

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

(\$ in millions)	Three Months Ended March 31	
	2023	2022
Operating Activities		
Net earnings	\$ 129	\$ 140
Adjustments to reconcile to net cash used in operating activities		
Depreciation	55	52
Amortization of purchased intangibles	32	35
Amortization of debt issuance costs	2	2
Provision for doubtful accounts	—	(7)
Stock-based compensation	12	9
Deferred income taxes	(30)	2
Loss (gain) on investments in marketable securities	(8)	9
Change in		
Accounts receivable	(119)	(231)
Contract assets	(58)	(39)
Inventoried costs	(7)	(27)
Prepaid expenses and other assets	30	7
Accounts payable and accruals	(31)	—
Retiree benefits	(18)	(34)
Other non-cash transactions, net	2	(1)
Net cash used in operating activities	(9)	(83)
Investing Activities		
Capital expenditures		
Capital expenditure additions	(43)	(43)
Grant proceeds for capital expenditures	3	—
Investment in affiliates	(20)	—
Net cash used in investing activities	(60)	(43)
Financing Activities		
Repayment of long-term debt	(10)	(100)
Dividends paid	(49)	(47)
Repurchases of common stock	(9)	(10)
Employee taxes on certain share-based payment arrangements	(12)	(14)
Net cash used in financing activities	(80)	(171)
Change in cash and cash equivalents	(149)	(297)
Cash and cash equivalents, beginning of period	467	627
Cash and cash equivalents, end of period	\$ 318	\$ 330
Supplemental Cash Flow Disclosure		
Cash paid for interest	\$ 12	\$ 11
Non-Cash Investing and Financing Activities		
Capital expenditures accrued in accounts payable	\$ 8	\$ 1

Exhibit B: Non-GAAP Measures Definitions & Reconciliations

We make reference to “segment operating income,” “segment operating margin,” “shipbuilding revenue,” “shipbuilding operating margin,” “Mission Technologies EBITDA,” “Mission Technologies EBITDA margin” and “free cash flow.”

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, operating income and operating margin or any other performance measure presented in accordance with GAAP. They are measures that we use to evaluate our core operating performance. We believe that segment operating income and segment operating margin reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provide 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.

Shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin are not measures recognized under GAAP. They are measures that we use to evaluate our core operating performance. When analyzing our operating performance, investors should use shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin in addition to, and not as alternatives for, operating income and operating margin or any other performance measure presented in accordance with GAAP. We believe that shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provide 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.

Free cash flow is not a measure recognized under GAAP. Free cash flow has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for net earnings as a measure of our performance or net cash provided or used by operating activities as a measure of our liquidity. We believe free cash flow is an important measure for our investors because it provides them insight into our current and period-to-period performance and our ability to generate cash from continuing operations. We also use free cash flow as a key operating metric in assessing the performance of our business and as a key performance measure in evaluating management performance and determining incentive compensation. Free cash flow may not be comparable to similarly titled measures of other companies.

Reconciliations of forward-looking GAAP and non-GAAP measures are not provided because we are unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the future occurrence and financial impact of certain elements of GAAP and non-GAAP measures.

Segment operating income is defined as operating income for the relevant segment(s) before the Operating FAS/CAS Adjustment and non-current state income taxes.

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

Shipbuilding revenue is defined as the combined sales and service revenues from our Newport News Shipbuilding segment and Ingalls Shipbuilding segment.

Shipbuilding operating margin is defined as the combined segment operating income of our Newport News Shipbuilding segment and Ingalls Shipbuilding segment as a percentage of shipbuilding revenue.

Mission Technologies EBITDA is defined as Mission Technologies segment operating income before interest expense, income taxes, depreciation, and amortization.

Mission Technologies EBITDA margin is defined as Mission Technologies EBITDA as a percentage of Mission Technologies revenues.

Free cash flow is defined as net cash provided by (used in) operating activities less capital expenditures net of related grant proceeds.

Operating FAS/CAS Adjustment is defined as the difference between the service cost component of our pension and other postretirement expense determined in accordance with GAAP (FAS) and our pension and other postretirement expense under U.S. Cost Accounting Standards (CAS).

Non-current state income taxes are defined as deferred state income taxes, which reflect the change in deferred state tax assets and liabilities and the tax expense or benefit associated with changes in state uncertain tax positions in the relevant period. These amounts are recorded within operating income. Current period state income tax expense is charged to contract costs and included in cost of sales and service revenues in segment operating income.

We present financial measures adjusted for the Operating FAS/CAS Adjustment and non-current state income taxes to reflect the company's performance based upon the pension costs and state tax expense charged to our contracts under CAS. We use these adjusted measures as internal measures of operating performance and for performance-based compensation decisions.

Reconciliations of Segment Operating Income and Segment Operating Margin

(\$ in millions)	Three Months Ended	
	March 31	
	2023	2022
Ingalls revenues	\$ 577	\$ 631
Newport News revenues	1,506	1,390
Mission Technologies revenues	624	590
Intersegment eliminations	(33)	(35)
Sales and Service Revenues	2,674	2,576
Operating Income	141	138
Operating FAS/CAS Adjustment	19	37
Non-current state income taxes	(4)	1
Segment Operating Income	156	176
<i>As a percentage of sales and service revenues</i>	5.8 %	6.8 %
Ingalls segment operating income	55	86
<i>As a percentage of Ingalls revenues</i>	9.5 %	13.6 %
Newport News segment operating income	84	81
<i>As a percentage of Newport News revenues</i>	5.6 %	5.8 %
Mission Technologies operating income	17	9
<i>As a percentage of Mission Technologies revenues</i>	2.7 %	1.5 %

Reconciliation of Free Cash Flow

(\$ in millions)	Three Months Ended	
	March 31	
	2023	2022
Net cash used in operating activities	\$ (9)	\$ (83)
Less capital expenditures:		
Capital expenditure additions	(43)	(43)
Grant proceeds for capital expenditures	3	—
Free cash flow	<u>\$ (49)</u>	<u>\$ (126)</u>

Reconciliation of Mission Technologies EBITDA and EBITDA Margin

(\$ in millions)	Three Months Ended	
	March 31	
	2023	2022
Mission Technologies sales and service revenues	\$ 624	\$ 590
Mission Technologies segment operating income	\$ 17	\$ 9
Mission Technologies depreciation expense	3	2
Mission Technologies amortization expense	27	30
Mission Technologies state tax expense	3	2
Mission Technologies EBITDA	\$ 50	\$ 43
Mission Technologies EBITDA margin	8.0 %	7.3 %