

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
or

For the transition period from _____ to _____
Commission file number 001-34910

HUNTINGTON INGALLS INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

90-0607005
(I.R.S. Employer
Identification No.)

4101 Washington Avenue Newport News, Virginia 23607
(Address of principal executive offices and zip code)

(757) 380-2000
(Registrant's telephone number, including area code)

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

Title of each class

Common Stock

Trading Symbol(s)

HII

Name of each exchange on which registered

New York Stock Exchange

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

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

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

Large Accelerated Filer ☒
Non-Accelerated Filer ☐

Accelerated Filer ☐
Smaller Reporting Company ☐
Emerging Growth Company ☐

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

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

As of July 29, 2022, 39,947,745 shares of the registrant's common stock were outstanding.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION		Page
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Statements of Operations and Comprehensive Income	1
	Condensed Consolidated Statements of Financial Position	2
	Condensed Consolidated Statements of Cash Flows	3
	Condensed Consolidated Statements of Changes in Equity	4
	Notes to Condensed Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	36
Item 4.	Controls and Procedures	36
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	37
Item 1A.	Risk Factors	37
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3.	Defaults Upon Senior Securities	37
Item 4.	Mine Safety Disclosures	37
Item 5.	Other Information	37
Item 6.	Exhibits	38
	Signatures	39

HUNTINGTON INGALLS INDUSTRIES, INC.
PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

(in millions, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Sales and service revenues				
Product sales	\$ 1,829	\$ 1,763	\$ 3,553	\$ 3,484
Service revenues	833	468	1,685	1,025
Sales and service revenues	2,662	2,231	5,238	4,509
Cost of sales and service revenues				
Cost of product sales	1,526	1,495	2,994	2,949
Cost of service revenues	746	414	1,505	896
Income from operating investments, net	27	12	34	20
Other income and gains (losses), net	1	(2)	—	1
General and administrative expenses	227	204	444	410
Operating income	191	128	329	275
Other income (expense)				
Interest expense	(26)	(18)	(52)	(39)
Non-operating retirement benefit	67	44	138	90
Other, net	(10)	7	(17)	8
Earnings before income taxes	222	161	398	334
Federal and foreign income tax expense	44	32	80	57
Net earnings	\$ 178	\$ 129	\$ 318	\$ 277
Basic earnings per share	\$ 4.44	\$ 3.20	\$ 7.93	\$ 6.87
Weighted-average common shares outstanding	40.1	40.3	40.1	40.3
Diluted earnings per share	\$ 4.44	\$ 3.20	\$ 7.93	\$ 6.87
Weighted-average diluted shares outstanding	40.1	40.3	40.1	40.3
Dividends declared per share	\$ 1.18	\$ 1.14	\$ 2.36	\$ 2.28
Net earnings from above	\$ 178	\$ 129	\$ 318	\$ 277
Other comprehensive income (loss)				
Change in unamortized benefit plan costs	13	30	(73)	59
Other	(1)	—	(1)	2
Tax benefit (expense) for items of other comprehensive income	(3)	(8)	19	(15)
Other comprehensive income (loss), net of tax	9	22	(55)	46
Comprehensive income	\$ 187	\$ 151	\$ 263	\$ 323

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

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

(\$ in millions)	June 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 375	\$ 627
Accounts receivable, net of allowance for doubtful accounts of \$2 million as of 2022 and \$9 million as of 2021	681	433
Contract assets	1,366	1,310
Inventoried costs	196	161
Income taxes receivable	128	209
Prepaid expenses and other current assets	74	50
Total current assets	2,820	2,790
Property, plant, and equipment, net of accumulated depreciation of \$2,234 million as of 2022 and \$2,149 million as of 2021	3,102	3,107
Operating lease assets	226	241
Goodwill	2,634	2,628
Other intangible assets, net of accumulated amortization of \$811 million as of 2022 and \$741 million as of 2021	1,089	1,159
Pension plan assets	314	281
Miscellaneous other assets	401	421
Total assets	\$ 10,586	\$ 10,627
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable	\$ 528	\$ 603
Accrued employees' compensation	339	361
Current portion of postretirement plan liabilities	137	137
Current portion of workers' compensation liabilities	255	252
Contract liabilities	757	651
Other current liabilities	431	423
Total current liabilities	2,447	2,427
Long-term debt	3,102	3,298
Pension plan liabilities	396	351
Other postretirement plan liabilities	363	368
Workers' compensation liabilities	496	506
Long-term operating lease liabilities	181	194
Deferred tax liabilities	293	313
Other long-term liabilities	356	362
Total liabilities	7,634	7,819
Commitments and Contingencies (Note 11)		
Stockholders' Equity		
Common stock, \$0.01 par value; 150 million shares authorized; 53.5 million shares issued and 40.0 million shares outstanding as of June 30, 2022, and 53.4 million shares issued and 40.0 million shares outstanding as of December 31, 2021	1	1
Additional paid-in capital	2,002	1,998
Retained earnings	4,113	3,891
Treasury stock	(2,186)	(2,159)
Accumulated other comprehensive loss	(978)	(923)
Total stockholders' equity	2,952	2,808
Total liabilities and stockholders' equity	\$ 10,586	\$ 10,627

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

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

(\$ in millions)	Six Months Ended June 30	
	2022	2021
Operating Activities		
Net earnings	\$ 318	\$ 277
Adjustments to reconcile to net cash provided by (used in) operating activities		
Depreciation	104	102
Amortization of purchased intangibles	70	26
Amortization of debt issuance costs	4	3
Provision for doubtful accounts	(7)	—
Stock-based compensation	16	12
Deferred income taxes	(1)	31
Loss (gain) on investments in marketable securities	26	(12)
Change in		
Accounts receivable	(241)	(45)
Contract assets	(56)	(127)
Inventoried costs	(35)	(3)
Prepaid expenses and other assets	47	(29)
Accounts payable and accruals	8	(32)
Retiree benefits	(65)	(70)
Other non-cash transactions, net	(4)	6
Net cash provided by operating activities	184	139
Investing Activities		
Capital expenditures		
Capital expenditure additions	(102)	(134)
Grant proceeds for capital expenditures	—	2
Investment in affiliates	(5)	(22)
Proceeds from disposition of business	—	20
Other investing activities, net	6	—
Net cash used in investing activities	(101)	(134)
Financing Activities		
Repayment of long-term debt	(200)	—
Dividends paid	(94)	(92)
Repurchases of common stock	(27)	(70)
Employee taxes on certain share-based payment arrangements	(14)	(7)
Net cash used in financing activities	(335)	(169)
Change in cash and cash equivalents	(252)	(164)
Cash and cash equivalents, beginning of period	627	512
Cash and cash equivalents, end of period	\$ 375	\$ 348
Supplemental Cash Flow Disclosure		
Cash paid for income taxes (net of refunds)	\$ 15	\$ 21
Cash paid for interest	\$ 49	\$ 37
Non-Cash Investing and Financing Activities		
Capital expenditures accrued in accounts payable	\$ 6	\$ 5

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

HUNTINGTON INGALLS INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Three Months Ended June 30, 2022 and 2021 (\$ in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of March 31, 2021	\$ 1	\$ 1,974	\$ 3,635	\$ (2,108)	\$ (1,523)	\$ 1,979
Net earnings	—	—	129	—	—	129
Dividends declared (\$1.14 per share)	—	—	(46)	—	—	(46)
Stock-based compensation	—	3	—	—	—	3
Other comprehensive income, net of tax	—	—	—	—	22	22
Treasury stock activity	—	—	—	(20)	—	(20)
Balance as of June 30, 2021	<u>\$ 1</u>	<u>\$ 1,977</u>	<u>\$ 3,718</u>	<u>\$ (2,128)</u>	<u>\$ (1,501)</u>	<u>\$ 2,067</u>
Balance as of March 31, 2022	\$ 1	\$ 1,995	\$ 3,982	\$ (2,169)	\$ (987)	\$ 2,822
Net earnings	—	—	178	—	—	178
Dividends declared (\$1.18 per share)	—	—	(47)	—	—	(47)
Stock-based compensation	—	7	—	—	—	7
Other comprehensive loss, net of tax	—	—	—	—	9	9
Treasury stock activity	—	—	—	(17)	—	(17)
Balance as of June 30, 2022	<u>\$ 1</u>	<u>\$ 2,002</u>	<u>\$ 4,113</u>	<u>\$ (2,186)</u>	<u>\$ (978)</u>	<u>\$ 2,952</u>

Six Months Ended June 30, 2022 and 2021 (\$ in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of December 31, 2020	\$ 1	\$ 1,972	\$ 3,533	\$ (2,058)	\$ (1,547)	\$ 1,901
Net earnings	—	—	277	—	—	277
Dividends declared (\$2.28 per share)	—	—	(92)	—	—	(92)
Stock-based compensation	—	5	—	—	—	5
Other comprehensive income, net of tax	—	—	—	—	46	46
Treasury stock activity	—	—	—	(70)	—	(70)
Balance as of June 30, 2021	<u>\$ 1</u>	<u>\$ 1,977</u>	<u>\$ 3,718</u>	<u>\$ (2,128)</u>	<u>\$ (1,501)</u>	<u>\$ 2,067</u>
Balance as of December 31, 2021	\$ 1	\$ 1,998	\$ 3,891	\$ (2,159)	\$ (923)	\$ 2,808
Net earnings	—	—	318	—	—	318
Dividends declared (\$2.36 per share)	—	—	(94)	—	—	(94)
Stock-based compensation	—	4	(2)	—	—	2
Other comprehensive loss, net of tax	—	—	—	—	(55)	(55)
Treasury stock activity	—	—	—	(27)	—	(27)
Balance as of June 30, 2022	<u>\$ 1</u>	<u>\$ 2,002</u>	<u>\$ 4,113</u>	<u>\$ (2,186)</u>	<u>\$ (978)</u>	<u>\$ 2,952</u>

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

HUNTINGTON INGALLS INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. DESCRIPTION OF BUSINESS

Huntington Ingalls Industries, Inc. ("HII" or the "Company") is an all-domain defense and technologies partner, recognized worldwide as America's largest shipbuilder. HII is organized into three reportable segments: Ingalls Shipbuilding ("Ingalls"), Newport News Shipbuilding ("Newport News"), and Mission Technologies (formerly named Technical Solutions). For more than a century, the Company's Ingalls segment in Mississippi and Newport News segment in Virginia have built more ships in more ship classes than any other U.S. naval shipbuilder. The Mission Technologies segment delivers high-value engineering and technology solutions to enable multi-domain distributed operations in the government and commercial services markets.

HII conducts most of its business with the U.S. Government, primarily the Department of Defense ("DoD"). As prime contractor, principal subcontractor, team member, or partner, the Company participates in many high-priority U.S. defense programs. Through its Ingalls segment, HII is a builder of amphibious assault and expeditionary warfare ships for the U.S. Navy, the sole builder of National Security Cutters for the U.S. Coast Guard, and one of only two companies that builds the Navy's current fleet of *Arleigh Burke* class (DDG 51) destroyers. Through its Newport News segment, HII is the nation's sole designer, builder, and refueler of nuclear-powered aircraft carriers, and one of only two companies currently designing and building nuclear-powered submarines for the U.S. Navy. The Mission Technologies segment provides a wide range of services and products, including C5ISR systems and operations; the application of Artificial Intelligence and machine learning to battlefield decisions; defensive and offensive cyberspace strategies and electronic warfare; unmanned autonomous systems; live, virtual, and constructive solutions; platform modernization; and critical nuclear operations.

2. BASIS OF PRESENTATION

Principles of Consolidation - The unaudited condensed consolidated financial statements of HII and its subsidiaries have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the instructions to Form 10-Q promulgated by the Securities and Exchange Commission ("SEC"). All intercompany transactions and balances are eliminated in consolidation. For classification of current assets and liabilities related to its long-term production contracts, the Company uses the duration of these contracts as its operating cycle, which is generally longer than one year.

These unaudited condensed consolidated financial statements include all adjustments of a normal recurring nature considered necessary by management for a fair presentation of the unaudited condensed consolidated financial position, results of operations, and cash flows and should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The quarterly information is labeled using a calendar convention; that is, first quarter is consistently labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is management's long-standing practice to establish interim closing dates using a "fiscal" calendar, which requires the businesses to close their books on a Friday near these quarter-end dates in order to normalize the potentially disruptive effects of quarterly closings on business processes. The effects of this practice only exist for interim periods within a reporting year.

Accounting Estimates - The preparation of the Company's unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information, and actual results could differ materially from those estimates.

Fair Value of Financial Instruments - Except for the Company's long-term debt, the carrying amounts of the Company's financial instruments are recorded at historical cost approximate fair value due to the short-term nature of the instruments and low credit risk associated with the respective counterparties.

The Company maintains multiple grantor trusts to fund certain non-qualified pension plans. These trusts were valued at \$201 million and \$220 million as of June 30, 2022, and December 31, 2021, respectively, and are

presented within miscellaneous other assets within the unaudited condensed consolidated statements of financial position. These trusts consist primarily of investments in marketable securities, which are held at fair value within Level 1 of the fair value hierarchy.

The estimated fair values of the Company's total long-term debt as of June 30, 2022, and December 31, 2021, were \$2,954 million and \$3,449 million, respectively. The fair values of the Company's long-term debt were calculated based on recent trades of the Company's debt instruments in inactive markets, which fall within Level 2 under the fair value hierarchy.

Debt Prepayment - As of June 30, 2022, \$225 million of the Company's Term Loan due August 19, 2024 has been prepaid, with a remaining balance of \$425 million.

3. ACCOUNTING STANDARDS UPDATES

Accounting pronouncements issued but not effective until after December 31, 2022, are not expected to have a material impact on the Company's consolidated financial position, results of operations, and cash flows.

4. ACQUISITIONS

On August 19, 2021, the Company acquired all of the outstanding common stock of Alion Holding Corp., the parent company of Alion Science and Technology Corporation ("Alion"), a technology-driven solutions provider. The Company accounted for the transaction as a business combination using the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 *Business Combinations*. The preliminary purchase price was \$1.79 billion, including \$148 million of cash received in the acquisition. In connection with the acquisition, the Company originally recorded \$1,024 million of goodwill, which included the value of Alion's workforce, and \$720 million of intangible assets related to customer relationships and existing contract backlog. The goodwill is attributable to operational synergies and growth opportunities and was allocated to the Company's Mission Technologies segment. For the six months ended June 30, 2022, the Company recorded an increase to goodwill of \$6 million, resulting from an adjustment to contingent liabilities for potential information reporting penalties. None of the goodwill resulting from this acquisition is expected to be amortizable for tax purposes.

Alion provides advanced engineering and research and development services in the areas of intelligence, surveillance, and reconnaissance, military training and simulation, cyber, data analytics, and other next-generation technology based solutions to the DoD and intelligence community customers, with the U.S. Navy representing about one-third of current annual revenues.

Pro Forma Financial Information

The following unaudited consolidated pro forma summary has been prepared by adjusting the Company's historical data to give effect to the acquisition of Alion as if it had occurred on January 1, 2021.

(\$ in millions, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2022	Pro Forma 2021	2022	Pro Forma 2021
Sales and service revenues	\$ 2,662	\$ 2,562	\$ 5,238	\$ 5,155
Net earnings	\$ 178	\$ 121	\$ 318	\$ 265
Basic earnings per share	\$ 4.44	\$ 3.00	\$ 7.93	\$ 6.58
Diluted earnings per share	\$ 4.44	\$ 3.00	\$ 7.93	\$ 6.58

These unaudited pro forma results include adjustments associated with the acquisition, such as the amortization of acquired intangible assets and interest expense on debt financing.

The unaudited consolidated pro forma financial information was prepared in accordance with GAAP and is not necessarily indicative of the results of operations that would have occurred if the acquisition had been completed on the date indicated, nor is it indicative of the future operating results of the Company.

The unaudited pro forma results do not reflect events that either have occurred or may occur after the acquisition date, including, but not limited to, the anticipated realization of operating synergies in subsequent periods. These results also do not give effect to certain charges that the Company incurred in connection with the acquisition, including, but not limited to, additional professional fees and employee integration.

5. STOCKHOLDERS' EQUITY

Treasury Stock - In November 2019, the Company's board of directors authorized an increase in the Company's stock repurchase program from \$2.2 billion to \$3.2 billion and an extension of the term of the program to October 31, 2024. Repurchases are made from time to time at management's discretion in accordance with applicable federal securities laws. For the six months ended June 30, 2022, the Company repurchased 131,006 shares at an aggregate cost of \$27 million. For the six months ended June 30, 2021, the Company repurchased 386,463 shares at an aggregate cost of \$70 million. The cost of purchased shares is recorded as treasury stock in the unaudited condensed consolidated statements of financial position.

Dividends - The Company paid cash dividends totaling \$94 million and \$92 million for the six months ended June 30, 2022 and 2021, respectively.

Accumulated Other Comprehensive Loss - Other comprehensive income (loss) refers to gains and losses recorded as an element of stockholders' equity but excluded from net earnings. The accumulated other comprehensive loss as of June 30, 2022, was comprised of unamortized benefit plan costs of \$977 million and other comprehensive loss of \$1 million. The accumulated other comprehensive loss as of December 31, 2021, was comprised of unamortized benefit plan costs of \$923 million.

The changes in accumulated other comprehensive income (loss) by component for the three and six months ended June 30, 2022 and 2021, were as follows:

(\$ in millions)	Benefit Plans	Other	Total
Balance as of March 31, 2021	\$ (1,524)	\$ 1	\$ (1,523)
Other comprehensive income before reclassifications	—	—	—
Amounts reclassified from accumulated other comprehensive loss			
Amortization of prior service cost ¹	3	—	3
Amortization of net actuarial loss ¹	27	—	27
Tax expense for items of other comprehensive income	(8)	—	(8)
Net current period other comprehensive income	22	—	22
Balance as of June 30, 2021	\$ (1,502)	\$ 1	\$ (1,501)
Balance as of March 31, 2022	\$ (987)	\$ —	\$ (987)
Other comprehensive loss before reclassifications	—	(1)	(1)
Amounts reclassified from accumulated other comprehensive loss			
Amortization of prior service cost ¹	5	—	5
Amortization of net actuarial loss ¹	8	—	8
Tax benefit for items of other comprehensive (loss) income	(3)	—	(3)
Net current period other comprehensive loss	10	(1)	9
Balance as of June 30, 2022	\$ (977)	\$ (1)	\$ (978)

(\$ in millions)	Benefit Plans	Other	Total
Balance as of December 31, 2020	\$ (1,546)	\$ (1)	\$ (1,547)
Other comprehensive income before reclassifications	—	2	2
Amounts reclassified from accumulated other comprehensive loss			
Amortization of prior service cost ¹	6	—	6
Amortization of net actuarial loss ¹	53	—	53
Tax expense for items of other comprehensive income	(15)	—	(15)
Net current period other comprehensive income	44	2	46
Balance as of June 30, 2021	\$ (1,502)	\$ 1	\$ (1,501)
Balance as of December 31, 2021	\$ (923)	\$ —	\$ (923)
Other comprehensive income before reclassifications	(97)	(1)	(98)
Amounts reclassified from accumulated other comprehensive loss			
Amortization of prior service cost ¹	8	—	8
Amortization of net actuarial loss ¹	16	—	16
Tax expense for items of other comprehensive income	19	—	19
Net current period other comprehensive income	(54)	(1)	(55)
Balance as of June 30, 2022	\$ (977)	\$ (1)	\$ (978)

¹ These accumulated comprehensive loss components are included in the computation of net periodic benefit cost. See Note 12: Employee Pension and Other Postretirement Benefits. The tax benefit associated with amounts reclassified from accumulated other comprehensive loss for the three months ended June 30, 2022 and 2021, was \$3 million and \$8 million, respectively. The tax benefit associated with amounts reclassified from accumulated other comprehensive loss for the six months ended June 30, 2022 and 2021, was \$6 million and \$15 million, respectively.

6. EARNINGS PER SHARE

Basic and diluted earnings per common share were calculated as follows:

(in millions, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Net earnings	\$ 178	\$ 129	\$ 318	\$ 277
Weighted-average common shares outstanding	40.1	40.3	40.1	40.3
Net dilutive effect of stock awards	—	—	—	—
Dilutive weighted-average common shares outstanding	40.1	40.3	40.1	40.3
Earnings per share - basic	\$ 4.44	\$ 3.20	\$ 7.93	\$ 6.87
Earnings per share - diluted	\$ 4.44	\$ 3.20	\$ 7.93	\$ 6.87

Under the treasury stock method, the Company has excluded from the diluted share amounts presented above the effects of 0.4 million Restricted Performance Stock Rights ("RPSRs") for each of the three and six months ended June 30, 2022 and 2021.

7. REVENUE

Disaggregation of Revenue

The Company's contracts with customers typically fall into one of four categories: firm fixed-price, fixed-price incentive, cost-type, and time and materials.

- *Firm Fixed-Price Contracts* - A firm fixed-price contract is a contract in which the specified scope of work is agreed to for a price that is predetermined by bid or negotiation and not generally subject to adjustment regardless of costs incurred by the contractor.
- *Fixed-Price Incentive Contracts* - Fixed-price incentive contracts provide for reimbursement of the contractor's allowable costs, but are subject to a cost-share limit that affects profitability. Fixed-price incentive contracts effectively become firm fixed-price contracts once the cost-share limit is reached.
- *Cost-Type Contracts* - Cost-type contracts provide for reimbursement of the contractor's allowable costs plus a fee that represents profit. Cost-type contracts generally require that the contractor use its reasonable efforts to accomplish the scope of the work within some specified time and some stated dollar limitation.
- *Time and Materials* - Time and materials contracts specify a fixed hourly billing rate for each direct labor hour expended and reimbursement for allowable material costs and expenses.

The following tables present revenues on a disaggregated basis:

	Three Months Ended June 30, 2022				
(\$ in millions)	Ingalls	Newport News	Mission Technologies	Intersegment Eliminations	Total
Revenue Type					
Product sales	\$ 611	\$ 1,190	\$ 28	\$ —	\$ 1,829
Service revenues	45	242	546	—	833
Intersegment	2	1	26	(29)	—
Sales and service revenues	\$ 658	\$ 1,433	\$ 600	\$ (29)	\$ 2,662
Customer Type					
Federal	\$ 656	\$ 1,432	\$ 564	\$ —	\$ 2,652
Commercial	—	—	10	—	10
Intersegment	2	1	26	(29)	—
Sales and service revenues	\$ 658	\$ 1,433	\$ 600	\$ (29)	\$ 2,662
Contract Type					
Firm fixed-price	\$ 4	\$ 3	\$ 69	\$ —	\$ 76
Fixed-price incentive	609	754	—	—	1,363
Cost-type	43	675	437	—	1,155
Time and materials	—	—	68	—	68
Intersegment	2	1	26	(29)	—
Sales and service revenues	\$ 658	\$ 1,433	\$ 600	\$ (29)	\$ 2,662

Three Months Ended June 30, 2021					
(\$ in millions)	Ingalls	Newport News	Mission Technologies	Intersegment Eliminations	Total
Revenue Type					
Product sales	\$ 624	\$ 1,111	\$ 28	\$ —	\$ 1,763
Service revenues	41	248	179	—	468
Intersegment	5	4	30	(39)	—
Sales and service revenues	\$ 670	\$ 1,363	\$ 237	\$ (39)	\$ 2,231
Customer Type					
Federal	\$ 665	\$ 1,359	\$ 200	\$ —	\$ 2,224
Commercial	—	—	7	—	7
Intersegment	5	4	30	(39)	—
Sales and service revenues	\$ 670	\$ 1,363	\$ 237	\$ (39)	\$ 2,231
Contract Type					
Firm fixed-price	\$ 13	\$ 7	\$ 41	\$ —	\$ 61
Fixed-price incentive	610	713	—	—	1,323
Cost-type	42	639	111	—	792
Time and materials	—	—	55	—	55
Intersegment	5	4	30	(39)	—
Sales and service revenues	\$ 670	\$ 1,363	\$ 237	\$ (39)	\$ 2,231
Six Months Ended June 30, 2022					
(\$ in millions)	Ingalls	Newport News	Mission Technologies	Intersegment Eliminations	Total
Revenue Type					
Product sales	\$ 1,189	\$ 2,311	\$ 53	\$ —	\$ 3,553
Service revenues	95	509	1,081	—	1,685
Intersegment	5	3	56	(64)	—
Sales and service revenues	\$ 1,289	\$ 2,823	\$ 1,190	\$ (64)	\$ 5,238
Customer Type					
Federal	\$ 1,284	\$ 2,820	\$ 1,111	\$ —	\$ 5,215
Commercial	—	—	23	—	23
Intersegment	5	3	56	(64)	—
Sales and service revenues	\$ 1,289	\$ 2,823	\$ 1,190	\$ (64)	\$ 5,238
Contract Type					
Firm fixed-price	\$ 6	\$ 11	\$ 133	\$ —	\$ 150
Fixed-price incentive	1,185	1,457	—	—	2,642
Cost-type	93	1,352	862	—	2,307
Time and materials	—	—	139	—	139
Intersegment	5	3	56	(64)	—
Sales and service revenues	\$ 1,289	\$ 2,823	\$ 1,190	\$ (64)	\$ 5,238

	Six Months Ended June 30, 2021				
(\$ in millions)	Ingalls	Newport News	Mission Technologies	Intersegment Eliminations	Total
Revenue Type					
Product sales	\$ 1,228	\$ 2,212	\$ 44	\$ —	\$ 3,484
Service revenues	83	552	390	—	1,025
Intersegment	8	6	62	(76)	—
Sales and service revenues	\$ 1,319	\$ 2,770	\$ 496	\$ (76)	\$ 4,509
Customer Type					
Federal	\$ 1,311	\$ 2,764	\$ 406	\$ —	\$ 4,481
Commercial	—	—	28	—	28
Intersegment	8	6	62	(76)	—
Sales and service revenues	\$ 1,319	\$ 2,770	\$ 496	\$ (76)	\$ 4,509
Contract Type					
Firm fixed-price	\$ 24	\$ 15	\$ 80	\$ —	\$ 119
Fixed-price incentive	1,205	1,435	3	—	2,643
Cost-type	82	1,314	231	—	1,627
Time and materials	—	—	120	—	120
Intersegment	8	6	62	(76)	—
Sales and service revenues	\$ 1,319	\$ 2,770	\$ 496	\$ (76)	\$ 4,509

	Three Months Ended June 30		Six Months Ended June 30	
(\$ in millions)	2022	2021	2022	2021
Major Programs				
Amphibious assault ships	\$ 372	\$ 349	\$ 735	\$ 706
Surface combatants and coast guard cutters	284	325	549	612
Other	2	(4)	5	1
Total Ingalls	658	670	1,289	1,319
Aircraft carriers	814	728	1,556	1,486
Submarines	470	472	940	929
Other	149	163	327	355
Total Newport News	1,433	1,363	2,823	2,770
Government and energy services	600	237	1,190	482
Oil and gas services	—	—	—	14
Total Mission Technologies	600	237	1,190	496
Intersegment eliminations	(29)	(39)	(64)	(76)
Sales and service revenues	\$ 2,662	\$ 2,231	\$ 5,238	\$ 4,509

As of June 30, 2022, the Company had \$47.2 billion of remaining performance obligations. The Company expects to recognize approximately 30% of its remaining performance obligations as revenue through 2023, an additional 30% through 2025, and the balance thereafter.

Cumulative Catch-up Adjustments

For the three months ended June 30, 2022, net cumulative catch-up adjustments increased operating income and increased diluted earnings per share by \$68 million and \$1.34, respectively. For the three months ended June 30, 2021, net cumulative catch-up adjustments increased operating income and increased diluted earnings per share by \$35 million and \$0.68, respectively. For the six months ended June 30, 2022, net cumulative catch-up adjustments increased operating income and increased diluted earnings per share by \$113 million and \$2.22, respectively. For the six months ended June 30, 2021, net cumulative catch-up adjustments increased operating income and

increased diluted earnings per share by \$85 million and \$1.66, respectively.

Cumulative catch-up adjustments for the three months ended June 30, 2022, included a favorable adjustment of \$20 million on a contract at the Company's Ingalls segment, which increased diluted earnings per share by \$0.40. Cumulative catch-up adjustments for the three months ended June 30, 2021, included a favorable adjustment of \$14 million on a contract at the Company's Ingalls segment, which increased diluted earnings per share by \$0.28.

For the six months ended June 30, 2022 and 2021, no individual favorable adjustment was material to the Company's unaudited condensed consolidated statements of operations and comprehensive income.

For the three and six months ended June 30, 2022, no individual unfavorable adjustment was material to the Company's unaudited condensed consolidated statements of operations and comprehensive income. For the three and six months ended June 30, 2021, no individual unfavorable adjustment was material to the Company's unaudited condensed consolidated statements of operations and comprehensive income.

Contract Balances

The Company reports contract balances in a net contract asset or contract liability position on a contract-by-contract basis at the end of each reporting period. The Company's net contract assets decreased \$50 million from December 31, 2021, to June 30, 2022, primarily resulting from advance billings on certain U.S. Navy contracts. For the three and six months ended June 30, 2022, the Company recognized revenue of \$152 million and \$531 million, respectively, related to its contract liabilities as of December 31, 2021. For the three and six months ended June 30, 2021, the Company recognized revenue of \$56 million and \$453 million, respectively, related to its contract liabilities as of December 31, 2020.

8. SEGMENT INFORMATION

The following table presents segment results for the three and six months ended June 30, 2022 and 2021:

(\$ in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Sales and Service Revenues				
Ingalls	\$ 658	\$ 670	\$ 1,289	\$ 1,319
Newport News	1,433	1,363	2,823	2,770
Mission Technologies	600	237	1,190	496
Intersegment eliminations	(29)	(39)	(64)	(76)
Sales and service revenues	<u>\$ 2,662</u>	<u>\$ 2,231</u>	<u>\$ 5,238</u>	<u>\$ 4,509</u>
Operating Income				
Ingalls	\$ 106	\$ 80	\$ 192	\$ 171
Newport News	94	76	175	169
Mission Technologies	25	13	34	20
Segment operating income	<u>225</u>	<u>169</u>	<u>401</u>	<u>360</u>
Non-segment factors affecting operating income				
Operating FAS/CAS Adjustment	(35)	(37)	(72)	(77)
Non-current state income taxes	1	(4)	—	(8)
Operating income	<u>\$ 191</u>	<u>\$ 128</u>	<u>\$ 329</u>	<u>\$ 275</u>

Operating FAS/CAS Adjustment - The Operating FAS/CAS Adjustment represents the difference between the service cost component of our pension and other postretirement benefit plan expense determined in accordance with GAAP ("FAS") and our pension and other postretirement expense under CAS.

The following table presents the Company's assets by segment:

(\$ in millions)	June 30, 2022	December 31, 2021
Assets		
Ingalls	\$ 1,701	\$ 1,659
Newport News	4,418	4,179
Mission Technologies	3,430	3,553
Corporate	1,037	1,236
Total assets	<u>\$ 10,586</u>	<u>\$ 10,627</u>

9. INCOME TAXES

The Company's earnings are primarily domestic, and its effective income tax rates on earnings from operations for the three months ended June 30, 2022 and 2021, were 19.8% and 19.9%, respectively. For the six months ended June 30, 2022 and 2021, the Company's effective income tax rates on earnings from operations were 20.1% and 17.1%, respectively. The effective tax rate for the three months ended June 30, 2022, was generally flat compared to the prior year. The higher effective tax rate for the six months ended June 30, 2022, was primarily attributable to a tax loss associated with the sale of the Company's oil and gas business recorded in 2021.

For the three months ended June 30, 2022, the Company's effective tax rate differed from the federal statutory corporate income tax rate primarily as a result of research and development tax credits. For the six months ended June 30, 2022, the Company's effective tax rate did not differ materially from the federal statutory corporate income tax rate of 21%. For the three months ended June 30, 2021, the Company's effective tax rate differed from the federal statutory tax rate primarily as a result of research and development tax credits. For the six months ended June 30, 2021, the Company's effective tax rate differed from the federal statutory tax rate primarily as a result of a tax loss associated with the sale of its oil and gas business.

The Company's unrecognized tax benefits increased by \$3 million and \$5 million during the three and six months ended June 30, 2022, respectively. As of June 30, 2022, the estimated amounts of the Company's unrecognized tax benefits, excluding interest and penalties, were liabilities of \$86 million. Assuming a sustainment of these tax positions, a reversal of \$65 million of the accrued amounts would favorably affect the Company's effective federal income tax rate in future periods.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. For the three and six months ended June 30, 2022, interest resulting from the unrecognized tax benefits noted above increased income tax expense by less than \$1 million.

Non-current state income taxes include 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 unrecognized state tax benefits 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.

10. INVESTIGATIONS, CLAIMS, AND LITIGATION

The Company is involved in legal proceedings before various courts and administrative agencies, and is periodically subject to government examinations, inquiries and investigations. Pursuant to FASB ASC 450 *Contingencies*, the Company has accrued for losses associated with investigations, claims, and litigation when, and to the extent that, loss amounts related to the investigations, claims, and litigation are probable and can be reasonably estimated. The actual losses that might be incurred to resolve such investigations, claims, and litigation may be higher or lower than the amounts accrued. The Company has, in certain cases, provided disclosure regarding certain matters for which the Company believes at this time that the likelihood of material loss is remote.

False Claims Act Complaint - In 2016, the Company was made aware that it is a defendant in a *qui tam* False Claims Act lawsuit pending in the U.S. District Court for the Middle District of Florida related to the Company's purchases of allegedly non-conforming parts from a supplier for use in connection with U.S. Government contracts. In August 2019, the Department of Justice ("DoJ") declined to intervene in the lawsuit, and the lawsuit was unsealed. The court dismissed the complaint in September 2021, and the plaintiff has appealed the dismissal to the United States Court of Appeals for the 11th Circuit.

Insurance Claims - In September 2020, the Company filed a complaint against 32 reinsurers in the Superior Court, State of Vermont, Franklin Unit, seeking a judgment declaring that the Company's business interruption and other losses associated with COVID-19 are covered by the Company's property insurance program. The Company also initiated arbitration proceedings against six other reinsurers seeking similar relief. In July 2021, the Vermont court granted the reinsurers' motion for judgment on the pleadings, and the Company has appealed the decision to the Vermont Supreme Court. Although the Company still believes its position is well-founded, no assurances can be provided regarding the ultimate resolution of this matter.

In September 2021, the Company filed a complaint in the Superior Court of Delaware, seeking a judgment against certain insurers for breach of contract and breach of the implied covenant of good faith and fair dealing under three representations and warranties insurance policies purchased in connection with the Company's acquisition of Hydroid. The policies insure the Company against losses relating to the seller's breach of certain representations and warranties in the Hydroid acquisition agreement. The coverage limit under the insurance policies is \$70 million, and the Company believes it has incurred losses equal to at least that amount as a result of breaches of the acquisition agreement. No assurances can be provided regarding the ultimate resolution of this matter.

U.S. Government Investigations and Claims - Departments and agencies of the U.S. Government have the authority to investigate various transactions and operations of the Company, and the results of such investigations may lead to administrative, civil, or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory, treble, or other damages. U.S. Government regulations provide that certain findings against a contractor may also lead to suspension or debarment from future U.S. Government contracts or the loss of export privileges. Any suspension or debarment would have a material effect on the Company because of its reliance on government contracts.

Asbestos Related Claims - HII and its predecessors-in-interest are defendants in a longstanding series of cases that have been and continue to be filed in various jurisdictions around the country, wherein former and current employees and various third parties allege exposure to asbestos containing materials while on or associated with HII premises or while working on vessels constructed or repaired by HII. In some instances, partial or full insurance coverage is available for the Company's liabilities. The costs to resolve cases during the six months ended June 30, 2022 and 2021, were immaterial individually and in the aggregate. The Company's estimate of asbestos-related liabilities is subject to uncertainty because liabilities are influenced by many variables that are inherently difficult to predict. Although the Company believes the ultimate resolution of current cases will not have a material effect on its consolidated financial position, results of operations, and cash flows, it cannot predict what new or revised claims or litigation might be asserted or what information might come to light and can, therefore, give no assurances regarding the ultimate outcome of asbestos related litigation.

Other Litigation - The Company and its predecessor-in-interest have been in litigation with the Bolivarian Republic of Venezuela (the "Republic") since 2002 over a contract for the repair, refurbishment, and modernization at Ingalls of two foreign-built frigates. Following an arbitration proceeding between the parties, in February 2018, the arbitral tribunal awarded the Company approximately \$151 million on its claims and awarded the Republic approximately \$22 million on its counterclaims. The Company is seeking to enforce and execute upon the award in multiple jurisdictions. No assurances can be provided regarding the ultimate resolution of this matter.

The Company is party to various other claims, legal proceedings, and investigations that arise in the ordinary course of business, including U.S. Government investigations that could result in administrative, civil, or criminal proceedings involving the Company. The Company is a contractor with the U.S. Government, and such proceedings can therefore include False Claims Act allegations against the Company. Although the Company believes that the resolution of these other claims, legal proceedings, and investigations will not have a material effect on its consolidated financial position, results of operations, and cash flows, the Company cannot predict what new or revised claims or litigation might be asserted or what information might come to light and can, therefore, give no assurances regarding the ultimate outcome of these matters.

11. COMMITMENTS AND CONTINGENCIES

Contract Performance Contingencies - Contract profit margins may include estimates of revenues for matters on which the customer and the Company have not reached agreement, such as settlements in the process of negotiation, contract changes, claims, and requests for equitable adjustment for unanticipated contract costs. These estimates are based upon management's best assessment of the underlying causal events and circumstances and

recognized to the extent of expected recovery based upon contractual entitlements and the probability of successful negotiation with the customer. As of June 30, 2022, amounts recognized in connection with claims and requests for equitable adjustment were not material individually or in the aggregate.

Environmental Matters - The estimated cost to complete environmental remediation has been accrued when it is probable that the Company will incur such costs in the future to address environmental conditions at currently or formerly owned or leased operating facilities, or at sites where it has been named a Potentially Responsible Party by the Environmental Protection Agency or similarly designated by another environmental agency, and the related costs can be estimated by management. These accruals do not include any litigation costs related to environmental matters, nor do they include amounts recorded as asset retirement obligations. Management estimates that as of June 30, 2022, the probable estimable future cost for environmental remediation was immaterial. Although management cannot predict whether new information gained as remediation progresses or the Company incurs additional remediation obligations will materially affect the estimated liability accrued, management does not believe that future remediation expenditures will have a material effect on the Company's consolidated financial position, results of operations, and cash flows.

Financial Arrangements - In the ordinary course of business, HII uses letters of credit issued by commercial banks to support certain leases, insurance policies, and contractual performance obligations, as well as surety bonds issued by insurance companies principally to support the Company's self-insured workers' compensation plans. As of June 30, 2022, the Company had \$15 million in issued but undrawn letters of credit and \$276 million of surety bonds outstanding.

U.S. Government Claims - From time to time, the U.S. Government communicates to the Company potential claims, disallowed costs, and penalties concerning prior costs incurred by the Company with which the U.S. Government disagrees. When such preliminary findings are presented, the Company and U.S. Government representatives engage in discussions, from which the Company evaluates the merits of the claims and assesses the amounts being questioned. Although the Company believes that the resolution of any of these matters will not have a material effect on its consolidated financial position, results of operations, and cash flows, it cannot predict the ultimate outcome of these matters.

Other Matters - In 1985, the Company and the U.S. Navy entered into a settlement agreement to resolve disputes associated with billing and allocating to contracts the cost of workers' compensation self-insurance, among other matters. Consistent with the 1985 settlement agreement, the Company has not recovered cumulative billable costs resulting from the different treatment of workers' compensation costs between CAS and U.S. GAAP Financial Accounting Standards ("FAS"). Under the 1985 settlement agreement, these costs would be recovered in future periods. In December 2020, a U.S. Navy Contracting Officer issued a determination that the 1985 settlement agreement did not comply with CAS and directed the Company to develop and implement a different process to bill and allocate the cost of workers' compensation self-insurance. In July 2022, the Contracting Officer reiterated its direction that the Company submit a cost accounting practice change from the 1985 settlement agreement for Government review and concurrence. Although the Company believes the 1985 settlement agreement is CAS-compliant and cannot be unilaterally terminated, the Company is seeking to negotiate a resolution of the matter with the Contracting Officer.

In January 2022, a U.S. Navy Contracting Officer issued a written determination that the Ingalls Shipbuilding Material Management and Accounting System ("MMAS") had three significant deficiencies (as defined in the Defense Federal Acquisition Regulation Supplement provision relating to MMASs), resulting in a 5% withhold of payments on certain invoices issued under one contract. Ingalls subsequently submitted a corrective action plan, which was approved in February 2022, and the withhold was reduced to 2%. On May 27, 2022, the Contracting Officer determined that Ingalls had corrected the significant deficiencies, and the Contracting Officer terminated the remaining 2% withhold and approved the MMAS system.

Collective Bargaining Agreements - Of the Company's approximately 44,000 employees, approximately 45% are covered by a total of nine collective bargaining agreements and one site stabilization agreement. Newport News has three collective bargaining agreements covering represented employees, including one with United Steelworkers Local 8888 (Newport News) (the "USWs"), which covers approximately 50% of Newport News employees. The collective bargaining agreement with the USWs expired in November 2021, and the Company reached a tentative agreement with representatives of the USWs in February 2022. The members of the USWs bargaining unit ratified the contract in March 2022. The Company believes its relationship with its employees is satisfactory.

12. EMPLOYEE PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company provides eligible employees defined benefit pension plans, other postretirement benefit plans, and defined contribution pension plans.

The costs of the Company's defined benefit pension plans and other postretirement benefit plans for the three and six months ended June 30, 2022 and 2021, were as follows:

(\$ in millions)	Three Months Ended June 30				Six Months Ended June 30			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2022	2021	2022	2021	2022	2021	2022	2021
Components of Net Periodic Benefit Cost								
Service cost	\$ 45	\$ 49	\$ 3	\$ 2	\$ 90	\$ 99	\$ 5	\$ 5
Interest cost	65	60	3	4	129	120	7	7
Expected return on plan assets	(148)	(138)	—	—	(298)	(276)	—	—
Amortization of prior service cost (credit)	6	4	(1)	(1)	10	8	(2)	(2)
Amortization of net actuarial loss (gain)	9	27	(1)	—	18	54	(2)	(1)
Net periodic benefit (income) cost	<u>\$ (23)</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ (51)</u>	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ 9</u>

The Company made the following contributions to its defined benefit pension plans and other postretirement benefit plans for the six months ended June 30, 2022 and 2021:

(\$ in millions)	Six Months Ended June 30	
	2022	2021
Pension plans		
Discretionary		
Qualified	\$ —	\$ 60
Non-qualified	5	4
Other benefit plans	16	20
Total contributions	<u>\$ 21</u>	<u>\$ 84</u>

As of June 30, 2022, the Company anticipates no further significant cash contributions to its qualified defined benefit pension plans in 2022.

In March 2022, the Company concluded negotiations on one of its collective bargaining agreements, which required an amendment to one of the Company's pension plans. As a result of the amendment, the remeasurement of the plan increased the pension liability and pre-tax accumulated other comprehensive loss by approximately \$97 million.

13. STOCK COMPENSATION PLANS

During the six months ended June 30, 2022 and 2021, the Company issued new stock awards as follows:

Restricted Performance Stock Rights - For the six months ended June 30, 2022, the Company granted approximately 0.1 million RPSRs at a weighted average share price of \$204.10. These rights are subject to cliff vesting on December 31, 2024. For the six months ended June 30, 2021, the Company granted approximately 0.2 million RPSRs at a weighted average share price of \$179.21. These rights are subject to cliff vesting on December 31, 2023. All of the RPSRs are subject to the achievement of performance-based targets at the end of the respective vesting periods and will ultimately vest between 0% and 200% of grant date value.

For the six months ended June 30, 2022 and 2021, awards of approximately 0.2 million and 0.1 million shares of stock vested, respectively, of which less than 0.1 million each period were transferred to the Company from employees in satisfaction of minimum tax withholding obligations.

The following table summarizes the status of the Company's outstanding stock awards as of June 30, 2022:

	Stock Awards (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)
Total stock awards	511	\$ 189.61	1.4

Compensation Expense

The Company recorded stock-based compensation for the value of awards granted to Company employees and non-employee members of the board of directors of \$7 million and \$3 million for the three months ended June 30, 2022 and 2021, respectively. The Company recorded stock-based compensation for the value of awards granted to Company employees and non-employee members of the board of directors of \$16 million and \$12 million for the six months ended June 30, 2022 and 2021, respectively. The Company recorded tax benefits related to stock awards of \$1 million and less than \$1 million for the three months ended June 30, 2022 and 2021, respectively. The Company recorded tax benefits related to stock awards of \$2 million for each of the six months ended June 30, 2022 and 2021. The Company recognized tax benefits associated with the issuance of stock in settlement of stock awards of less than \$1 million for each of the three months ended June 30, 2022 and 2021. The Company recognized tax benefits associated with the issuance of stock in settlement of stock awards of \$4 million and \$2 million for the six months ended June 30, 2022 and 2021, respectively.

Unrecognized Compensation Expense

As of June 30, 2022, the Company had \$3 million of unrecognized compensation expense associated with Restricted Stock Rights granted in 2022 and 2021, which will be recognized over a weighted average period of 1.2 years, and \$44 million of unrecognized compensation expense associated with RPSRs granted in 2022, 2021, and 2020, which will be recognized over a weighted average period of 1.6 years.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Our Business

Huntington Ingalls Industries, Inc. ("HII", "we", "us", or "our") is an all-domain defense and technologies partner, recognized worldwide as America's largest shipbuilder. For more than a century, our Ingalls segment in Mississippi and Newport News segment in Virginia have built more ships in more ship classes than any other U.S. naval shipbuilder. Our Mission Technologies (formerly named Technical Solutions) segment provides a range of services and products to government and commercial customers. Headquartered in Newport News, Virginia, HII employs approximately 44,000 people domestically and internationally.

We conduct most of our business with the U.S. Government, primarily the Department of Defense ("DoD"). As prime contractor, principal subcontractor, team member, or partner, we participate in many high-priority U.S. defense programs. Ingalls includes our non-nuclear ship design, construction, repair, and maintenance businesses. Newport News includes all of our nuclear ship design, construction, overhaul, refueling, and repair and maintenance businesses. Our Mission Technologies segment provides a wide range of services and products, including C5ISR systems and operations; the application of Artificial Intelligence and machine learning to battlefield decisions; defense and offensive cyberspace strategies and electronic warfare; unmanned autonomous systems; live, virtual, and constructive solutions; platform modernization; and critical nuclear operations.

The following discussion should be read along with the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2021.

Business Environment

We continue to see uncertainty in the economy, our industry, and our company, with challenges for customers and suppliers, labor shortages, supply chain challenges, and increasing inflation, among other impacts.

U.S. Government Contracts - Long-term uncertainty exists with respect to overall levels of defense spending across the future years' defense plan, and it is likely that U.S. Government discretionary spending levels will continue to be subject to significant pressure.

Congressional consideration of the fiscal year 2023 President's Budget Request began following its release in March 2022 and is ongoing. The House Appropriations Committee voted out a defense appropriations measure that broadly supports our shipbuilding and unmanned programs and awaits floor consideration. The Senate Appropriations Committee has yet to conduct markups, and the timing of committee action remains uncertain. The House and Senate Armed Services Committees have each acted on their respective National Defense Authorization bills for fiscal year 2023, both of which broadly support our shipbuilding programs, including increased funding authority for *Arleigh Burke* class destroyers (DDG-51) and LHA and LPD Flight II amphibious ships. The full House has approved its authorization bill and awaits Senate floor consideration of its version before the two bills can be reconciled to produce a final measure. We cannot predict the outcome of the fiscal year 2023 budget process or whether short-term funding will be required in the event annual appropriations measures are not finalized by the start of the October 1 fiscal year.

Long-term funding for certain programs in which we participate may be reduced, delayed, or canceled. In addition, spending cuts and/or reprioritization of defense investment could adversely affect the viability of our suppliers, subcontractors, and employee base. Our contracts or subcontracts under programs in which we participate may be terminated or adjusted by the U.S. Government or the prime contractor due to lack of government funding or reductions or delays in government funding. Significant reductions in the number of ships procured by the U.S. Navy or significant delays in funding our ship programs would have a material effect on our financial position, results of operations, and cash flows.

The federal budget environment remains a significant long-term risk. Considerable uncertainty exists regarding how future budget and program decisions will develop and what challenges budget changes will present for the defense industry. We believe continued budget pressures could have serious implications for defense discretionary spending, the defense industrial base, including HII, and the customers, employees, suppliers, subcontractors, investors, and communities that rely on companies in the defense industrial base. Although it is difficult to determine specific impacts, we expect that over the longer term, the budget environment may result in fewer contract awards and lower revenues, profits, and cash flows from our U.S. Government contracts. It is likely budget and program decisions made in this environment will have long-term impacts on HII and the entire defense industry.

Political and Economic Environment – The global geopolitical and economic environment continues to be impacted by uncertainty, heightened tensions, and instability. Geopolitical relationships have changed, and are continuing to change, and the U.S. and its allies face a global security environment that includes threats from state and non-state actors, including major global powers, as well as terrorist organizations, emerging nuclear tensions, diverse regional security concerns, and political instability. These global threats persist across all domains, from undersea to space to cyber, and the global market for defense products, services, and solutions is driven by these complex and evolving security challenges. Our current operating environment exists in the broader context of political and socioeconomic priorities and reflects, among other things, the continued impact of and uncertainty surrounding geopolitical tensions, financial market volatility, inflation, and the COVID-19 pandemic.

In February 2022, Russian forces invaded Ukraine. In response, the United States and other countries imposed economic and trade sanctions, export controls, and other restrictions. The conflict and these sanctions have caused disruptions to global economies and global business, including heightened cybersecurity risks, supply chain challenges, increased energy costs, and an exacerbation of existing inflationary pressures. Additionally, and more broadly, economic tensions with China and changes in international trade policies, including higher tariffs on imported goods and materials and renegotiation of free trade agreements, could impact the global market for defense products, services, and solutions.

In addition to price surges in energy, food, and aluminum as a result of the Russian invasion of Ukraine, rising inflation has led to higher costs of various commodities and supplier products. Inflation has also increased interest rates, raising the cost of borrowing for the federal government, which could impact other spending priorities. In an era of unanticipated cost increases, the inclusion of mitigation mechanisms, such as Economic Price Adjustment clauses, in our contracts help reduce risks from negative price adjustments. Our bids for longer-term firm fixed-price contracts typically include assumptions for labor and other contract costs that historically have been sufficient to cover cost increases over the period of performance. If, however, recent inflationary conditions continue over the long-term, our cost assumptions may not be sufficient to cover potential contract cost growth or may impact the availability of resources to execute the respective contracts. Management is closely monitoring possible cost impacts with our customers.

COVID-19 Pandemic - The COVID-19 pandemic has dramatically impacted the global economic environment, including labor shortages and supply chain challenges. The COVID-19 crisis initially had a significant impact on the U.S. labor market, and the resulting challenges and uncertainty have exacerbated already existing workforce trends. Talent attraction and retention and the ability to maintain a qualified workforce affects not only industry prime contractors but suppliers as well. Challenges incurred by our suppliers relative to their workforces, access to necessary components, materials, and other supplies at reasonable prices, and access to support services, such as shipping and transportation, may impact the ability of suppliers to provide agreed-upon goods and services in a timely, compliant, and cost-effective manner. We may in the future incur additional costs and performance challenges, including as a result of higher prices, schedule delays, or the need to identify and develop alternative suppliers.

The COVID-19 pandemic has impacted our employees, customers, suppliers, and communities (collectively, "COVID-19 Events"). While costs related to COVID-19 Events are allowable under U.S. Government contracts, our contract estimates reflect profit margin impact uncertainty, because such costs may not result in equitable adjustments, particularly on firm fixed-price and fixed-price incentive contracts, or may not be adequately covered by insurance. Reinsurers under our property insurance have failed to acknowledge coverage for various losses related to COVID-19, and we filed a complaint in state court in Vermont seeking a judgment declaring that our business interruption and other losses associated with COVID-19 are covered by our property insurance program. We also initiated arbitration proceedings against other reinsurers seeking similar relief. The Vermont court dismissed our complaint in response to a motion of the reinsurers for judgment on the pleadings, and we have appealed the decision. Although we continue to believe that our position is well-founded, no assurance can be provided regarding the ultimate resolution of this matter. See Note 10: Investigations, Claims, and Litigation.

Critical Accounting Policies, Estimates, and Judgments

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2021, we consider our policies relating to the following matters to be critical accounting policies and estimates:

- Revenue recognition;
- Purchase accounting, goodwill, and intangible assets;
- Litigation, commitments, and contingencies;
- Retirement related benefit plans; and
- Workers' compensation.

As of June 30, 2022, there had been no material changes to the foregoing critical accounting policies, estimates, and judgments since December 31, 2021.

We have incorporated realized and estimated future effects of COVID-19 Events, based upon current conditions and our judgment of the future impacts of COVID-19 Events, with respect to contract costs and revenue recognition, effective income tax rates, and the fair values of our long-lived assets, financial instruments, intangible assets, and goodwill recorded at our reporting units.

Contracts

We generate most of our revenues from multi-year contracts with the U.S. Government for design, production, and support activities. Due to the size, duration, and nature of many of our multi-year contracts, the estimation of sales and services revenues and costs through completion is complicated and subject to many variables. Sales and service revenue estimates are based on negotiated contract prices, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with schedule, technical performance, and price adjustment clauses (such as inflation or index-based clauses). These multi-year contracts generally have a transaction price that is based on estimated cost to produce the product or service plus margin. Product and service cost estimates are based on negotiated or estimated contract terms, historical performance trends, and other economic projections. Government contracts typically include the following cost elements: direct material, labor and subcontracting costs, and certain indirect costs, including allowable general and administrative expenses. Factors that influence our cost estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, COVID-19 disruptions, and capital costs.

Unless otherwise specified in a contract, costs billed to contracts with the U.S. Government are treated as allowable and allocable costs under the FAR and CAS regulations. Examples of costs incurred by us that are not allowable under the FAR and CAS regulations include certain legal costs, lobbying costs, charitable donations, interest expense, organizational costs, including certain merger and acquisition costs, and advertising costs.

Contract Fees - Negotiated contract fee structures include: fixed fee amounts, cost sharing arrangements to reward or penalize contractors for under- or over-cost target performance, respectively, positive award fees, and negative penalty arrangements. Profit margins may vary materially depending on the negotiated contract fee arrangements, percentage-of-completion of the contract, the achievement of performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Award Fees - Certain contracts contain award fees based on performance criteria such as cost, schedule, quality, and technical performance. Award fees are determined and earned based on an evaluation by the customer of our performance against such negotiated criteria. We consider award fees to be variable consideration and generally include these fees in the transaction price using a most likely amount approach. Award fees are limited to the extent of funding allotted by the customer and available for performance and those amounts for which a significant reversal of revenue is not probable.

Program Descriptions

For convenience, a brief description of certain programs discussed in this Quarterly Report on Form 10-Q is included in the "Glossary of Programs" in this section.

CONSOLIDATED OPERATING RESULTS

The following table presents selected financial highlights:

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Sales and service revenues	\$ 2,662	\$ 2,231	\$ 431	19 %	\$ 5,238	\$ 4,509	\$ 729	16 %
Cost of product sales and service revenues	2,272	1,909	363	19 %	4,499	3,845	654	17 %
Income from operating investments, net	27	12	15	125 %	34	20	14	70 %
Other income and gains (losses), net	1	(2)	3	150 %	—	1	(1)	(100)%
General and administrative expenses	227	204	23	11 %	444	410	34	8 %
Operating income	191	128	63	49 %	329	275	54	20 %
Other income (expense)								
Interest expense	(26)	(18)	(8)	(44)%	(52)	(39)	(13)	(33)%
Non-operating retirement benefit	67	44	23	52 %	138	90	48	53 %
Other, net	(10)	7	(17)	(243)%	(17)	8	(25)	(313)%
Federal and foreign income taxes	44	32	12	38 %	80	57	23	40 %
Net earnings	\$ 178	\$ 129	\$ 49	38 %	\$ 318	\$ 277	\$ 41	15 %

Operating Performance Assessment and Reporting

We manage and assess the performance of our business based on our performance on individual contracts and programs using the financial measures referred to below, with consideration given to the Critical Accounting Policies, Estimates, and Judgments referred to in this section. Our portfolio of long-term contracts is largely flexibly-priced. Therefore, sales tend to fluctuate in concert with costs across our large portfolio of active contracts, with operating income being a critical measure of operating performance. Under FAR rules that govern our business with the U.S. Government, most types of costs are allowable, and we do not focus on individual cost groupings, such as cost of sales or general and administrative expenses, as much as we do on total contract costs, which are a key factor in determining contract operating income. As a result, in evaluating our operating performance, we look primarily at changes in sales and service revenues, as well as operating income, including the effects of significant changes in operating income as a result of changes in contract estimates and the use of the cumulative catch-up method of accounting in accordance with GAAP. This approach is consistent with the long-term life cycle of our contracts, as management assesses the bidding of each contract by focusing on net sales and operating profit and monitors performance in a similar manner through contract completion. Consequently, our discussion of business segment performance focuses on net sales and operating profit, consistent with our approach for managing our business.

Cost of sales for both product sales and service revenues consists of materials, labor, and subcontracting costs, as well as an allocation of indirect costs for overhead. We manage the type and amount of costs at the contract level, which is the basis for estimating our total costs at completion of our contracts. Unusual fluctuations in operating performance driven by changes in a specific cost element across multiple contracts are described in our analysis.

Sales and Service Revenues

Sales and service revenues were comprised as follows:

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Product sales	\$ 1,829	\$ 1,763	\$ 66	4 %	\$ 3,553	\$ 3,484	\$ 69	2 %
Service revenues	833	468	365	78 %	1,685	1,025	660	64 %
Sales and service revenues	<u>\$ 2,662</u>	<u>\$ 2,231</u>	<u>\$ 431</u>	19 %	<u>\$ 5,238</u>	<u>\$ 4,509</u>	<u>\$ 729</u>	16 %

Product sales for the three months ended June 30, 2022, increased \$66 million, or 4%, from the same period in 2021. Product sales for the six months ended June 30, 2022, increased \$69 million, or 2%, from the same period in 2021. Ingalls product sales decreased \$13 million and \$39 million for the three and six months ended June 30, 2022, respectively, primarily as a result of lower volumes in surface combatants, partially offset by higher volumes in amphibious assault ships. Newport News product sales increased \$79 million for the three months ended June 30, 2022, primarily as a result of higher volumes in aircraft carriers, partially offset by lower volumes in submarines. Newport News product sales increased \$99 million for the six months ended June 30, 2022, primarily as a result of higher volumes in aircraft carriers. Mission Technologies product sales were flat for the three months ended June 30, 2022. Mission Technologies product sales increased \$9 million for the six months ended June 30, 2022, primarily as a result of higher volumes in defense and federal solutions ("DFS").

Service revenues for the three months ended June 30, 2022, increased \$365 million, or 78%, compared with the same period in 2021. Service revenues for the six months ended June 30, 2022, increased \$660 million, or 64%, compared with the same period in 2021. Ingalls service revenues increased \$4 million and \$12 million for the three and six months ended June 30, 2022, respectively, primarily as a result of higher volumes in amphibious assault ship services, partially offset by lower volumes in surface combatant services. Newport News service revenues decreased \$6 million for the three months ended June 30, 2022, primarily as a result of lower volumes in naval nuclear support services and aircraft carrier services, partially offset by higher volumes in submarine services. Newport News service revenues decreased \$43 million for the six months ended June 30, 2022, primarily as a result of lower volumes in aircraft carrier services and naval nuclear support services. Mission Technologies service revenues increased \$367 million and \$691 million for the three and six months ended June 30, 2022, respectively, primarily as a result of higher volumes in DFS services.

Cost of Sales and Service Revenues

Cost of product sales, cost of service revenues, income from operating investments, net, and general and administrative expenses were as follows:

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Cost of product sales	\$ 1,526	\$ 1,495	\$ 31	2 %	\$ 2,994	\$ 2,949	\$ 45	2 %
% of product sales	83.4 %	84.8 %			84.3 %	84.6 %		
Cost of service revenues	746	414	332	80 %	1,505	896	609	68 %
% of service revenues	89.6 %	88.5 %			89.3 %	87.4 %		
Income from operating investments, net	27	12	15	125 %	34	20	14	70 %
Other income and gains (losses), net	1	(2)	3	150 %	—	1	(1)	(100)%
General and administrative expenses	227	204	23	11 %	444	410	34	8 %
% of sales and service revenues	8.5 %	9.1 %			8.5 %	9.1 %		
Cost of sales and service revenues	\$ 2,471	\$ 2,103	\$ 368	17 %	\$ 4,909	\$ 4,234	\$ 675	16 %

Cost of Product Sales

Cost of product sales for the three months ended June 30, 2022, increased \$31 million, or 2%, compared with the same period in 2021. Cost of product sales for the six months ended June 30, 2022, increased \$45 million, or 2%, compared with the same period in 2021. Ingalls cost of product sales decreased \$28 million and \$38 million for the three and six months ended June 30, 2022, respectively, primarily as a result of volume decreases described above, partially offset by higher risk retirement on *Harrisburg* (LPD 30). Newport News cost of product sales increased \$56 million and \$76 million for the three and six months ended June 30, 2022, respectively, primarily as a result of volume increases described above. Mission Technologies cost of product sales increased \$5 million for the three months ended June 30, 2022, driven by year-to-year variances in contract mix. Mission Technologies cost of product sales increased \$11 million for the six months ended June 30, 2022, driven by volume increases described above. Cost of product sales related to the Operating FAS/CAS Adjustment decreased \$2 million and \$4 million for the three and six months ended June 30, 2022, respectively, as described below.

Cost of product sales as a percentage of product sales decreased from 84.8% for the three months ended June 30, 2021, to 83.4% for the three months ended June 30, 2022. The decrease was primarily due to favorable changes in contract estimates from facilities capital and price adjustment clauses and higher risk retirement on *Harrisburg* (LPD 30), as well as a favorable change in the Operating FAS/CAS Adjustment, partially offset by lower risk retirement on the *Virginia* class (SSN 774) submarine program and receipt of a contract incentive on USS *Jack H. Lucas* (DDG 125) in 2021. Cost of product sales as a percentage of product sales decreased from 84.6% for the six months ended June 30, 2021, to 84.3% for the six months ended June 30, 2022. The decrease was primarily due to favorable changes in contract estimates from facilities capital and price adjustment clauses and higher risk retirement on *Harrisburg* (LPD 30), USS *Gerald R. Ford* (CVN 78), *Fort Lauderdale* (LPD 28) following its delivery, and *Frank E. Petersen Jr.* (DDG 121), as well as a favorable change in the Operating FAS/CAS Adjustment, partially offset by lower risk retirement on the *Virginia* class (SSN 774) submarine program, receipt of a contract incentive on USS *Jack H. Lucas* (DDG 125) in 2021, and lower risk retirement on *Bougainville* (LHA 8).

Cost of Service Revenues

Cost of service revenues for the three months ended June 30, 2022, increased \$332 million, or 80%, compared with the same period in 2021. Cost of service revenues for the six months ended June 30, 2022, increased \$609 million, or 68%, compared with the same period in 2021. Ingalls cost of service revenues increased \$5 million and \$12 million for the three and six months ended June 30, 2022, respectively, primarily as a result of higher volumes described above. Newport News cost of service revenues decreased \$15 million and \$50 million for the three and six months ended June 30, 2022, respectively, primarily as a result of lower volumes described above. Mission Technologies cost of service revenues increased \$342 million and \$648 million for the three and six months ended June 30, 2022, respectively, primarily as a result of higher volumes described above. Cost of service revenues

related to the Operating FAS/CAS Adjustment was flat for the three months ended June 30, 2022 and decreased \$1 million for the six months ended June 30, 2022, as described below.

Cost of service revenues as a percentage of service revenues increased from 88.5% for the three months ended June 30, 2021, to 89.6% for the three months ended June 30, 2022, primarily driven by higher amortization of purchased intangible assets and year-to-year variances in contract mix, partially offset by improved performance in DFS services due to the acquisition of Alion in the third quarter of 2021, and a favorable change in the Operating FAS/CAS Adjustment. Cost of service revenues as a percentage of service revenues increased from 87.4% for the six months ended June 30, 2021, to 89.3% for the six months ended June 30, 2022, primarily driven by higher amortization of purchased intangible assets and year-to-year variances in contract mix, partially offset by improved performance in DFS services due to the acquisition of Alion in the third quarter of 2021, as well as a favorable change in the Operating FAS/CAS Adjustment.

Income (Loss) from Operating Investments, Net

The activities of our operating investments are closely aligned with the operations of the segments holding the investments. We therefore record income related to earnings from equity method investments in our operating income.

Income from operating investments, net for the three and six months ended June 30, 2022, increased \$15 million and \$14 million, respectively, from the same periods in 2021, primarily due to higher equity income from our investment in an unconsolidated ship repair and specialty fabrication joint venture, partially offset by lower equity income from our nuclear and environmental joint ventures.

Other Income and Gains (Losses), Net

Other income and gains (losses), net was a net gain of \$1 million and a net loss of \$2 million for the three months ended June 30, 2022 and 2021, respectively. The favorable change of \$3 million was primarily due to a loss recognized in the second quarter of 2021 as a result of the final purchase price adjustment to a gain on the sale of our oil and gas business. Other income and gains (losses), net were flat for the six months ended June 30, 2022, compared to the same period in 2021.

General and Administrative Expenses

In accordance with industry practice and the regulations that govern the cost accounting requirements for government contracts, most general and administrative expenses are considered allowable and allocable costs on government contracts. These costs are allocated to contracts in progress on a systematic basis, and contract performance factors include this cost component as an element of cost.

General and administrative expenses for the three and six months ended June 30, 2022, increased \$23 million and \$34 million, respectively, from the same periods in 2021, primarily due to higher overhead costs as a result of the acquisition of Alion in the third quarter of 2021 and current state income tax expense, partially offset by favorable changes in non-current state income taxes.

Operating Income

We consider operating income to be an important measure for evaluating our operating performance, and, consistent with industry practice, we define operating income as revenues less the related costs of producing the revenues and general and administrative expenses.

We internally manage our operations by reference to "segment operating income," which is defined as operating income before the Operating FAS/CAS Adjustment and non-current state income taxes, neither of which affects segment performance. Segment operating income is not a recognized measure under GAAP. When analyzing our operating performance, investors should use segment operating income in addition to, and not as an alternative for, operating income or any other performance measure presented in accordance with GAAP. It is a measure we use to evaluate our core operating performance. We believe segment operating income reflects 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 the measure is used by investors and is a

useful indicator to measure our performance. Because not all companies use identical calculations, our presentation of segment operating income may not be comparable to similarly titled measures of other companies.

The following table reconciles operating income to segment operating income:

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Operating income	\$ 191	\$ 128	\$ 63	49 %	\$ 329	\$ 275	\$ 54	20 %
Operating FAS/CAS Adjustment	35	37	(2)	(5)%	72	77	(5)	(6)%
Non-current state income taxes	(1)	4	(5)	(125)%	—	8	(8)	(100)%
Segment operating income	<u>\$ 225</u>	<u>\$ 169</u>	<u>\$ 56</u>	<u>33 %</u>	<u>\$ 401</u>	<u>\$ 360</u>	<u>\$ 41</u>	<u>11 %</u>

Segment Operating Income

Segment operating income for the three months ended June 30, 2022, was \$225 million, compared with segment operating income of \$169 million for the same period in 2021. The increase was primarily due to favorable changes in contract estimates from facilities capital and price adjustment clauses and higher risk retirement on *Harrisburg* (LPD 30), as well as improved performance in DFS services and higher equity income, partially offset by lower risk retirement on the *Virginia* class (SSN 774) submarine program and receipt of a contract incentive on USS *Jack H. Lucas* (DDG 125) in 2021, as well as higher amortization of purchased intangible assets.

Segment operating income for the six months ended June 30, 2022, was \$401 million, compared with segment operating income of \$360 million for the same period in 2021. The increase was primarily due to favorable changes in contract estimates from facilities capital and price adjustment clauses and higher risk retirement on *Harrisburg* (LPD 30), USS *Gerald R. Ford* (CVN 78), *Fort Lauderdale* (LPD 28) following its delivery, and *Frank E. Petersen Jr.* (DDG 121), as well as improved performance in DFS services and higher equity income, partially offset by lower risk retirement on the *Virginia* class (SSN 774) submarine program, receipt of a contract incentive on USS *Jack H. Lucas* (DDG 125) in 2021, and lower risk retirement on *Bougainville* (LHA 8), as well as higher amortization of purchased intangible assets.

Activity within each segment is discussed in Segment Operating Results below.

FAS/CAS Adjustment and Operating FAS/CAS Adjustment

The FAS/CAS Adjustment reflects the difference between expenses for pension and other postretirement benefits determined in accordance with GAAP ("FAS") and the expenses for these items included in segment operating income in accordance with U.S. Cost Accounting Standards ("CAS"). The Operating FAS/CAS Adjustment excludes the following components of net periodic benefit costs: interest cost, expected return on plan assets, amortization of prior service cost (credit) and actuarial loss (gain), and settlement and curtailment effects.

The components of the Operating FAS/CAS Adjustment were as follows:

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
FAS benefit (expense)	\$ 19	\$ (7)	\$ 26	371 %	\$ 43	\$ (14)	\$ 57	407 %
CAS cost	13	14	(1)	(7)%	23	27	(4)	(15)%
FAS/CAS Adjustment	32	7	25	357 %	66	13	53	408 %
Non-operating retirement benefit	(67)	(44)	(23)	(52)%	(138)	(90)	(48)	(53)%
Operating FAS/CAS Adjustment	<u>\$ (35)</u>	<u>\$ (37)</u>	<u>\$ 2</u>	<u>5 %</u>	<u>\$ (72)</u>	<u>\$ (77)</u>	<u>\$ 5</u>	<u>6 %</u>

The Operating FAS/CAS Adjustment was a net expense of \$35 million and \$37 million for the three months ended June 30, 2022 and 2021, respectively. The Operating FAS/CAS Adjustment was a net expense of \$72 million and \$77 million for the six months ended June 30, 2022 and 2021, respectively. The favorable changes in the Operating FAS/CAS Adjustment of \$2 million and \$5 million for the three and six months ended June 30, 2022, respectively, were primarily driven by the more immediate recognition of higher interest rates under FAS.

Non-current State Income Taxes

Non-current state income taxes include 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 unrecognized tax benefits 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.

Non-current state income tax benefit for the three months ended June 30, 2022, was \$1 million, compared to non-current state income tax expense of \$4 million for the same period in 2021. The favorable change in non-current state income taxes was driven by a decrease in deferred state income tax expense, primarily attributable to an increase in expenses that are not currently deductible for income tax purposes. Non-current state income tax benefit for the six months ended June 30, 2022, was less than \$1 million, compared to non-current state income tax expense of \$8 million for the same period in 2021. The favorable change in non-current state income taxes was driven by a decrease in deferred state income tax expense, primarily attributable to an increase in expenses that are not currently deductible for income tax purposes.

Interest Expense

Interest expense for the three and six months ended June 30, 2022, increased \$8 million and \$13 million, respectively, compared with the same periods in 2021, primarily due to the issuance of senior notes and borrowing under the Term Loan in the third quarter of 2021.

Non-Operating Retirement Benefit

The non-operating retirement benefit includes the following components of net periodic benefit costs: interest cost, expected return on plan assets, amortization of prior service cost (credit) and actuarial loss (gain), and settlement and curtailment effects. For the three and six months ended June 30, 2022, the favorable change in the non-operating retirement benefit of \$23 million and \$48 million was primarily driven by higher 2021 returns on plan assets.

Other, Net

Other, net expense increased \$17 million and \$25 million for the three and six months ended June 30, 2022, respectively, compared with the same periods in 2021, primarily driven by losses on investments in marketable securities.

Federal and Foreign Income Taxes

Our effective income tax rates on earnings from operations for the three months ended June 30, 2022 and 2021, were 19.8% and 19.9%, respectively. Our effective income tax rates on earnings from operations for the six months ended June 30, 2022 and 2021, were 20.1% and 17.1%, respectively. The effective tax rate for the three months ended June 30, 2022, was generally flat compared to the prior year. The higher effective tax rate for the six months ended June 30, 2022, was primarily attributable to a tax loss associated with the sale of our oil and gas business recorded in 2021.

For the three months ended June 30, 2022, our effective tax rate differed from the federal statutory corporate income tax rate primarily as a result of research and development tax credits. For the six months ended June 30, 2022, our effective tax rate did not differ materially from the federal statutory corporate income tax rate of 21%. For the three months ended June 30, 2021, our effective tax rate differed from the federal statutory tax rate primarily as a result of research and development tax credits. For the six months ended June 30, 2021, our effective tax rate differed from the federal statutory tax rate primarily as a result of a tax loss associated with the sale of our oil and gas business. See Note 9: Income Taxes.

SEGMENT OPERATING RESULTS

Basis of Presentation

We are aligned into three reportable segments: Ingalls, Newport News, and Mission Technologies.

The following table presents segment operating results:

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Sales and Service Revenues								
Ingalls	\$ 658	\$ 670	\$ (12)	(2)%	\$ 1,289	\$ 1,319	\$ (30)	(2)%
Newport News	1,433	1,363	70	5 %	2,823	2,770	53	2 %
Mission Technologies	600	237	363	153 %	1,190	496	694	140 %
Intersegment eliminations	(29)	(39)	10	26 %	(64)	(76)	12	16 %
Sales and service revenues	<u>\$ 2,662</u>	<u>\$ 2,231</u>	<u>\$ 431</u>	19 %	<u>\$ 5,238</u>	<u>\$ 4,509</u>	<u>\$ 729</u>	16 %
Operating Income								
Ingalls	\$ 106	\$ 80	\$ 26	33 %	\$ 192	\$ 171	\$ 21	12 %
Newport News	94	76	18	24 %	175	169	6	4 %
Mission Technologies	25	13	12	92 %	34	20	14	70 %
Segment operating income	225	169	56	33 %	401	360	41	11 %
Non-segment factors affecting operating income								
Operating FAS/CAS Adjustment	(35)	(37)	2	5 %	(72)	(77)	5	6 %
Non-current state income taxes	1	(4)	5	125 %	—	(8)	8	100 %
Operating income	<u>\$ 191</u>	<u>\$ 128</u>	<u>\$ 63</u>	49 %	<u>\$ 329</u>	<u>\$ 275</u>	<u>\$ 54</u>	20 %

KEY SEGMENT FINANCIAL MEASURES

Sales and Service Revenues

Period-to-period revenues reflect performance under new and ongoing contracts. Changes in sales and service revenues are typically expressed in terms of volume. Unless otherwise described, volume generally refers to increases (or decreases) in reported revenues due to varying production activity levels, delivery rates, or service levels on individual contracts. Volume changes will typically carry a corresponding income change based on the margin rate for a particular contract.

Segment Operating Income

Segment operating income reflects the aggregate performance results of contracts within a segment. Excluded from this measure are certain costs not directly associated with contract performance, such as the Operating FAS/CAS Adjustment and non-current state income taxes. Changes in segment operating income are typically expressed in terms of volume, as discussed above, or performance. Performance refers to changes in contract margin rates. These changes typically relate to profit recognition associated with revisions to estimated costs at completion ("EAC") that reflect improved or deteriorated operating performance on that contract. Operating income changes are accounted for on a cumulative to date basis at the time an EAC change is recorded. Segment operating income may also be affected by, among other things, contract performance, the effects of workforce stoppages, the effects of natural disasters such as hurricanes, resolution of disputed items with the customer, recovery of insurance proceeds, and other discrete events. At the completion of a long-term contract, any originally estimated costs not incurred or reserves not fully utilized, such as warranty reserves, could also impact contract earnings. Where such items have occurred and the effects are material, a separate description is provided.

Cumulative Adjustments

For the three and six months ended June 30, 2022 and 2021, favorable and unfavorable cumulative catch-up margin adjustments were as follows:

(\$ in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Gross favorable adjustments	\$ 106	\$ 62	\$ 213	\$ 148
Gross unfavorable adjustments	(38)	(27)	(100)	(63)
Net adjustments	\$ 68	\$ 35	\$ 113	\$ 85

For the three months ended June 30, 2022, favorable cumulative catch-up margin adjustments were related to risk retirement on *Harrisburg* (LPD 30). During the same period, none of the unfavorable cumulative catch-up margin adjustments were individually significant.

For the six months ended June 30, 2022, favorable cumulative catch-up margin adjustments were related to risk retirement on *Harrisburg* (LPD 30) and *Fort Lauderdale* (LPD 28) following its delivery. During the same period, none of the unfavorable cumulative catch-up margin adjustments were individually significant.

For the three months ended June 30, 2021, favorable cumulative margin catch-up adjustments included a contract incentive on *Jack H. Lucas* (DDG 125) and risk retirement on *Richard M. McCool Jr.* (LPD 29) and *Fort Lauderdale* (LPD 28). During the same period, none of the unfavorable cumulative catch-up margin adjustments were individually significant.

For the six months ended June 30, 2021, favorable cumulative margin catch-up adjustments included risk retirement on *Bougainville* (LHA 8), a contract incentive on *Jack H. Lucas* (DDG 125), and risk retirement on Block IV of the *Virginia* class (SSN 774) submarine program and *Fort Lauderdale* (LPD 28). During the same period, none of the unfavorable cumulative catch-up margin adjustments were individually significant.

Ingalls

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Sales and service revenues	\$ 658	\$ 670	\$ (12)	(2)%	\$ 1,289	\$ 1,319	\$ (30)	(2)%
Segment operating income	106	80	26	33 %	192	171	21	12 %
As a percentage of segment sales	16.1 %	11.9 %			14.9 %	13.0 %		

Sales and Service Revenues

Ingalls revenues for the three months ended June 30, 2022, decreased \$12 million, or 2%, from the same period in 2021, primarily driven by lower revenues in surface combatants, partially offset by higher revenues in amphibious assault ships. Revenues on surface combatants decreased due to lower volumes on *Jeremiah Denton* (DDG 129) and USS *Jack H. Lucas* (DDG 125), partially offset by higher volumes on *Thad Cochran* (DDG 135). Revenues on amphibious assault ships increased due to higher volumes on *Pittsburgh* (LPD 31), *Harrisburg* (LPD 30), LHA 9 (unnamed), and L-Class planning yard services contract, partially offset by lower volumes on *Fort Lauderdale* (LPD 28).

Ingalls revenues for the six months ended June 30, 2022, decreased \$30 million, or 2%, from the same period in 2021, primarily driven by lower revenues in surface combatants, partially offset by higher revenues in amphibious assault ships. Revenues on surface combatants decreased due to lower volumes on *Jeremiah Denton* (DDG 129), USS *Jack H. Lucas* (DDG 125), and *Frank E. Petersen Jr.* (DDG 121), partially offset by higher volumes on *Thad Cochran* (DDG 135). Revenues on amphibious assault ships increased due to higher volumes on LHA 9 (unnamed), *Pittsburgh* (LPD 31), and L-Class planning yard services contract and higher volumes on *Harrisburg* (LPD 30), partially offset by lower volumes on *Fort Lauderdale* (LPD 28) and *Bougainville* (LHA 8).

Segment Operating Income

Ingalls segment operating income for the three months ended June 30, 2022, was \$106 million, compared with segment operating income of \$80 million for the same period in 2021. The increase was primarily driven by favorable changes in contract estimates from facilities capital and price adjustment clauses and higher risk retirement on *Harrisburg* (LPD 30), partially offset by receipt of a contract incentive on USS *Jack H. Lucas* (DDG 125) in 2021.

Ingalls segment operating income for the six months ended June 30, 2022, was \$192 million, compared with segment operating income of \$171 million for the same period in 2021. The increase was primarily driven by favorable changes in contract estimates from facilities capital and price adjustment clauses and higher risk retirement on *Harrisburg* (LPD 30), *Fort Lauderdale* (LPD 28) following its delivery, and *Frank E. Petersen Jr.* (DDG 121), partially offset by receipt of a contract incentive on USS *Jack H. Lucas* (DDG 125) in 2021 and lower risk retirement on *Bougainville* (LHA 8).

Newport News

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Sales and service revenues	\$ 1,433	\$ 1,363	\$ 70	5 %	\$ 2,823	\$ 2,770	\$ 53	2 %
Segment operating income	94	76	18	24 %	175	169	6	4 %
As a percentage of segment sales	6.6 %	5.6 %			6.2 %	6.1 %		

Sales and Service Revenues

Newport News revenues for the three months ended June 30, 2022, increased \$70 million, or 5%, from the same period in 2021, primarily driven by higher revenues in aircraft carriers, partially offset by lower volumes in naval nuclear support services. Aircraft carrier revenues increased primarily as a result of higher volumes on the RCOH of USS *John C. Stennis* (CVN 74), the construction of *Doris Miller* (CVN 81), the construction of *John F. Kennedy* (CVN 79), and *Enterprise* (CVN 80), partially offset by lower volumes on the RCOH of USS *George Washington* (CVN 73). Naval nuclear support services revenues decreased primarily as a result of lower volumes in submarine fleet support services and facility maintenance services, partially offset by higher volumes in carrier fleet support services.

Newport News revenues for the six months ended June 30, 2022, increased \$53 million, or 2%, from the same period in 2021, 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 RCOH of USS *John C. Stennis* (CVN 74), partially offset by lower volumes on the RCOH of USS *George Washington* (CVN 73). Submarine revenues increased due to higher volumes on Block V boats of the *Virginia* class (SSN 774) submarine program and the *Columbia* class (SSBN 826) program, partially offset by lower volumes on Block IV boats of the *Virginia* class (SSN 774) submarine program. Naval nuclear support services revenues decreased primarily as a result of lower volumes in submarine fleet support services and facility maintenance services, partially offset by higher volumes in carrier fleet support services.

Segment Operating Income

Newport News segment operating income for the three months ended June 30, 2022, was \$94 million, compared with segment operating income of \$76 million for the same period in 2021. The increase was primarily due to favorable changes in contract estimates from facilities capital and price adjustment clauses, partially offset by lower risk retirement on the *Virginia* class (SSN 774) submarine program.

Newport News segment operating income for the six months ended June 30, 2022, was \$175 million, compared with segment operating income of \$169 million for the same period in 2021. The increase was primarily due to favorable changes in contract estimates from facilities capital and price adjustment clauses and higher risk retirement on USS *Gerald R. Ford* (CVN 78), partially offset by lower risk retirement on the *Virginia* class (SSN 774) submarine program.

Mission Technologies

(\$ in millions)	Three Months Ended June 30		2022 vs. 2021		Six Months Ended June 30		2022 vs. 2021	
	2022	2021	Dollars	Percent	2022	2021	Dollars	Percent
Sales and service revenues	\$ 600	\$ 237	\$ 363	153 %	\$ 1,190	\$ 496	\$ 694	140 %
Segment operating income	25	13	12	92 %	34	20	14	70 %
As a percentage of segment sales	4.2 %	5.5 %			2.9 %	4.0 %		

Sales and Service Revenues

Mission Technologies revenues for the three months ended June 30, 2022, increased \$363 million, or 153%, from the same period in 2021, primarily due to higher volumes in DFS attributable to the acquisition of Alion in the third quarter of 2021.

Mission Technologies revenues for the six months ended June 30, 2022, increased \$694 million, or 140%, from the same period in 2021, primarily due to higher volumes in DFS attributable to the acquisition of Alion in the third quarter of 2021.

Segment Operating Income

Mission Technologies segment operating income for the three months ended June 30, 2022, was \$25 million, compared with segment operating income of \$13 million for the same period in 2021. The increase was primarily driven by the acquisition of Alion in the third quarter of 2021 and higher equity income, partially offset by higher amortization of purchased intangible assets.

Mission Technologies segment operating income for the six months ended June 30, 2022, was \$34 million, compared with segment operating income of \$20 million for the same period in 2021. The increase was primarily driven by the acquisition of Alion in the third quarter of 2021 and higher equity income, partially offset by higher amortization of purchased intangible assets.

BACKLOG

Total backlog as of June 30, 2022, and December 31, 2021, was approximately \$47.2 billion and \$48.5 billion, respectively. Total backlog includes both funded backlog (firm orders for which funding is contractually obligated by the customer) and unfunded backlog (firm orders for which funding is not currently contractually obligated by the customer). Backlog excludes unexercised contract options and unfunded Indefinite Delivery/Indefinite Quantity orders. For contracts having no stated contract values, backlog includes only the amounts committed by the customer.

The following table presents funded and unfunded backlog by segment as of June 30, 2022, and December 31, 2021:

(\$ in millions)	June 30, 2022			December 31, 2021		
	Funded	Unfunded	Total Backlog	Funded	Unfunded	Total Backlog
Ingalls	\$ 10,208	\$ 940	\$ 11,148	\$ 10,216	\$ 792	\$ 11,008
Newport News	13,025	18,386	31,411	11,121	21,198	32,319
Mission Technologies	1,361	3,289	4,650	1,334	3,789	5,123
Total backlog	\$ 24,594	\$ 22,615	\$ 47,209	\$ 22,671	\$ 25,779	\$ 48,450

Approximately 18% of the \$48.5 billion total backlog as of December 31, 2021, is expected to be converted into sales in 2022. U.S. Government orders comprised substantially all of the backlog as of June 30, 2022, and December 31, 2021.

Awards

The value of new contract awards during the six months ended June 30, 2022, was approximately \$4 billion, including an award for the construction of DDG 139 (unnamed).

LIQUIDITY AND CAPITAL RESOURCES

We seek to efficiently convert operating results into cash for deployment in operating our businesses, implementing our business strategy, and maximizing stockholder value. We use various financial measures to assist in capital deployment decision making, including net cash provided by operating activities and free cash flow. We believe these measures are useful to investors in assessing our financial performance.

The following table summarizes key components of cash flow provided by operating activities:

(\$ in millions)	Six Months Ended June 30		2022 vs. 2021 Dollars
	2022	2021	
Net earnings	\$ 318	\$ 277	\$ 41
Depreciation and amortization	178	131	47
Provision for doubtful accounts	(7)	—	(7)
Stock-based compensation	16	12	4
Deferred income taxes	(1)	31	(32)
Loss (gain) on investments in marketable securities	26	(12)	38
Retiree benefits	(65)	(70)	5
Trade working capital increase	(281)	(230)	(51)
Net cash provided by operating activities	<u>\$ 184</u>	<u>\$ 139</u>	<u>\$ 45</u>

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage both to optimize our equity return and to pursue acquisitions. We expect to meet our current debt obligations as they come due through internally generated funds from current levels of operations and/or through refinancing in the debt markets prior to the maturity dates of our debt.

Cash Flows

We discuss below our significant operating, investing, and financing activities affecting cash flows for the six months ended June 30, 2022 and 2021, as classified on our unaudited condensed consolidated statements of cash flows.

Operating Activities

Cash provided by operating activities for the six months ended June 30, 2022, was \$184 million, compared with \$139 million provided by operating activities for the same period in 2021. The favorable change in operating cash flow was primarily due to higher earnings, lower contributions to retiree benefit plans, and lower income tax payments, partially offset by changes in trade working capital and higher interest payments. The change in trade working capital was primarily driven by the timing of receipts of accounts receivable and payments of accounts payable.

We expect cash generated from operations in combination with our current cash and cash equivalents, as well as existing credit facilities, to be sufficient to service debt and retiree benefit plans, meet contractual obligations, and finance capital expenditures for at least the 12 months beginning July 1, 2022, and beyond such 12-month period based on our current business plan.

Investing Activities

Cash used in investing activities for the six months ended June 30, 2022, was \$101 million, compared with \$134 million used in investing activities for the same period in 2021. The change in investing cash was driven by lower capital expenditures in 2022 and contribution of our San Diego Shipyard to a joint venture in 2021, partially offset by

the disposition of our oil and gas business in 2021. For 2022, we expect our capital expenditures for maintenance and sustainment to be approximately 1.0% of annual revenues and our discretionary capital expenditures to be approximately 1.5% to 2.0% of annual revenues.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2022, was \$335 million, compared with \$169 million used in financing activities for the same period in 2021. The change in financing cash was primarily due to an increase in the repayment of long-term debt of \$200 million, an increase of \$7 million in employee taxes on certain share-based payment arrangements, and a \$2 million increase in cash dividend payments, partially offset by a decrease of \$43 million in common stock repurchases.

Free Cash Flow

Free cash flow represents cash provided by operating activities less capital expenditures net of related grant proceeds. 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 by operating activities as a measure of our liquidity. We believe free cash flow is an important liquidity measure for our investors because it provides 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.

The following table reconciles net cash provided by operating activities to free cash flow:

(\$ in millions)	Six Months Ended June 30		2022 vs. 2021
	2022	2021	Dollars
Net cash provided by operating activities	\$ 184	\$ 139	\$ 45
Less capital expenditures:			
Capital expenditure additions	(102)	(134)	32
Grant proceeds for capital expenditures	—	2	(2)
Free cash flow	<u>\$ 82</u>	<u>\$ 7</u>	<u>\$ 75</u>

Free cash flow for the six months ended June 30, 2022, increased \$75 million from the same period in 2021, primarily due to higher earnings, lower capital expenditures, lower contributions to retiree benefit plans, and lower income tax payments, partially offset by changes in trade working capital and higher interest payments.

Governmental Regulation and Supervision

The U.S. Government has the ability, pursuant to regulations relating to contractor business systems, to decrease or withhold contract payments if it determines significant deficiencies exist in one or more such systems. As of June 30, 2022 and 2021, the cumulative amounts of payments withheld by the U.S. Government under our contracts subject to these regulations were not material to our liquidity or cash flows.

Off-Balance Sheet Arrangements

In the ordinary course of business, we use letters of credit issued by commercial banks to support certain leases, insurance policies, and contractual performance obligations, as well as surety bonds issued by insurance companies principally to support our self-insured workers' compensation plans. As of June 30, 2022, \$15 million in letters of credit were issued but undrawn and \$276 million of surety bonds were outstanding. As of June 30, 2022, we had no other significant off-balance sheet arrangements.

ACCOUNTING STANDARDS UPDATES

See Note 3: Accounting Standards Updates in Part I, Item 1 for information related to accounting standards updates.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

Statements in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission ("SEC"), as well as other statements we may make from time to time, 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, including the COVID-19 pandemic, and the impacts of vaccination mandates on our workforce;
- Our ability to effectively integrate the operations of Alion into our business;
- Disruptions impacting global supply, including those attributable to the ongoing COVID-19 pandemic and those resulting from 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 herein and in our other filings with the SEC.

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 or revise any forward-looking statements. You should not place undue reliance on any forward looking statements that we may make.

GLOSSARY OF PROGRAMS

Included below are brief descriptions of some of the programs discussed in this Quarterly Report on Form 10-Q.

Program Name	Program Description
<i>America</i> class (LHA 6) amphibious assault ships	Design and build large deck amphibious assault ships that provide forward presence and power projection as an integral part of joint, interagency and multinational maritime expeditionary forces. The <i>America</i> class (LHA 6) ships, together with the <i>Wasp</i> class (LHD 1) ships, are the successors to the decommissioned <i>Tarawa</i> class (LHA 1) ships. The <i>America</i> class (LHA 6) ships optimize aviation operations and support capabilities. In 2020, we delivered USS <i>Tripoli</i> (LHA 7), and we were awarded a long-lead-time material and construction contract for LHA 9 (unnamed). We are currently constructing <i>Bougainville</i> (LHA 8).
<i>Arleigh Burke</i> class (DDG 51) destroyers	Build guided missile destroyers designed for conducting anti-air, anti-submarine, anti-surface, and strike operations. The Aegis-equipped <i>Arleigh Burke</i> class (DDG 51) destroyers are the U.S. Navy's primary surface combatant, and have been constructed in variants, allowing technological advances during construction. We delivered USS <i>Paul Ignatius</i> (DDG 117), USS <i>Delbert D. Black</i> (DDG 119), and <i>Frank E. Petersen Jr.</i> (DDG121) in 2019, 2020, and 2021, respectively. We have contracts to construct the following <i>Arleigh Burke</i> class (DDG 51) destroyers: <i>Lenah H. Sutcliffe Higbee</i> (DDG 123), <i>Jack H. Lucas</i> (DDG 125), <i>Ted Stevens</i> (DDG 128), <i>Jeremiah Denton</i> (DDG 129), <i>George M. Neal</i> (DDG 131), <i>Sam Nunn</i> (DDG 133), <i>Thad Cochran</i> (DDG 135), <i>John F. Lehman</i> (DDG 137), and DDG 139 (unnamed).
Carrier RCOH	Perform refueling and complex overhaul ("RCOH") of nuclear-powered aircraft carriers, which is required at the mid-point of their 50-year life cycle. USS <i>George Washington</i> (CVN 73) arrived at Newport News for the start of its RCOH in August 2017, and USS <i>John C. Stennis</i> (CVN 74) arrived at Newport News for the start of its RCOH in May 2021.
<i>Columbia</i> class (SSBN 826) submarines	Newport News is participating in designing the <i>Columbia</i> class submarine as a replacement for the current aging <i>Ohio</i> class nuclear ballistic missile submarines, which were first introduced into service in 1981. The <i>Ohio</i> class SSBN includes 14 nuclear ballistic missile submarines and four nuclear cruise missile submarines. The <i>Columbia</i> class program plan of record is to construct 12 new ballistic missile submarines. The U.S. Navy has initiated the design process for the new class of submarines, and, in early 2017, the DoD signed the acquisition decision memorandum approving the <i>Columbia</i> class program's Milestone B, which formally authorizes the program's entry into the engineering and manufacturing development phase. We perform design work as a subcontractor to Electric Boat, and we have entered into a teaming agreement with Electric Boat to build modules for the entire <i>Columbia</i> class (SSBN 826) submarine program that leverages our <i>Virginia</i> class (SSN 774) experience. We have been awarded contracts from Electric Boat for integrated product and process development, providing long-lead-time material and advance construction, and construction of the first two boats of the <i>Columbia</i> class (SSBN 826) program. Construction of the first <i>Columbia</i> class (SSBN 826) submarine began in 2020.
Defense and federal solutions ("DFS")	Develops integrated solutions that enable today's connected, all-domain force. Capabilities include: C5ISR systems and operations; the application of artificial intelligence ("AI") and machine learning to battlefield decisions; defensive and offensive cyberspace strategies and electronic warfare ("EW"); and live, virtual, and constructive ("LVC") solutions.

Fleet sustainment

Maintains and modernizes a significant majority of the U.S. Navy fleet, from small watercraft to submarines, combatants, and aircraft carriers, our systems and maintenance experts help the Navy maintain a high state of readiness. Ensures effective system operation and sustainment by actively supporting design and decision-making processes through studies, analyses, and reviews of program documents, and provides a wide range of logistics products.

USS *Gerald R. Ford* class (CVN 78) aircraft carriers

Design and construction for the *Ford* class program, which is the aircraft carrier replacement program for the decommissioned *Enterprise* (CVN 65) and *Nimitz* class (CVN 68) aircraft carriers. USS *Gerald R. Ford* (CVN 78), the first ship of the *Ford* class, was delivered to the U.S. Navy in the second quarter of 2017. In June 2015, we were awarded a contract for the detail design and construction of *John F. Kennedy* (CVN 79), following several years of engineering, advance construction, and purchase of long-lead-time components and material. In addition, we have received awards for detail design and construction of *Enterprise* (CVN 80) and *Doris Miller* (CVN 81). This category also includes the class' non-recurring engineering. The class is expected to bring improved warfighting capability, quality of life improvements for sailors, and reduced life cycle costs.

Legend class National Security Cutter

Design and build the U.S. Coast Guard's National Security Cutters ("NSCs"), the largest and most technically advanced class of cutter in the U.S. Coast Guard. The NSC is equipped to carry out maritime homeland security, maritime safety, protection of natural resources, maritime mobility, and national defense missions. The plan is for a total of 11 ships, of which the first nine ships have been delivered. *Calhoun* (NSC 10) and *Friedman* (NSC 11) are currently under construction.

Naval nuclear support services

Provide services to and in support of the U.S. Navy, ranging from services supporting the Navy's carrier and submarine fleets to maintenance services at U.S. Navy training facilities. Naval nuclear support services include design, construction, maintenance, and disposal activities for in-service U.S. Navy nuclear ships worldwide through mobile and in-house capabilities. Services include maintenance services on nuclear reactor prototypes.

Nuclear and environmental services

Supports the national security mission of the Department of Energy ("DoE") through the management and operation of its sites, as well as the safe cleanup of legacy waste across the country. We meet our clients' toughest nuclear and environmental challenges and are positioned to serve the growing commercial nuclear power plant decommissioning market. We participate in several joint ventures, including Newport News Nuclear BWXT Los Alamos, LLC ("N3B"), Mission Support and Test Services, LLC ("MSTS"), and Savannah River Nuclear Solutions, LLC ("SRNS"), and we are an integrated subcontractor to Triad National Security. N3B was awarded the Los Alamos Legacy Cleanup Contract at the DoE/National Nuclear Security Administration's Los Alamos National Laboratory. MSTS was awarded a contract for site management and operations at the Nevada National Security Site. SRNS provides site management and operations at the DoE's Savannah River Site near Aiken, South Carolina. Triad provides site management and operations at the DoE's Los Alamos National Laboratory.

San Antonio class (LPD 17) amphibious transport dock ships

Design and build amphibious transport dock ships, which are warships that embark, transport, and land elements of a landing force for a variety of expeditionary warfare missions, and also serve as the secondary aviation platform for Amphibious Readiness Groups. The *San Antonio* class (LPD 17) is the newest addition to the U.S. Navy's 21st century amphibious assault force, and these ships are a key element of the U.S. Navy's seabase transformation. In 2022, we delivered *Fort Lauderdale* (LPD 28). We are currently constructing *Richard M. McCool Jr.* (LPD 29) and *Harrisburg* (LPD 30). In 2020, we were awarded a contract to construct *Pittsburgh* (LPD 31).

Unmanned systems

Creates advanced unmanned maritime solutions for defense, marine research, and commercial applications. Serving customers in more than 30 countries, unmanned systems provides design, autonomy, manufacturing, testing, operations, and sustainment of unmanned systems, including unmanned underwater vehicles and unmanned surface vessels.

Virginia class (SSN 774) fast attack submarines

Construct attack submarines as the principal subcontractor to Electric Boat. The *Virginia* class (SSN 774) is a post-Cold War design tailored to excel in a wide range of warfighting missions, including anti-submarine and surface ship warfare; special operation forces; strike; intelligence, surveillance, and reconnaissance; carrier and expeditionary strike group support; and mine warfare.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk, primarily related to interest rates and foreign currency exchange rates.

Interest Rates - Our floating rate financial instruments subject to interest rate risk include a \$650 million Term Loan, a \$1.5 billion Revolving Credit Facility, and a \$1 billion commercial paper program. As of June 30, 2022, we had \$425 million outstanding on the Term Loan and no indebtedness outstanding under our Revolving Credit Facility or our commercial paper program. Based on the amounts outstanding under our Term Loan as of June 30, 2022, an increase of 1% in interest rates would increase the interest expense on our debt by approximately \$4 million on an annual basis.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2022. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2022, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to management to allow their timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

On August 19, 2021, the Company completed the acquisition of Alion. The Company is in the process of implementing its internal control structure over Alion operations, and the process must be completed within one year of the acquisition.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about legal proceedings in which we are involved in the unaudited condensed consolidated financial statements in Part I, Item 1, which is incorporated herein by reference. In addition to the matters disclosed in Part I, Item 1, we are a party to various investigations, lawsuits, claims, and other legal proceedings that arise in the ordinary course of our business. Based on information available to us, we do not believe at this time that any of such other matters will individually, or in the aggregate, have a material adverse effect on our financial condition, results of operations, or cash flows. For further information on the risks we face from existing and future investigations, lawsuits, claims, and other legal proceedings, please see "Risk Factors" in Item 1A below.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10–Q, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors in the 2021 Form 10–K, which could materially affect our business, financial condition, or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases under our stock repurchase program are made from time to time at management's discretion in accordance with applicable federal securities laws. All repurchases of HII common stock have been recorded as treasury stock. The following table summarizes information relating to purchases made by or on behalf of the Company of shares of the Company's common stock during the quarter ended June 30, 2022.

Period	Total Number of Shares Purchased ¹	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions) ^{2, 3}
April 1, 2022 to April 30, 2022	9,754	\$ 208.87	9,050	\$ 1,029.2
May 1, 2022 to May 31, 2022	14,084	205.83	14,084	1,026.3
June 1, 2022 to June 30, 2022	57,558	211.96	57,323	1,014.2
Total	81,396	\$ 210.53	80,457	\$ 1,014.2

¹We purchased an aggregate of 80,457 shares of our common stock in the open market pursuant to our repurchase program and 939 shares were transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted performance stock rights during the period.

²From the stock repurchase program's inception through June 30, 2022, we have purchased 13,526,306 shares at an average price of \$161.60 per share for a total of \$2.2 billion.

³In October 2012, we commenced our stock repurchase program. In November 2019, we announced an increase in the stock repurchase program to \$3.2 billion and an extension of the term to October 31, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

- 3.1 [Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., filed March 30, 2011 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 4, 2011\).](#)
- 3.2 [Certificate of Amendment to the Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., dated May 28, 2014 \(incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2014\).](#)
- 3.3 [Certificate of Amendment to the Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., dated May 21, 2015 \(incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2015\).](#)
- 3.4 [Certificate of Amendment to the Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., dated May 12, 2021 \(incorporated by reference to Annex B to the Proxy Statement filed on March 19, 2021\).](#)
- 3.5 [Restated Bylaws of Huntington Ingalls Industries, Inc. \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 30, 2021\).](#)
- 10.1 [Huntington Ingalls Industries, Inc. 2022 Long-Term Incentive Stock Plan \(incorporated herein by reference to Annex B to the Company's definitive proxy statement filed on March 21, 2022\).](#)
- 10.2 [Terms and Conditions Applicable to Restricted Performance Stock Rights Granted Under the 2022 Long-Term Incentive Stock Plan.](#)
- 10.3 [Terms and Conditions Applicable to Restricted Stock Rights \(1-year vesting\) Granted Under the 2022 Long-Term Incentive Stock Plan.](#)
- 10.4 [Terms and Conditions Applicable to Restricted Stock Rights \(2-year vesting\) Granted Under the 2022 Long-Term Incentive Stock Plan.](#)
- 10.5 [Terms and Conditions Applicable to Restricted Stock Rights \(3-year vesting\) Granted Under the 2022 Long-Term Incentive Stock Plan.](#)
- 10.6 [Terms and Conditions Applicable to Non-Employee Director Stock Grants Under the 2022 Long-Term Incentive Stock Plan.](#)
- 31.1 [Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14\(a\)/15d-14\(a\), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14\(a\)/15d-14\(a\), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certificate of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certificate of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information for the Company, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Comprehensive Income, (ii) the Condensed Consolidated Statements of Financial Position, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Changes in Equity, and (v) the Notes to Condensed Consolidated Financial Statements.
- 104 The cover page from the Company's Quarterly Report on Form 10-Q, formatted in Inline XBRL and contained in Exhibit 101.

SIGNATURES

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

Date: August 4, 2022

Huntington Ingalls Industries, Inc.
(Registrant)

By: /s/ Nicolas Schuck
Nicolas Schuck
Corporate Vice President, Controller and Chief Accounting Officer
(Duly Authorized Officer and Principal Accounting Officer)

HUNTINGTON INGALLS INDUSTRIES, INC.
TERMS AND CONDITIONS APPLICABLE TO
20__ RESTRICTED PERFORMANCE STOCK RIGHTS
GRANTED UNDER THE 2022 LONG-TERM INCENTIVE STOCK PLAN ("PLAN")

These Terms and Conditions ("Terms") apply to certain "Restricted Performance Stock Rights" ("RPSRs") granted by Huntington Ingalls Industries, Inc. (the "Company") in 20__. If you were granted an RPSR award by the Company in 2021, the date of grant of your RPSR award and the target number of RPSRs applicable to your award are set forth in the letter from the Company announcing your RPSR award grant (your "Grant Letter") and are also reflected in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Company or its designee. These Terms apply only with respect to your 20__ RPSR award. If you were granted an RPSR award, you are referred to as the "Grantee" with respect to your award. Capitalized terms are generally defined in the Plan, unless defined in Section 9 below or elsewhere defined herein.

Each RPSR represents a right to receive one Share of the Company's common stock, or cash of equivalent value as provided herein, subject to vesting as provided herein. The performance period applicable to your award is January 1, 20__ to December 31, 20__ (the "Performance Period"). The target number of RPSRs subject to your award is subject to adjustment as provided herein. The RPSR award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Committee, as such rules are in effect from time to time.

1. Vesting; Payment of RPSRs.

The RPSRs are subject to the vesting and payment provisions established (or to be established, as the case may be) by the Committee with respect to the Performance Period. RPSRs that vest based on such provisions will be paid as provided below. No fractional shares will be issued.

1.1 *Performance-Based Vesting of RPSRs.* At the conclusion of the Performance Period, the Committee shall determine whether and the extent to which the applicable performance criteria have been achieved for purposes of determining earnouts and RPSR payments. Based on its determination, the Committee shall determine the percentage of target RPSRs subject to the award (if any) that have vested for the Performance Period in accordance with the earnout schedule established (or to be established, as the case may be) by the Committee with respect to the Performance Period (the "Earnout Percentage"). Any RPSRs subject to the award that are not vested as of the conclusion of the Performance Period after giving effect to the Committee's determinations under this Section 1.1 shall terminate and become null and void immediately following such determinations.

1.2 *Payment of RPSRs.* The number of RPSRs payable at the conclusion of the Performance Period ("Earned RPSRs") shall be determined by multiplying the Earnout Percentage by the target

number of RPSRs subject to the award. The Earned RPSRs may be paid out in either an equivalent number of Shares of common stock, or, in the discretion of the Committee, in cash or in a combination of Shares of common stock and cash. In the event of a cash payment, the amount of the payment for each Earned RPSR to be paid in cash will equal the Fair Market Value of a Share of common stock as of the date the Committee determines the extent to which the applicable RPSR performance criteria have been achieved. RPSRs will be paid in the calendar year following the calendar year containing the last day of the Performance Period (and generally will be paid on or before March 15 of such year).

2. Early Termination of Award; Termination of Employment.

2.1 *General.* The RPSRs subject to the award shall terminate and become null and void prior to the conclusion of the Performance Period if and when (a) the award terminates in connection with a Change in Control pursuant to Section 5 below, or (b) except as provided below in this Section 2 and in Section 5, the Grantee ceases for any reason to be an employee of the Company or one of its subsidiaries.

2.2 *Termination of Employment Due to Retirement, Death, Disability, or Layoff.* The number of RPSRs subject to the award shall vest on a prorated basis as provided herein if the Grantee's

employment by the Company and its subsidiaries terminates due to the Grantee's Retirement, death, Disability, or Layoff, and, in each case, only if the Grantee has completed at least six (6) consecutive calendar months of employment with the Company or a subsidiary during the Performance Period. Such prorating of RPSRs shall be based on the number of full months the Grantee was actually employed by the Company or one of its subsidiaries out of the thirty-six month Performance Period. Partial months of employment during the Performance Period, even if substantial, shall not be counted for purposes of prorated vesting. Any RPSRs subject to the award that do not vest in accordance with this Section 2.2 upon a termination of the Grantee's employment due to Retirement, death, Disability, or Layoff shall terminate immediately upon such termination of employment.

Death or Disability. In the case of death or Disability during the first or second calendar year of the Performance Period (a) the Performance Period used to calculate the Grantee's Earned RPSRs will be deemed to have ended as of the last day of the calendar year in which the death or Disability occurs, (b) the Earnout Percentage of the Grantee's RPSRs will be determined based on actual performance for that short Performance Period, and (c) payment of Earned RPSRs will be made in the calendar year following the calendar year containing the last day of that short Performance Period (and generally will be paid on or before March 15 of such year). In the case of death or Disability during the third calendar year of the Performance Period, (a) the entire Performance Period will be used to calculate the Grantee's Earned RPSRs, (b) the Earnout Percentage of the Grantee's RPSRs will be determined based on actual performance for the Performance Period, and (c) payment of Earned RPSRs will be made in the calendar year following the calendar year containing the last day of the Performance Period (and generally will be paid on or before March 15 of such year).

Retirement in General or Layoff. Subject to the following provisions of this Section 2.2, in the case of Retirement or Layoff, (a) the entire Performance Period will be used to calculate the Grantee's Earned RPSRs, (b) the Earnout Percentage of the Grantee's RPSRs will be determined based on actual performance for the Performance Period, and (c) payment of Earned RPSRs will be made in the calendar year following the calendar year containing the last day of the Performance Period (and generally will be paid on or before March 15 of such year).

In determining the Grantee's eligibility for Retirement, service is measured by dividing (a) the number of days the Grantee was employed by the Company or a subsidiary in the period commencing with his or her last date of hire by the Company or a subsidiary through and including the date on which the Grantee is last employed by the Company or a subsidiary, by (b) 365. If the Grantee ceased to be employed by the Company or a subsidiary and was later rehired by the Company or a subsidiary, the Grantee's service prior to the break in service shall be disregarded in determining service for such purposes; provided that, if the Grantee's employment with the Company or a subsidiary had terminated due to the Grantee's Retirement, or by the Company or a subsidiary as part of a reduction in force (in each case, other than a termination by the Company or a subsidiary for cause) and, within the two-year period following such termination of employment (the "break in service") the Grantee was subsequently rehired by the Company or a subsidiary, then the Grantee's period of service with the Company or a subsidiary prior to and ending with the break in service will be included in determining service for such purposes. In the event the Grantee is employed by a business that is acquired by the Company or a subsidiary, the Company shall have discretion to determine whether the Grantee's service prior to the acquisition will be included in determining service for such purposes.

Retirement Due to Government Service. In the case of a Governmental Service Retirement by the Grantee (a) the Performance Period used to calculate the Grantee's Earned RPSRs will be deemed to have ended as of the most recent date that performance has been measured by the Company with respect to the RPSRs prior to the Grantee's Retirement (including measurement for purposes of the Company's Form 10-Q, but in no event shall such date be more than one year before the Grantee's Retirement), (b) the Earnout Percentage of the Grantee's RPSRs will be determined based on actual performance for that short Performance Period, and (c) payment of Earned RPSRs will be made within 10 days after Retirement.

2.3 Other Terminations of Employment. Subject to Section 5.2, all RPSRs subject to the award terminate immediately upon a termination of the Grantee's employment: (a) for any reason other than due to the Grantee's Retirement, death, Disability, or Layoff; or (b) for Retirement, death, Disability, or Layoff, if the six-month employment requirement under Section 2.2 above is not satisfied.

2.4 Leave of Absence. Unless the Committee otherwise provides (at the time of the leave or otherwise), if the Grantee is granted a leave of absence by the Company, the Grantee (a) shall not be deemed to have incurred a termination of employment at the time such leave commences for purposes of the award, and (b) shall be deemed to be employed by the Company for the duration of such approved leave of absence for purposes of the award. A termination of employment shall be deemed to have occurred if the Grantee does not timely return to active employment upon the expiration of such approved leave or if the Grantee commences a leave that is not approved by the Company.

2.5 Salary Continuation. Subject to Section 2.4 above, the term "employment" as used herein means active employment by the Company and salary continuation without active employment (other than a leave of absence approved by the Company that is covered by Section 2.4) will not, in and of itself, constitute "employment" for purposes hereof (in the case of salary continuation without active employment, the Grantee's cessation of active employee status shall, subject to Section 2.4, be deemed to be a termination of "employment" for purposes hereof). Furthermore, salary continuation will not, in and of itself, constitute a leave of absence approved by the Company for purposes of the award.

2.6 Sale or Spinoff of Subsidiary or Business Unit. For purposes of the RPSRs subject to the award, a termination of employment of the Grantee shall be deemed to have occurred if the Grantee is employed by a subsidiary or business unit and that subsidiary or business unit is sold, spun off, or otherwise divested, the Grantee does not otherwise continue to be employed by the Company or one of its subsidiaries after such event, and the divested entity or business (or its successor or a parent company) does not assume the award in connection with such transaction. In the event of such a termination of employment, the termination shall be deemed to be a Retirement treated as provided for in Section 2.2 (subject to Section 5).

2.7 Continuance of Employment Required. Except as expressly provided in Sections 2.2 and 2.4 above and in Section 5 below, the vesting of the RPSRs subject to the award requires continued employment through the last day of the Performance Period as a condition of the payment of such RPSRs. Employment for only a portion of the Performance Period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or

following a termination of employment. Nothing contained in these Terms, the Grant Letter, the Stock Plan System, or the Plan constitutes an employment commitment by the Company or any subsidiary, affects the Grantee's status (if the Grantee is otherwise an at-will employee) as an employee at will who is subject to termination without cause, confers upon the Grantee any right to continue in the employ of the Company or any subsidiary, or interferes in any way with the right of the Company or of any subsidiary to terminate such employment at any time.

2.8 Death. In the event of the Grantee's death subsequent to the vesting of RPSRs but prior to the delivery of shares or other payment with respect to such RPSRs, the Grantee's Successor shall be entitled to any payments to which the Grantee would have been entitled under these Terms with respect to such RPSRs.

3. Non-Transferability and Other Restrictions.

3.1 Non-Transferability. The award, as well as the RPSRs subject to the award, are nontransferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to transfers to the Company or transfers by will or the laws of descent and distribution. Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company's ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements.

3.2 Recoupment of Awards. Any payments or issuances of shares with respect to the award are subject to recoupment pursuant to the Company's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time as well as any recoupment or similar provisions of applicable law, and the Grantee shall promptly make any reimbursement requested by the Board or Committee pursuant to such policy or applicable law with respect to the award. Further, the Grantee agrees, by accepting the award, that the Company and its affiliates may deduct from any amounts it may owe the Grantee from time to time (such as wages or other compensation) to the extent of any amounts the Grantee is required to reimburse

the Company pursuant to such policy or applicable law with respect to the award.

4. Compliance with Laws; No Stockholder Rights Prior to Issuance; Dividend Equivalent Rights.

4.1 *Compliance with Laws.* The Company's obligation to make any payments or issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed.

4.2 *Limitations on Rights Associated with RPSRs.* The Grantee shall not have the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends (except as expressly provided in Section 4.3), with respect to any shares which may be issued in respect of the RPSRs until the date appearing on the certificate(s) for such shares (or, in the case of shares entered in book entry form, the date that the shares are actually recorded in such form for the benefit of the Grantee), if such shares become deliverable.

4.3 *Dividend Equivalent Rights.* Not later than 60 days following each date that the Company pays an ordinary cash dividend on its common stock (if any), the Company shall credit the Grantee with an additional number of RPSRs equal to the quotient of (A) the product of (i) the per share cash dividend paid by the Company on its common stock on such date, multiplied by (ii) the total number of target RPSRs (including any dividend equivalents previously credited hereunder) (with such total number adjusted pursuant to Section 5) subject to the RPSR award as of the related dividend payment record date, divided by (B) the Fair Market Value of a Share of common stock on the date of payment of such dividend. Any RPSRs credited pursuant to the foregoing provisions of this Section 4.3 shall be added to the number of target RPSRs awarded to the Grantee and shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original RPSRs to which they relate. No crediting of RPSRs shall be made pursuant to this Section 4.3 with respect to any RPSRs which, as of such record date, have been paid pursuant to Section 1.

5. Adjustments; Change in Control.

5.1 *Adjustments.* The RPSRs and the shares subject to the award are subject to adjustment upon

the occurrence of events such as stock splits, stock dividends and other changes in capitalization in accordance with Section 4.3 of the Plan. In addition, for RPSRs that do not use a relative total shareholder return metric as the applicable performance criterion, the Committee shall adjust the applicable performance criteria to eliminate the effects of the gain, loss, income or expense or other extraordinary items resulting from (i) changes in accounting principles that become effective during the Performance Period, (ii) the purchase or disposition of a business during the Performance Period, and (iii) extraordinary charges not foreseen at the date of grant of the RPSRs, provided that the Committee shall have the discretion not to make any such adjustment if not making such adjustment would result in a reduction in the number of Earned RPSRs. In the event of any adjustment, the Company will give the Grantee written notice thereof which will set forth the nature of the adjustment.

5.2 *Possible Vesting Acceleration on Change in Control.* Notwithstanding the provisions of Section 2 hereof, and further subject to the Company's ability to terminate the award as provided in Section 5.3 below, the Grantee shall be entitled to vesting of the award as provided below in the event of the Grantee's termination of employment in the following circumstances:

(a) if the Grantee is covered by a Change in Control Severance Arrangement at the time of the termination, and the termination of employment constitutes a "Qualifying Termination" (as such term, or any similar successor term, is defined in such Change in Control Severance Arrangement) that triggers the Grantee's right to severance benefits under such Change in Control Severance Arrangement.

(b) if the Grantee is not covered by a Change in Control Severance Arrangement at the time of the termination, the termination occurs either within the Protected Period corresponding to a Change in Control of the Company or within twenty-four (24) calendar months following the date of a Change in Control of the Company, and the Grantee's employment by the Company and its subsidiaries is involuntarily terminated by the Company and its subsidiaries for reasons other than Cause or by the Grantee for Good Reason.

Notwithstanding anything else contained herein to the contrary, the termination of the Grantee's employment (or other events giving rise to Good Reason) shall not entitle the Grantee to any

accelerated vesting pursuant to clause (b) above if there is objective evidence that, as of the commencement of the Protected Period, the Grantee had specifically been identified by the Company as an employee whose employment would be terminated as part of a corporate restructuring or downsizing program that commenced prior to the Protected Period and such termination of employment was expected at that time to occur within six (6) months. The applicable Change in Control Severance Arrangement shall govern the matters addressed in this paragraph as to clause (a) above.

In the event the Grantee is entitled to payment in accordance with the foregoing provisions of this Section 5.2, then the Grantee will be eligible for payment of a number of RPSRs determined in accordance with the following formula: (a) the Earnout Percentage determined in accordance with Section 1 but calculated based on performance for the portion of the Performance Period ending on the last day of the month coinciding with or immediately preceding the date of the termination of the Grantee's employment, multiplied by (b) the target number of RPSRs subject to the award. Payment of any amount due under this Section 5.2 will be made in the calendar year following the calendar year containing the last day of the Performance Period (and generally will be paid on or before March 15 of such year) unless the Grantee dies or has a Disability, in which case such payment will be made within 2.5 months following the date of the Grantee's death or Disability, as the case may be. In the event the Grantee is entitled to payment in accordance with the foregoing provisions of this Section 5.2, then this Section 5.2 shall control as to the amount and timing of the payment of the award notwithstanding anything in Section 2.2 to the contrary.

5.3 Automatic Vesting Acceleration; Early Termination. If the Company undergoes a Change in Control triggered by clause (iii) or (iv) of the definition thereof and the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control, or if for any other reason the award would not continue after the Change in Control, then upon the Change in Control the Grantee shall be entitled to a payment of the RPSRs as provided below and the award shall terminate. Unless the Committee expressly provides otherwise in the circumstances, no acceleration of vesting of the award shall occur pursuant to this Section 5.3 in connection with a

Change in Control if either (a) the Company is the surviving entity, or (b) the successor to the Company (if any) (or a Parent thereof) agrees in writing prior to the Change in Control to assume the award. The Committee may make adjustments pursuant to Section 6(a) of the Plan and/or deem an acceleration of vesting of the award pursuant to this Section 5.3 to occur sufficiently prior to an event if necessary or deemed appropriate to permit the Grantee to realize the benefits intended to be conveyed with respect to the shares underlying the award; provided, however, that, the Committee shall reinstate the original terms of the award if the related event does not actually occur.

In the event the Grantee is entitled to a payment in accordance with the foregoing provisions of this Section 5.3, then the Grantee will be eligible for payment of a number of RPSRs determined in accordance with the following formula: (a) the Earnout Percentage determined in accordance with Section 1 but calculated based on performance for the portion of the Performance Period ending on the date of the Change in Control of the Company, multiplied by (b) the target number of RPSRs subject to the award.

Payment of any amount due under this Section 5.3 will be made in the calendar year following the calendar year containing the last day of the Performance Period (and generally will be paid on or before March 15 of such year) unless: (i) the Grantee dies or has a Disability, in which case such payment will be made within 2.5 months following the date of the Grantee's death or Disability, as the case may be, or (ii) a Governmental Service Retirement by the Grantee, in which case payment will be made within 10 days after Retirement. In the event the Grantee is employed by the Company or a subsidiary immediately prior to the Change in Control and is entitled to payment in accordance with the foregoing provisions of this Section 5.3, then this Section 5.3 shall control as to the amount and timing of the payment of the award notwithstanding anything in Section 2.2 or 5.2 to the contrary.

In the event of the Grantee's Retirement pursuant to Section 2.2 (or deemed Retirement pursuant to Section 2.6) prior to a Change in Control described in the first paragraph of this Section 5.3 in which the award is to be terminated, the Earnout Percentage shall no longer be based on the portion of the Performance Period otherwise considered for purposes of Section 2.2 but shall instead be calculated based on performance for the portion of

the Performance Period ending on the date of the Change in Control of the Company.

6. Tax Matters.

6.1 Tax Withholding. The Company or the subsidiary which employs the Grantee shall be entitled to require, as a condition of making any payments or issuing any shares upon vesting of the RPSRs, that the Grantee or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such vesting or payment. Alternatively, the Company or such subsidiary, in its discretion, may make such provisions for the withholding of taxes as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Grantee or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy such withholding obligations at the flat percentage rates applicable to supplemental wages).

6.2 Transfer Taxes. The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the vesting of the RPSRs.

6.3 Compliance with Code. The Committee shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

6.4 Unfunded Arrangement. The right of the Grantee to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Grantee nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

7. Plan; Amendment.

The RPSRs subject to the award are governed by, and the Grantee's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Committee, as the foregoing may be amended from time to time. The Grantee shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the

provisions of the Grant Letter and/or the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall control.

8. Required Holding Period.

The holding requirements of this Section 8 shall apply to any Grantee who is an elected or appointed officer of the Company on the date Earned RPSRs are paid (or, if earlier, on the date the Grantee's employment by the Company and its subsidiaries terminates for any reason). Any Grantee subject to this Section 8 shall not be permitted to sell, transfer, anticipate, alienate, assign, pledge, encumber or charge 50% of the total number (if any) of Shares of common stock the Grantee receives as payment for Earned RPSRs until the earlier of (A) the third anniversary of the date such Shares of common stock are paid to the Grantee, or (B) the date the Grantee's employment by the Company and its subsidiaries terminates due to the Grantee's death or Disability.

Should the Grantee's employment by the Company and its subsidiaries terminate (regardless of the reason for such termination, but other than due to the Grantee's death or Disability), such holding period requirement shall not apply as to any shares acquired upon payment of Earned RPSRs to the extent such payment is made more than one year after such termination of employment. (For purposes of clarity, in such circumstances the holding period requirement will apply as to any shares acquired upon payment of Earned RPSRs within one year after such a termination of employment.)

For purposes of this Section 8, the total number of Shares of common stock the Grantee receives as payment for Earned RPSRs shall be determined on a net basis after taking into account any shares otherwise deliverable with respect to the award that the Company withholds to satisfy tax obligations pursuant to Section 6.1. Any Shares of common stock received in respect of shares that are covered by the holding period requirements of this Section 8 (such as shares received in respect of a stock split or stock dividend) shall be subject to the same holding period requirements as the shares to which they relate.

9. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

“Change in Control Severance Arrangement” means a “Special Agreement” entered into by and between the Grantee and the Company that provides severance protections in the event of certain changes in control of the Company or the Company’s Change-in-Control Severance Plan, as each may be in effect from time to time, or any similar successor agreement or plan that provides severance protections in the event of a change in control of the Company.

“Good Reason” means, without the Grantee’s express written consent, the occurrence of any one or more of the following:

(i) A material and substantial reduction in the nature or status of the Grantee’s authorities or responsibilities (when such authorities and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than (A) an inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Grantee, and/or (B) changes in the nature or status of the Grantee’s authorities or responsibilities that, in the aggregate, would generally be viewed by a nationally-recognized executive placement firm as resulting in the Grantee having not materially and substantially fewer authorities and responsibilities (taking into consideration the Company’s industry) when compared to the authorities and responsibilities applicable to the position held by the Grantee immediately prior to the start of the Protected Period. The Company may retain a nationally-recognized executive placement firm for purposes of making the determination required by the preceding sentence and the written opinion of the firm thus selected shall be conclusive as to this issue. In addition, if the Grantee is a vice president, the Grantee’s loss of vice-president status will constitute “Good Reason”; provided that the loss of the title of “vice president” will not, in and of itself, constitute Good Reason if the Grantee’s lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Grantee’s business unit or if the loss of the title is the result of a promotion to a higher level office. For the purposes of the preceding sentence, the Grantee’s lack of a vice president title will only be considered generally consistent with the manner in which such title is used if most persons in the business unit with authorities, duties, and responsibilities comparable to those of the Grantee immediately prior to the commencement of the Protected Period do not have the title of vice-president.

(ii) A reduction by the Company in the Grantee’s annualized rate of base salary as in effect on the first to occur of the start of the Performance Period or the start of the Protected Period, or as the same shall be increased from time to time.

(iii) A material reduction in the aggregate value of the Grantee’s level of participation in any of the Company’s short and/or long-term incentive compensation plans (excluding stock-based incentive compensation plans), employee benefit or retirement plans, or policies, practices, or arrangements in which the Grantee participates immediately prior to the start of the Protected Period provided; however, that a reduction in the aggregate value shall not be deemed to be “Good Reason” if the reduced value remains substantially consistent with the average level of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(iv) A material reduction in the Grantee’s aggregate level of participation in the Company’s stock-based incentive compensation plans from the level in effect immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate level of participation shall not be deemed to be “Good Reason” if the reduced level of participation remains substantially consistent with the average level of participation of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(v) The Grantee is informed by the Company that his or her principal place of employment for the Company will be relocated to a location that is greater than fifty (50) miles away from the Grantee’s principal place of employment for the Company at the start of the corresponding Protected Period; provided that, if the Company communicates an intended effective date for such relocation, in no event shall Good Reason exist pursuant to this clause (v) more than ninety (90) days before such intended effective date.

The Grantee’s right to terminate employment for Good Reason shall not be affected by the Grantee’s incapacity due to physical or mental illness. The Grantee’s continued employment shall not constitute a consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason herein.

“Governmental Service Retirement” means a Retirement by the Grantee where the Grantee accepts a position in the federal government or a state or

local government and an accelerated distribution under the award is permitted under Code Section 409A based on such government employment and related ethics rules.

“Layoff” means a permanent, involuntary termination of employment by the Company or a subsidiary due to a reduction in force, business reorganization, facility closure or similar event (other than a termination by the Company or a subsidiary for cause), as determined by the Committee in its sole discretion. A Layoff shall not include any sale or spinoff described in Section 2.6

“Parent” means an entity that beneficially owns a majority of the voting stock or voting power of the Company, or all or substantially all of the Company’s assets, directly or indirectly through one or more subsidiaries..

The **“Protected Period”** corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:

(i) If the Change in Control is triggered by a tender offer for shares of the Company’s stock or by the offeror’s acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and substantial discussions first take place to effect the merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.

“Retirement” or **“Retire”** means that the Grantee terminates employment after attaining age 55 with at least 10 years of service (other than in connection with a termination by the Company or a

subsidiary for cause). In the case of a Grantee who is an officer of the Company subject to the Company’s mandatory retirement at age 65 policy, **“Retirement”** or **“Retire”** shall also include as to that Grantee (without limiting the Grantee’s ability to Retire pursuant to the preceding sentence) a termination of the Grantee’s employment pursuant to such mandatory retirement policy (regardless of the Grantee’s years of service and other than in connection with a termination by the Company or a subsidiary for cause).

“Successor” means the person acquiring a Grantee’s rights to a grant under the Plan by will or by the laws of descent or distribution.

HUNTINGTON INGALLS INDUSTRIES, INC.
TERMS AND CONDITIONS APPLICABLE TO
20__ RESTRICTED STOCK RIGHTS
GRANTED UNDER THE 2022 LONG-TERM INCENTIVE STOCK PLAN ("PLAN")

These Terms and Conditions ("Terms") apply to certain "Restricted Stock Rights" ("RSRs") granted by Huntington Ingalls Industries, Inc. (the "Company") in 20__. If you were granted an RSR award by the Company in 20__, the date of grant of your RSR award (the "Grant Date") and the number of RSRs applicable to your award are set forth in the letter from the Company announcing your RSR award grant (your "Grant Letter") and are also reflected in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Company or its designee. These Terms apply only with respect to the 20__ RSR award. If you were granted an RSR award, you are referred to as the "Grantee" with respect to your award. Capitalized terms are generally defined in the Plan, unless defined in Section 9 below or elsewhere defined herein.

Each RSR represents a right to receive one Share of the Company's common stock, or cash of equivalent value as provided herein, subject to vesting as provided herein. The number of RSRs subject to your award is subject to adjustment as provided herein. The RSR award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Committee, as such rules are in effect from time to time.

1. Vesting; Issuance of Shares.

Subject to Sections 2 and 5 below, one hundred percent (100%) of the number of RSRs subject to your award (subject to adjustment as provided in Section 5.1) shall vest upon the first anniversary of the Grant Date.

Except as otherwise provided below, the Company shall pay a vested RSR within 2.5 months following the vesting of the RSR on the first anniversary of the Grant Date. The Company shall pay such vested RSRs in either an equivalent number of Shares of common stock, or, in the discretion of the Committee, in cash or in a combination of Shares of common stock and cash. In the event of a cash payment, the amount of the payment for a vested RSR to be paid in cash (subject to tax withholding as provided in Section 6 below) will equal the Fair Market Value of a Share of common stock as of the date that such RSR became vested. No fractional shares will be issued.

2. Early Termination of Award; Termination of Employment.

2.1 General. The RSRs subject to the award, to the extent not previously vested, shall terminate and become null and void if and when (a) the award terminates in connection with a Change in Control pursuant to Section 5 below, or (b) except as provided in Section 2.6 and in Section 5, the Grantee ceases for any reason to be an employee of the Company or one of its subsidiaries.

2.2 Leave of Absence. Unless the Committee otherwise provides (at the time of the leave or otherwise), if the Grantee is granted a leave of absence by the Company, the Grantee (a) shall not be deemed to

have incurred a termination of employment at the time such leave commences for purposes of the award, and (b) shall be deemed to be employed by the Company for the duration of such approved leave of absence for purposes of the award. A termination of employment shall be deemed to have occurred if the Grantee does not timely return to active employment upon the expiration of such approved leave or if the Grantee commences a leave that is not approved by the Company.

2.3 Salary Continuation. Subject to Section 2.2 above, the term "employment" as used herein means active employment by the Company and salary continuation without active employment (other than a leave of absence approved by the Company that is covered by Section 2.2) will not, in and of itself, constitute "employment" for purposes hereof (in the case of salary continuation without active employment, the Grantee's cessation of active employee status shall, subject to Section 2.2, be deemed to be a termination of "employment" for purposes hereof). Furthermore, salary continuation will not, in and of itself, constitute a leave of absence approved by the Company for purposes of the award.

2.4 Sale or Spinoff of Subsidiary or Business Unit. For purposes of the RSRs subject to the award, a termination of employment of the Grantee shall be deemed to have occurred if the Grantee is employed by a subsidiary or business unit and that subsidiary or business unit is sold, spun off, or otherwise divested, the Grantee does not otherwise continue to be employed by the Company after such event, and the divested entity or business (or its successor or a parent company) does not assume the award in connection with such transaction.

2.5 Continuation of Employment Required.

Except as expressly provided in Section 2.6 and in Section 5, the vesting of the RSRs subject to the award requires continued employment through the first anniversary of the Grant Date as a condition to the vesting of any portion of the award. Employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment. Nothing contained in these Terms, the Stock Plan System, or the Plan constitutes an employment commitment by the Company or any subsidiary, affects the Grantee's status (if the Grantee is otherwise an at-will employee) as an employee at will who is subject to termination without cause, confers upon the Grantee any right to continue in the employ of the Company or any subsidiary, or interferes in any way with the right of the Company or of any subsidiary to terminate such employment at any time.

2.6 Death, Disability or Layoff. If the Grantee dies or incurs a Disability while employed by the Company or a subsidiary, the outstanding and previously unvested RSRs subject to the award shall vest as of the date of the Grantee's death or Disability, as applicable. RSRs vesting under this Section shall be paid within 2.5 months following the earlier of (a) Grantee's death or (b) Grantee's Disability. In the event of the Grantee's death prior to the delivery of shares or other payment with respect to any vested RSRs, the Grantee's Successor shall be entitled to any payments to which the Grantee would have been entitled under these Terms with respect to such vested and unpaid RSRs.

The RSRs subject to the award shall vest on a prorated basis as provided herein if the Grantee's employment by the Company and its subsidiaries terminates due to Layoff. Such prorating of RSRs shall be based on the number of full months the Grantee was actually employed by the Company or one of its subsidiaries after the Grant Date divided by twelve months. Partial months of employment, even if substantial, shall not be counted for purposes of prorated vesting. Any RSRs subject to the award that do not vest in accordance with this Section 2.6 upon a termination of the Grantee's employment due to Layoff shall terminate immediately upon such termination of employment.

3. Non-Transferability and Other Restrictions.

3.1 Non-Transferability. The award, as well as the RSRs subject to the award, are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to transfers to the Company or

transfers by will or the laws of descent and distribution. Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company's ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements.

3.2 Recoupment of Awards. Any payments or issuances of shares with respect to the award are subject to recoupment pursuant to the Company's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, as well as any recoupment or similar provisions of applicable law, and the Grantee shall promptly make any reimbursement requested by the Board or Committee pursuant to such policy or applicable law with respect to the award. Further, the Grantee agrees, by accepting the award, that the Company and its affiliates may deduct from any amounts it may owe the Grantee from time to time (such as wages or other compensation) to the extent of any amounts the Grantee is required to reimburse the Company pursuant to such policy or applicable law with respect to the award.

4. Compliance with Laws; No Stockholder Rights Prior to Issuance; Dividend Equivalent Rights.

4.1 Compliance with Laws. The Company's obligation to make any payments or issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed.

4.2 Limitations on Rights Associated with RSRs. The Grantee shall not have the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends (except as expressly provided in Section 4.3), with respect to any shares which may be issued in respect of the RSRs until the date appearing on the certificate(s) for such shares (or, in the case of shares entered in book entry form, the date that the shares are actually recorded in such form for the benefit of the Grantee), if such shares become deliverable.

4.3 Dividend Equivalent Rights. Not later than 60 days following each date that the Company pays an ordinary cash dividend on its Shares of common stock (if any), the Company shall credit the Grantee with an additional number of RSRs equal to the quotient of (A) the product of (i) the per share cash dividend paid by the Company on its Shares of common stock on such date, multiplied by (ii) the total number of RSRs (including any dividend equivalents previously credited hereunder)

(with such total number adjusted pursuant to Section 5) subject to the RSR award as of the related dividend payment record date, divided by (B) the Fair Market Value of a Share of common stock on the date of payment of such dividend. Any RSRs credited pursuant to the foregoing provisions of this Section 4.3 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original RSRs to which they relate. No crediting of RSRs shall be made pursuant to this Section 4.3 with respect to any RSRs which, as of such record date, have been paid pursuant to Section 1.

5. Adjustments; Change in Control.

5.1 *Adjustments.* The RSRs and the shares subject to the award are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization in accordance with Section 4.3 of the Plan. In the event of any adjustment, the Company will give the Grantee written notice thereof which will set forth the nature of the adjustment.

5.2 *Possible Vesting Acceleration on Change in Control.* Notwithstanding the Company's ability to terminate the award as provided in Section 5.3 below, the outstanding and previously unvested RSRs subject to the award shall become fully vested as of the date of the Grantee's termination of employment in the following circumstances:

- (a) if the Grantee is covered by a Change in Control Severance Arrangement at the time of the termination, if the termination of employment constitutes a "Qualifying Termination" (as such term, or any similar successor term, is defined in such Change in Control Severance Arrangement) that triggers the Grantee's right to severance benefits under such Change in Control Severance Arrangement.
- (b) if the Grantee is not covered by a Change in Control Severance Arrangement at the time of the termination and if the termination occurs either within the Protected Period corresponding to a Change in Control of the Company or within twenty-four (24) calendar months following the date of a Change in Control of the Company, the Grantee's employment by the Company and its subsidiaries is involuntarily terminated by the Company and its subsidiaries for reasons other than Cause or by the Grantee for Good Reason.

Notwithstanding anything else contained herein to the contrary, the termination of the Grantee's employment (or other events giving rise to Good Reason) shall not entitle the Grantee to any accelerated vesting pursuant to clause (b) above if there is objective evidence that, as of the commencement of the Protected

Period, the Grantee had specifically been identified by the Company as an employee whose employment would be terminated as part of a corporate restructuring or downsizing program that commenced prior to the Protected Period and such termination of employment was expected at that time to occur within six (6) months. The applicable Change in Control Severance Arrangement shall govern the matters addressed in this paragraph as to clause (a) above.

Payment of any amount due under this Section will be made within 2.5 months following the first anniversary of the Grant Date unless the Grantee dies or has a Disability prior to such anniversary, in which case such payment will be made within 2.5 months following the date of the Grantee's death or Disability, as the case may be.

5.3 *Automatic Vesting Acceleration; Early Termination.* If the Company undergoes a Change in Control triggered by clause (iii) or (iv) of the definition thereof and the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control, or if for any other reason the award would not continue after the Change in Control, then upon the Change in Control the outstanding and previously unvested RSRs subject to the award shall vest fully and completely. Unless the Committee expressly provides otherwise in the circumstances, no acceleration of vesting of the award shall occur pursuant to this Section 5.3 in connection with a Change in Control if either (a) the Company is the surviving entity, or (b) the successor to the Company (if any) (or a Parent thereof) agrees in writing prior to the Change in Control to assume the award. The award shall terminate, subject to such acceleration provisions, upon a Change in Control triggered by clause (iii) or (iv) of the definition thereof in which the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control. The Committee may make adjustments pursuant to Section 6(a) of the Plan and/or deem an acceleration of vesting of the award pursuant to this Section 5.3 to occur sufficiently prior to an event if necessary or deemed appropriate to permit the Grantee to realize the benefits intended to be conveyed with respect to the shares underlying the RSRs; provided, however, that, the Committee shall reinstate the original terms of the award if the related event does not actually occur.

Payment of any amount due under this Section will be made within 2.5 months following the first anniversary of the Grant Date, unless the Grantee dies or has a Disability prior to such anniversary, in which case such payment will be made within 2.5 months following

the date of the Grantee's death or Disability, as the case may be.

6. Tax Matters.

6.1 Tax Withholding. The Company or the subsidiary which employs the Grantee shall be entitled to require, as a condition of making any payments or issuing any shares upon vesting of the RSRs, that the Grantee or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such vesting or payment. Alternatively, the Company or such subsidiary, in its discretion, may make such provisions for the withholding of taxes as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Grantee or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy such withholding obligations at the flat percentage rates applicable to supplemental wages).

6.2 Transfer Taxes. The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the vesting of the RSRs.

6.3 Compliance with Code. The Committee shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

6.4 Unfunded Arrangement. The right of the Grantee to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Grantee nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

7. Plan; Amendment.

The RSRs are governed by, and the Grantee's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Committee, as the foregoing may be amended from time to time. The Grantee shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Grant Letter and/or the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall control.

8. Required Holding Period.

The holding requirements of this Section 9 shall apply to any Grantee who is an elected or appointed officer of the Company on the date vested RSRs are paid (or, if earlier, on the date the Grantee's employment by the Company and its subsidiaries terminates for any reason). Any Grantee subject to this Section 8 shall not be permitted to sell, transfer, anticipate, alienate, assign, pledge, encumber or charge 50% of the total number (if any) of Shares of common stock the Grantee receives as payment for vested RSRs until the earlier of (A) the third anniversary of the date such Shares of common stock are paid to the Grantee, or (B) the date the Grantee's employment by the Company and its subsidiaries terminates due to the Grantee's death or Disability. For purposes of this Section 8, the total number of Shares of common stock the Grantee receives as payment for vested RSRs shall be determined on a net basis after taking into account any shares otherwise deliverable with respect to the award that the Company withholds to satisfy tax obligations pursuant to Section 6.1. Any Shares of common stock received in respect of shares that are covered by the holding period requirements of this Section 8 (such as shares received in respect of a stock split or stock dividend) shall be subject to the same holding period requirements as the shares to which they relate.

10. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

"Change in Control Severance Arrangement" means a "Special Agreement" entered into by and between the Grantee and the Company that provides severance protections in the event of certain changes in control of the Company or the Company's Change-in-Control Severance Plan, as each may be in effect from time to time, or any similar successor agreement or plan that provides severance protections in the event of a change in control of the Company.

"Good Reason" means, without the Grantee's express written consent, the occurrence of any one or more of the following:

(i) A material and substantial reduction in the nature or status of the Grantee's authorities or responsibilities (when such authorities and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than (A) an inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Grantee, and/or (B) changes in the nature or status of the Grantee's authorities or responsibilities that, in the

aggregate, would generally be viewed by a nationally-recognized executive placement firm as resulting in the Grantee having not materially and substantially fewer authorities and responsibilities (taking into consideration the Company's industry) when compared to the authorities and responsibilities applicable to the position held by the Grantee immediately prior to the start of the Protected Period. The Company may retain a nationally-recognized executive placement firm for purposes of making the determination required by the preceding sentence and the written opinion of the firm thus selected shall be conclusive as to this issue. In addition, if the Grantee is a vice president, the Grantee's loss of vice-president status will constitute "Good Reason"; provided that the loss of the title of "vice president" will not, in and of itself, constitute Good Reason if the Grantee's lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Grantee's business unit or if the loss of the title is the result of a promotion to a higher level office. For the purposes of the preceding sentence, the Grantee's lack of a vice president title will only be considered generally consistent with the manner in which such title is used if most persons in the business unit with authorities, duties, and responsibilities comparable to those of the Grantee immediately prior to the commencement of the Protected Period do not have the title of vice-president.

(ii) A reduction by the Company in the Grantee's annualized rate of base salary as in effect at the start of the Protected Period, or as the same shall be increased from time to time.

(iii) A material reduction in the aggregate value of the Grantee's level of participation in any of the Company's short and/or long-term incentive compensation plans (excluding stock-based incentive compensation plans), employee benefit or retirement plans, or policies, practices, or arrangements in which the Grantee participates immediately prior to the start of the Protected Period provided; however, that a reduction in the aggregate value shall not be deemed to be "Good Reason" if the reduced value remains substantially consistent with the average level of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(iv) A material reduction in the Grantee's aggregate level of participation in the Company's stock-based incentive compensation plans from the level in effect immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate level of participation shall not be deemed to be "Good Reason" if the reduced level of participation remains substantially consistent with the average level of participation of other employees who have positions

commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(v) The Grantee is informed by the Company that his or her principal place of employment for the Company will be relocated to a location that is greater than fifty (50) miles away from the Grantee's principal place of employment for the Company at the start of the corresponding Protected Period; provided that, if the Company communicates an intended effective date for such relocation, in no event shall Good Reason exist pursuant to this clause (v) more than ninety (90) days before such intended effective date.

The Grantee's right to terminate employment for Good Reason shall not be affected by the Grantee's incapacity due to physical or mental illness. The Grantee's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason herein.

"Layoff" means a permanent, involuntary termination of the Grantee's employment by the Company or a subsidiary due to a reduction in force, business reorganization, facility closure or similar event (other than a termination by the Company or a subsidiary for cause), as determined by the Committee in its sole discretion. A Layoff shall not include any sale or spin-off described in Section 2.4. At the Committee's discretion, a Grantee's retirement after receiving notice of an event that would result in a Layoff may be treated as a Layoff.

"Parent" means an entity that beneficially owns a majority of the voting stock or voting power of the Company, or all or substantially all of the Company's assets, directly or indirectly through one or more subsidiaries.

The **"Protected Period"** corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:

(i) If the Change in Control is triggered by a tender offer for shares of the Company's stock or by the offeror's acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and

substantial discussions first take place to effect the merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.

“Successor” means the person acquiring a Grantee’s rights to a grant under the Plan by will or by the laws of descent or distribution.

HUNTINGTON INGALLS INDUSTRIES, INC.
TERMS AND CONDITIONS APPLICABLE TO
20__ RESTRICTED STOCK RIGHTS
GRANTED UNDER THE 2022 LONG-TERM INCENTIVE STOCK PLAN ("PLAN")

These Terms and Conditions ("Terms") apply to certain "Restricted Stock Rights" ("RSRs") granted by Huntington Ingalls Industries, Inc. (the "Company") in 20__. If you were granted an RSR award by the Company in 20__, the date of grant of your RSR award (the "Grant Date") and the number of RSRs applicable to your award are set forth in the letter from the Company announcing your RSR award grant (your "Grant Letter") and are also reflected in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Company or its designee. These Terms apply only with respect to the 20__ RSR award. If you were granted an RSR award, you are referred to as the "Grantee" with respect to your award. Capitalized terms are generally defined in the Plan, unless defined in Section 9 below or elsewhere herein.

Each RSR represents a right to receive one Share of the Company's common stock, or cash of equivalent value as provided herein, subject to vesting as provided herein. The number of RSRs subject to your award is subject to adjustment as provided herein. The RSR award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Committee, as such rules are in effect from time to time.

1. Vesting; Issuance of Shares.

Subject to Sections 2 and 5 below, one hundred percent (100%) of the number of RSRs subject to your award (subject to adjustment as provided in Section 5.1) shall vest upon the second anniversary of the Grant Date.

Except as otherwise provided below, the Company shall pay a vested RSR within 2.5 months following the vesting of the RSR on the second anniversary of the Grant Date. The Company shall pay such vested RSRs in either an equivalent number of Shares of common stock, or, in the discretion of the Committee, in cash or in a combination of Shares of common stock and cash. In the event of a cash payment, the amount of the payment for a vested RSR to be paid in cash (subject to tax withholding as provided in Section 6 below) will equal the Fair Market Value of a Share of common stock as of the date that such RSR became vested. No fractional shares will be issued.

2. Early Termination of Award; Termination of Employment.

2.1 General. The RSRs subject to the award, to the extent not previously vested, shall terminate and become null and void if and when (a) the award terminates in connection with a Change in Control pursuant to Section 5 below, or (b) except as provided in Section 2.6 and in Section 5, the Grantee ceases for any reason to be an employee of the Company or one of its subsidiaries.

2.2 Leave of Absence. Unless the Committee otherwise provides (at the time of the leave or otherwise), if the Grantee is granted a leave of absence by the Company, the Grantee (a) shall not be deemed to

have incurred a termination of employment at the time such leave commences for purposes of the award, and (b) shall be deemed to be employed by the Company for the duration of such approved leave of absence for purposes of the award. A termination of employment shall be deemed to have occurred if the Grantee does not timely return to active employment upon the expiration of such approved leave or if the Grantee commences a leave that is not approved by the Company.

2.3 Salary Continuation. Subject to Section 2.2 above, the term "employment" as used herein means active employment by the Company and salary continuation without active employment (other than a leave of absence approved by the Company that is covered by Section 2.2) will not, in and of itself, constitute "employment" for purposes hereof (in the case of salary continuation without active employment, the Grantee's cessation of active employee status shall, subject to Section 2.2, be deemed to be a termination of "employment" for purposes hereof). Furthermore, salary continuation will not, in and of itself, constitute a leave of absence approved by the Company for purposes of the award.

2.4 Sale or Spinoff of Subsidiary or Business Unit. For purposes of the RSRs subject to the award, a termination of employment of the Grantee shall be deemed to have occurred if the Grantee is employed by a subsidiary or business unit and that subsidiary or business unit is sold, spun off, or otherwise divested, the Grantee does not otherwise continue to be employed by the Company after such event, and the divested entity or business (or its successor or a parent company) does not assume the award in connection with such transaction.

2.5 Continuation of Employment Required.

Except as expressly provided in Section 2.6 and in Section 5, the vesting of the RSRs subject to the award requires continued employment through the second anniversary of the Grant Date as a condition to the vesting of any portion of the award. Employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment. Nothing contained in these Terms, the Stock Plan System, or the Plan constitutes an employment commitment by the Company or any subsidiary, affects the Grantee's status (if the Grantee is otherwise an at-will employee) as an employee at will who is subject to termination without cause, confers upon the Grantee any right to continue in the employ of the Company or any subsidiary, or interferes in any way with the right of the Company or of any subsidiary to terminate such employment at any time.

2.6 Death, Disability or Layoff. If the Grantee dies or incurs a Disability while employed by the Company or a subsidiary, the outstanding and previously unvested RSRs subject to the award shall vest as of the date of the Grantee's death or Disability, as applicable. RSRs vesting under this Section shall be paid within 2.5 months following the earlier of (a) Grantee's death or (b) Grantee's Disability. In the event of the Grantee's death prior to the delivery of shares or other payment with respect to any vested RSRs, the Grantee's Successor shall be entitled to any payments to which the Grantee would have been entitled under these Terms with respect to such vested and unpaid RSRs.

The RSRs subject to the award shall vest on a prorated basis as provided herein if the Grantee's employment by the Company and its subsidiaries terminates due to Layoff. Such prorating of RSRs shall be based on the number of full months the Grantee was actually employed by the Company or one of its subsidiaries after the Grant Date divided by twenty-four months. Partial months of employment, even if substantial, shall not be counted for purposes of prorated vesting. Any RSRs subject to the award that do not vest in accordance with this Section 2.6 upon a termination of the Grantee's employment due to Layoff shall terminate immediately upon such termination of employment.

3. Non-Transferability and Other Restrictions.

3.1 Non-Transferability. The award, as well as the RSRs subject to the award, are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to transfers to the Company or

transfers by will or the laws of descent and distribution. Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company's ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements.

3.2 Recoupment of Awards. Any payments or issuances of shares with respect to the award are subject to recoupment pursuant to the Company's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, as well as any recoupment or similar provisions of applicable law, and the Grantee shall promptly make any reimbursement requested by the Board or Committee pursuant to such policy or applicable law with respect to the award. Further, the Grantee agrees, by accepting the award, that the Company and its affiliates may deduct from any amounts it may owe the Grantee from time to time (such as wages or other compensation) to the extent of any amounts the Grantee is required to reimburse the Company pursuant to such policy or applicable law with respect to the award.

4. Compliance with Laws; No Stockholder Rights Prior to Issuance; Dividend Equivalent Rights.

4.1 Compliance with Laws. The Company's obligation to make any payments or issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed.

4.2 Limitations on Rights Associated with RSRs. The Grantee shall not have the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends (except as expressly provided in Section 4.3), with respect to any shares which may be issued in respect of the RSRs until the date appearing on the certificate(s) for such shares (or, in the case of shares entered in book entry form, the date that the shares are actually recorded in such form for the benefit of the Grantee), if such shares become deliverable.

4.3 Dividend Equivalent Rights. Not later than 60 days following each date that the Company pays an ordinary cash dividend on its Shares of common stock (if any), the Company shall credit the Grantee with an additional number of RSRs equal to the quotient of (A) the product of (i) the per share cash dividend paid by the Company on its Shares of common stock on such date, multiplied by (ii) the total number of RSRs (including any dividend equivalents previously credited hereunder)

(with such total number adjusted pursuant to Section 5) subject to the RSR award as of the related dividend payment record date, divided by (B) the Fair Market Value of a Share of common stock on the date of payment of such dividend. Any RSRs credited pursuant to the foregoing provisions of this Section 4.3 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original RSRs to which they relate. No crediting of RSRs shall be made pursuant to this Section 4.3 with respect to any RSRs which, as of such record date, have been paid pursuant to Section 1.

5. Adjustments; Change in Control.

5.1 *Adjustments.* The RSRs and the shares subject to the award are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization in accordance with Section 4.3 of the Plan. In the event of any adjustment, the Company will give the Grantee written notice thereof which will set forth the nature of the adjustment.

5.2 *Possible Vesting Acceleration on Change in Control.* Notwithstanding the Company's ability to terminate the award as provided in Section 5.3 below, the outstanding and previously unvested RSRs subject to the award shall become fully vested as of the date of the Grantee's termination of employment in the following circumstances:

- (a) if the Grantee is covered by a Change in Control Severance Arrangement at the time of the termination, if the termination of employment constitutes a "Qualifying Termination" (as such term, or any similar successor term, is defined in such Change in Control Severance Arrangement) that triggers the Grantee's right to severance benefits under such Change in Control Severance Arrangement.
- (b) if the Grantee is not covered by a Change in Control Severance Arrangement at the time of the termination and if the termination occurs either within the Protected Period corresponding to a Change in Control of the Company or within twenty-four (24) calendar months following the date of a Change in Control of the Company, the Grantee's employment by the Company and its subsidiaries is involuntarily terminated by the Company and its subsidiaries for reasons other than Cause or by the Grantee for Good Reason.

Notwithstanding anything else contained herein to the contrary, the termination of the Grantee's employment (or other events giving rise to Good Reason) shall not entitle the Grantee to any accelerated vesting pursuant to clause (b) above if there is objective evidence that, as of the commencement of the Protected

Period, the Grantee had specifically been identified by the Company as an employee whose employment would be terminated as part of a corporate restructuring or downsizing program that commenced prior to the Protected Period and such termination of employment was expected at that time to occur within six (6) months. The applicable Change in Control Severance Arrangement shall govern the matters addressed in this paragraph as to clause (a) above.

Payment of any amount due under this Section will be made within 2.5 months following the second anniversary of the Grant Date unless the Grantee dies or has a Disability prior to such anniversary, in which case such payment will be made within 2.5 months following the date of the Grantee's death or Disability, as the case may be.

5.3 *Automatic Vesting Acceleration; Early Termination.* If the Company undergoes a Change in Control triggered by clause (iii) or (iv) of the definition thereof and the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control, or if for any other reason the award would not continue after the Change in Control, then upon the Change in Control the outstanding and previously unvested RSRs subject to the award shall vest fully and completely. Unless the Committee expressly provides otherwise in the circumstances, no acceleration of vesting of the award shall occur pursuant to this Section 5.3 in connection with a Change in Control if either (a) the Company is the surviving entity, or (b) the successor to the Company (if any) (or a Parent thereof) agrees in writing prior to the Change in Control to assume the award. The award shall terminate, subject to such acceleration provisions, upon a Change in Control triggered by clause (iii) or (iv) of the definition thereof in which the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control. The Committee may make adjustments pursuant to Section 6(a) of the Plan and/or deem an acceleration of vesting of the award pursuant to this Section 5.3 to occur sufficiently prior to an event if necessary or deemed appropriate to permit the Grantee to realize the benefits intended to be conveyed with respect to the shares underlying the RSRs; provided, however, that, the Committee shall reinstate the original terms of the award if the related event does not actually occur.

Payment of any amount due under this Section will be made within 2.5 months following the second anniversary of the Grant Date, unless the Grantee dies or has a Disability prior to such anniversary, in which case such payment will be made within 2.5 months following

the date of the Grantee's death or Disability, as the case may be.

6. Tax Matters.

6.1 *Tax Withholding.* The Company or the subsidiary which employs the Grantee shall be entitled to require, as a condition of making any payments or issuing any shares upon vesting of the RSRs, that the Grantee or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such vesting or payment. Alternatively, the Company or such subsidiary, in its discretion, may make such provisions for the withholding of taxes as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Grantee or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy such withholding obligations at the flat percentage rates applicable to supplemental wages).

6.2 *Transfer Taxes.* The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the vesting of the RSRs.

6.3 *Compliance with Code.* The Committee shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

6.4 *Unfunded Arrangement.* The right of the Grantee to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Grantee nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

7. Plan; Amendment.

The RSRs are governed by, and the Grantee's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Committee, as the foregoing may be amended from time to time. The Grantee shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Grant Letter and/or the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall control.

8. Required Holding Period.

The holding requirements of this Section 8 shall apply to any Grantee who is an elected or appointed officer of the Company on the date vested RSRs are paid (or, if earlier, on the date the Grantee's employment by the Company and its subsidiaries terminates for any reason). Any Grantee subject to this Section 8 shall not be permitted to sell, transfer, anticipate, alienate, assign, pledge, encumber or charge 50% of the total number (if any) of Shares of common stock the Grantee receives as payment for vested RSRs until the earlier of (A) the third anniversary of the date such Shares of common stock are paid to the Grantee, or (B) the date the Grantee's employment by the Company and its subsidiaries terminates due to the Grantee's death or Disability. For purposes of this Section 8, the total number of Shares of common stock the Grantee receives as payment for vested RSRs shall be determined on a net basis after taking into account any shares otherwise deliverable with respect to the award that the Company withholds to satisfy tax obligations pursuant to Section 6.1. Any Shares of common stock received in respect of shares that are covered by the holding period requirements of this Section 8 (such as shares received in respect of a stock split or stock dividend) shall be subject to the same holding period requirements as the shares to which they relate.

10. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

"Change in Control Severance Arrangement" means a "Special Agreement" entered into by and between the Grantee and the Company that provides severance protections in the event of certain changes in control of the Company or the Company's Change-in-Control Severance Plan, as each may be in effect from time to time, or any similar successor agreement or plan that provides severance protections in the event of a change in control of the Company.

"Good Reason" means, without the Grantee's express written consent, the occurrence of any one or more of the following:

(i) A material and substantial reduction in the nature or status of the Grantee's authorities or responsibilities (when such authorities and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than (A) an inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Grantee, and/or (B) changes in the nature or status of the Grantee's authorities or responsibilities that, in the

aggregate, would generally be viewed by a nationally-recognized executive placement firm as resulting in the Grantee having not materially and substantially fewer authorities and responsibilities (taking into consideration the Company's industry) when compared to the authorities and responsibilities applicable to the position held by the Grantee immediately prior to the start of the Protected Period. The Company may retain a nationally-recognized executive placement firm for purposes of making the determination required by the preceding sentence and the written opinion of the firm thus selected shall be conclusive as to this issue. In addition, if the Grantee is a vice president, the Grantee's loss of vice-president status will constitute "Good Reason"; provided that the loss of the title of "vice president" will not, in and of itself, constitute Good Reason if the Grantee's lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Grantee's business unit or if the loss of the title is the result of a promotion to a higher level office. For the purposes of the preceding sentence, the Grantee's lack of a vice president title will only be considered generally consistent with the manner in which such title is used if most persons in the business unit with authorities, duties, and responsibilities comparable to those of the Grantee immediately prior to the commencement of the Protected Period do not have the title of vice-president.

(ii) A reduction by the Company in the Grantee's annualized rate of base salary as in effect at the start of the Protected Period, or as the same shall be increased from time to time.

(iii) A material reduction in the aggregate value of the Grantee's level of participation in any of the Company's short and/or long-term incentive compensation plans (excluding stock-based incentive compensation plans), employee benefit or retirement plans, or policies, practices, or arrangements in which the Grantee participates immediately prior to the start of the Protected Period provided; however, that a reduction in the aggregate value shall not be deemed to be "Good Reason" if the reduced value remains substantially consistent with the average level of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(iv) A material reduction in the Grantee's aggregate level of participation in the Company's stock-based incentive compensation plans from the level in effect immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate level of participation shall not be deemed to be "Good Reason" if the reduced level of participation remains substantially consistent with the average level of participation of other employees who have positions

commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(v) The Grantee is informed by the Company that his or her principal place of employment for the Company will be relocated to a location that is greater than fifty (50) miles away from the Grantee's principal place of employment for the Company at the start of the corresponding Protected Period; provided that, if the Company communicates an intended effective date for such relocation, in no event shall Good Reason exist pursuant to this clause (v) more than ninety (90) days before such intended effective date.

The Grantee's right to terminate employment for Good Reason shall not be affected by the Grantee's incapacity due to physical or mental illness. The Grantee's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason herein.

"Layoff" means a permanent, involuntary termination of the Grantee's employment by the Company or a subsidiary due to a reduction in force, business reorganization, facility closure or similar event (other than a termination by the Company or a subsidiary for cause), as determined by the Committee in its sole discretion. A Layoff shall not include any sale or spin-off described in Section 2.4. At the Committee's discretion, a Grantee's retirement after receiving notice of an event that would result in a Layoff may be treated as a Layoff.

"Parent" means an entity that beneficially owns a majority of the voting stock or voting power of the Company, or all or substantially all of the Company's assets, directly or indirectly through one or more subsidiaries.

The **"Protected Period"** corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:

(i) If the Change in Control is triggered by a tender offer for shares of the Company's stock or by the offeror's acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and substantial discussions first take place to effect the

merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.

“Successor” means the person acquiring a Grantee’s rights to a grant under the Plan by will or by the laws of descent or distribution.

HUNTINGTON INGALLS INDUSTRIES, INC.
TERMS AND CONDITIONS APPLICABLE TO
20__ RESTRICTED STOCK RIGHTS
GRANTED UNDER THE 2022 LONG-TERM INCENTIVE STOCK PLAN ("PLAN")

These Terms and Conditions ("Terms") apply to certain "Restricted Stock Rights" ("RSRs") granted by Huntington Ingalls Industries, Inc. (the "Company") in 20__. If you were granted an RSR award by the Company in 20__, the date of grant of your RSR award (the "Grant Date") and the number of RSRs applicable to your award are set forth in the letter from the Company announcing your RSR award grant (your "Grant Letter") and are also reflected in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Company or its designee. These Terms apply only with respect to the 20__ RSR award. If you were granted an RSR award, you are referred to as the "Grantee" with respect to your award. Capitalized terms are generally defined in the Plan, unless defined in Section 9 below or elsewhere defined herein.

Each RSR represents a right to receive one Share of the Company's common stock, or cash of equivalent value as provided herein, subject to vesting as provided herein. The number of RSRs subject to your award is subject to adjustment as provided herein. The RSR award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Committee, as such rules are in effect from time to time.

1. Vesting; Issuance of Shares.

Subject to Sections 2 and 5 below, one hundred percent (100%) of the number of RSRs subject to your award (subject to adjustment as provided in Section 5.1) shall vest upon the third anniversary of the Grant Date.

Except as otherwise provided below, the Company shall pay a vested RSR within 2.5 months following the vesting of the RSR on the third anniversary of the Grant Date. The Company shall pay such vested RSRs in either an equivalent number of Shares of common stock, or, in the discretion of the Committee, in cash or in a combination of Shares of common stock and cash. In the event of a cash payment, the amount of the payment for a vested RSR to be paid in cash (subject to tax withholding as provided in Section 6 below) will equal the Fair Market Value of a Share of common stock as of the date that such RSR became vested. No fractional shares will be issued.

2. Early Termination of Award; Termination of Employment.

2.1 General. The RSRs subject to the award, to the extent not previously vested, shall terminate and become null and void if and when (a) the award terminates in connection with a Change in Control pursuant to Section 5 below, or (b) except as provided in Section 2.6 and in Section 5, the Grantee ceases for any reason to be an employee of the Company or one of its subsidiaries.

2.2 Leave of Absence. Unless the Committee otherwise provides (at the time of the leave or otherwise), if the Grantee is granted a leave of absence by the Company, the Grantee (a) shall not be deemed to

have incurred a termination of employment at the time such leave commences for purposes of the award, and (b) shall be deemed to be employed by the Company for the duration of such approved leave of absence for purposes of the award. A termination of employment shall be deemed to have occurred if the Grantee does not timely return to active employment upon the expiration of such approved leave or if the Grantee commences a leave that is not approved by the Company.

2.3 Salary Continuation. Subject to Section 2.2 above, the term "employment" as used herein means active employment by the Company and salary continuation without active employment (other than a leave of absence approved by the Company that is covered by Section 2.2) will not, in and of itself, constitute "employment" for purposes hereof (in the case of salary continuation without active employment, the Grantee's cessation of active employee status shall, subject to Section 2.2, be deemed to be a termination of "employment" for purposes hereof). Furthermore, salary continuation will not, in and of itself, constitute a leave of absence approved by the Company for purposes of the award.

2.4 Sale or Spinoff of Subsidiary or Business Unit. For purposes of the RSRs subject to the award, a termination of employment of the Grantee shall be deemed to have occurred if the Grantee is employed by a subsidiary or business unit and that subsidiary or business unit is sold, spun off, or otherwise divested, the Grantee does not otherwise continue to be employed by the Company after such event, and the divested entity or business (or its successor or a parent company) does not assume the award in connection with such transaction.

2.5 Continuation of Employment Required.

Except as expressly provided in Section 2.6 and in Section 5, the vesting of the RSRs subject to the award requires continued employment through the third anniversary of the Grant Date as a condition to the vesting of any portion of the award. Employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment. Nothing contained in these Terms, the Stock Plan System, or the Plan constitutes an employment commitment by the Company or any subsidiary, affects the Grantee's status (if the Grantee is otherwise an at-will employee) as an employee at will who is subject to termination without cause, confers upon the Grantee any right to continue in the employ of the Company or any subsidiary, or interferes in any way with the right of the Company or of any subsidiary to terminate such employment at any time.

2.6 Death, Disability or Layoff. If the Grantee dies or incurs a Disability while employed by the Company or a subsidiary, the outstanding and previously unvested RSRs subject to the award shall vest as of the date of the Grantee's death or Disability, as applicable. RSRs vesting under this Section shall be paid within 2.5 months following the earlier of (a) Grantee's death or (b) Grantee's Disability. In the event of the Grantee's death prior to the delivery of shares or other payment with respect to any vested RSRs, the Grantee's Successor shall be entitled to any payments to which the Grantee would have been entitled under these Terms with respect to such vested and unpaid RSRs.

The RSRs subject to the award shall vest on a prorated basis as provided herein if the Grantee's employment by the Company and its subsidiaries terminates due to Layoff. Such prorating of RSRs shall be based on the number of full months the Grantee was actually employed by the Company or one of its subsidiaries after the Grant Date divided by thirty-six months. Partial months of employment, even if substantial, shall not be counted for purposes of prorated vesting. Any RSRs subject to the award that do not vest in accordance with this Section 2.6 upon a termination of the Grantee's employment due to Layoff shall terminate immediately upon such termination of employment.

3. Non-Transferability and Other Restrictions.

3.1 Non-Transferability. The award, as well as the RSRs subject to the award, are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to transfers to the Company or

transfers by will or the laws of descent and distribution. Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company's ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements.

3.2 Recoupment of Awards. Any payments or issuances of shares with respect to the award are subject to recoupment pursuant to the Company's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, as well as any recoupment or similar provisions of applicable law, and the Grantee shall promptly make any reimbursement requested by the Board or Committee pursuant to such policy or applicable law with respect to the award. Further, the Grantee agrees, by accepting the award, that the Company and its affiliates may deduct from any amounts it may owe the Grantee from time to time (such as wages or other compensation) to the extent of any amounts the Grantee is required to reimburse the Company pursuant to such policy or applicable law with respect to the award.

4. Compliance with Laws; No Stockholder Rights Prior to Issuance; Dividend Equivalent Rights.

4.1 Compliance with Laws. The Company's obligation to make any payments or issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed.

4.2 Limitations on Rights Associated with RSRs. The Grantee shall not have the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends (except as expressly provided in Section 4.3), with respect to any shares which may be issued in respect of the RSRs until the date appearing on the certificate(s) for such shares (or, in the case of shares entered in book entry form, the date that the shares are actually recorded in such form for the benefit of the Grantee), if such shares become deliverable.

4.3 Dividend Equivalent Rights. Not later than 60 days following each date that the Company pays an ordinary cash dividend on its Shares of common stock (if any), the Company shall credit the Grantee with an additional number of RSRs equal to the quotient of (A) the product of (i) the per share cash dividend paid by the Company on its Shares of common stock on such date, multiplied by (ii) the total number of RSRs (including any dividend equivalents previously credited hereunder)

(with such total number adjusted pursuant to Section 5) subject to the RSR award as of the related dividend payment record date, divided by (B) the Fair Market Value of a Share of common stock on the date of payment of such dividend. Any RSRs credited pursuant to the foregoing provisions of this Section 4.3 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original RSRs to which they relate. No crediting of RSRs shall be made pursuant to this Section 4.3 with respect to any RSRs which, as of such record date, have been paid pursuant to Section 1.

5. Adjustments; Change in Control.

5.1 *Adjustments.* The RSRs and the shares subject to the award are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization in accordance with Section 4.3 of the Plan. In the event of any adjustment, the Company will give the Grantee written notice thereof which will set forth the nature of the adjustment.

5.2 *Possible Vesting Acceleration on Change in Control.* Notwithstanding the Company's ability to terminate the award as provided in Section 5.3 below, the outstanding and previously unvested RSRs subject to the award shall become fully vested as of the date of the Grantee's termination of employment in the following circumstances:

- (a) if the Grantee is covered by a Change in Control Severance Arrangement at the time of the termination, if the termination of employment constitutes a "Qualifying Termination" (as such term, or any similar successor term, is defined in such Change in Control Severance Arrangement) that triggers the Grantee's right to severance benefits under such Change in Control Severance Arrangement.
- (b) if the Grantee is not covered by a Change in Control Severance Arrangement at the time of the termination and if the termination occurs either within the Protected Period corresponding to a Change in Control of the Company or within twenty-four (24) calendar months following the date of a Change in Control of the Company, the Grantee's employment by the Company and its subsidiaries is involuntarily terminated by the Company and its subsidiaries for reasons other than Cause or by the Grantee for Good Reason.

Notwithstanding anything else contained herein to the contrary, the termination of the Grantee's employment (or other events giving rise to Good Reason) shall not entitle the Grantee to any accelerated vesting pursuant to clause (b) above if there is objective evidence that, as of the commencement of the Protected

Period, the Grantee had specifically been identified by the Company as an employee whose employment would be terminated as part of a corporate restructuring or downsizing program that commenced prior to the Protected Period and such termination of employment was expected at that time to occur within six (6) months. The applicable Change in Control Severance Arrangement shall govern the matters addressed in this paragraph as to clause (a) above.

Payment of any amount due under this Section will be made within 2.5 months following the third anniversary of the Grant Date unless the Grantee dies or has a Disability prior to such anniversary, in which case such payment will be made within 2.5 months following the date of the Grantee's death or Disability, as the case may be.

5.3 *Automatic Vesting Acceleration; Early Termination.* If the Company undergoes a Change in Control triggered by clause (iii) or (iv) of the definition thereof and the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control, or if for any other reason the award would not continue after the Change in Control, then upon the Change in Control the outstanding and previously unvested RSRs subject to the award shall vest fully and completely. Unless the Committee expressly provides otherwise in the circumstances, no acceleration of vesting of the award shall occur pursuant to this Section 5.3 in connection with a Change in Control if either (a) the Company is the surviving entity, or (b) the successor to the Company (if any) (or a Parent thereof) agrees in writing prior to the Change in Control to assume the award. The award shall terminate, subject to such acceleration provisions, upon a Change in Control triggered by clause (iii) or (iv) of the definition thereof in which the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control. The Committee may make adjustments pursuant to Section 6(a) of the Plan and/or deem an acceleration of vesting of the award pursuant to this Section 5.3 to occur sufficiently prior to an event if necessary or deemed appropriate to permit the Grantee to realize the benefits intended to be conveyed with respect to the shares underlying the RSRs; provided, however, that, the Committee shall reinstate the original terms of the award if the related event does not actually occur.

Payment of any amount due under this Section will be made within 2.5 months following the third anniversary of the Grant Date, unless the Grantee dies or has a Disability prior to such anniversary, in which case such payment will be made within 2.5 months following

the date of the Grantee's death or Disability, as the case may be.

6. Tax Matters.

6.1 *Tax Withholding.* The Company or the subsidiary which employs the Grantee shall be entitled to require, as a condition of making any payments or issuing any shares upon vesting of the RSRs, that the Grantee or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such vesting or payment. Alternatively, the Company or such subsidiary, in its discretion, may make such provisions for the withholding of taxes as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Grantee or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy such withholding obligations at the flat percentage rates applicable to supplemental wages).

6.2 *Transfer Taxes.* The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the vesting of the RSRs.

6.3 *Compliance with Code.* The Committee shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

6.4 *Unfunded Arrangement.* The right of the Grantee to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Grantee nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

7. Plan; Amendment.

The RSRs are governed by, and the Grantee's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Committee, as the foregoing may be amended from time to time. The Grantee shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Grant Letter and/or the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall control.

8. Required Holding Period.

The holding requirements of this Section 8 shall apply to any Grantee who is an elected or appointed officer of the Company on the date vested RSRs are paid (or, if earlier, on the date the Grantee's employment by the Company and its subsidiaries terminates for any reason). Any Grantee subject to this Section 8 shall not be permitted to sell, transfer, anticipate, alienate, assign, pledge, encumber or charge 50% of the total number (if any) of Shares of common stock the Grantee receives as payment for vested RSRs until the earlier of (A) the third anniversary of the date such Shares of common stock are paid to the Grantee, or (B) the date the Grantee's employment by the Company and its subsidiaries terminates due to the Grantee's death or Disability. For purposes of this Section 8, the total number of Shares of common stock the Grantee receives as payment for vested RSRs shall be determined on a net basis after taking into account any shares otherwise deliverable with respect to the award that the Company withholds to satisfy tax obligations pursuant to Section 6.1. Any Shares of common stock received in respect of shares that are covered by the holding period requirements of this Section 8 (such as shares received in respect of a stock split or stock dividend) shall be subject to the same holding period requirements as the shares to which they relate.

10. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

"Change in Control Severance Arrangement" means a "Special Agreement" entered into by and between the Grantee and the Company that provides severance protections in the event of certain changes in control of the Company or the Company's Change-in-Control Severance Plan, as each may be in effect from time to time, or any similar successor agreement or plan that provides severance protections in the event of a change in control of the Company.

"Good Reason" means, without the Grantee's express written consent, the occurrence of any one or more of the following:

(i) A material and substantial reduction in the nature or status of the Grantee's authorities or responsibilities (when such authorities and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than (A) an inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Grantee, and/or (B) changes in the nature or status of the Grantee's authorities or responsibilities that, in the

aggregate, would generally be viewed by a nationally-recognized executive placement firm as resulting in the Grantee having not materially and substantially fewer authorities and responsibilities (taking into consideration the Company's industry) when compared to the authorities and responsibilities applicable to the position held by the Grantee immediately prior to the start of the Protected Period. The Company may retain a nationally-recognized executive placement firm for purposes of making the determination required by the preceding sentence and the written opinion of the firm thus selected shall be conclusive as to this issue. In addition, if the Grantee is a vice president, the Grantee's loss of vice-president status will constitute "Good Reason"; provided that the loss of the title of "vice president" will not, in and of itself, constitute Good Reason if the Grantee's lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Grantee's business unit or if the loss of the title is the result of a promotion to a higher level office. For the purposes of the preceding sentence, the Grantee's lack of a vice president title will only be considered generally consistent with the manner in which such title is used if most persons in the business unit with authorities, duties, and responsibilities comparable to those of the Grantee immediately prior to the commencement of the Protected Period do not have the title of vice-president.

(ii) A reduction by the Company in the Grantee's annualized rate of base salary as in effect at the start of the Protected Period, or as the same shall be increased from time to time.

(iii) A material reduction in the aggregate value of the Grantee's level of participation in any of the Company's short and/or long-term incentive compensation plans (excluding stock-based incentive compensation plans), employee benefit or retirement plans, or policies, practices, or arrangements in which the Grantee participates immediately prior to the start of the Protected Period provided; however, that a reduction in the aggregate value shall not be deemed to be "Good Reason" if the reduced value remains substantially consistent with the average level of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(iv) A material reduction in the Grantee's aggregate level of participation in the Company's stock-based incentive compensation plans from the level in effect immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate level of participation shall not be deemed to be "Good Reason" if the reduced level of participation remains substantially consistent with the average level of participation of other employees who have positions

commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.

(v) The Grantee is informed by the Company that his or her principal place of employment for the Company will be relocated to a location that is greater than fifty (50) miles away from the Grantee's principal place of employment for the Company at the start of the corresponding Protected Period; provided that, if the Company communicates an intended effective date for such relocation, in no event shall Good Reason exist pursuant to this clause (v) more than ninety (90) days before such intended effective date.

The Grantee's right to terminate employment for Good Reason shall not be affected by the Grantee's incapacity due to physical or mental illness. The Grantee's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason herein.

"Layoff" means a permanent, involuntary termination of the Grantee's employment by the Company or a subsidiary due to a reduction in force, business reorganization, facility closure or similar event (other than a termination by the Company or a subsidiary for cause), as determined by the Committee in its sole discretion. A Layoff shall not include any sale or spin-off described in Section 2.4. At the Committee's discretion, a Grantee's retirement after receiving notice of an event that would result in a Layoff may be treated as a Layoff.

"Parent" means an entity that beneficially owns a majority of the voting stock or voting power of the Company, or all or substantially all of the Company's assets, directly or indirectly through one or more subsidiaries.

The **"Protected Period"** corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:

(i) If the Change in Control is triggered by a tender offer for shares of the Company's stock or by the offeror's acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and substantial discussions first take place to effect the

merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.

(iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.

“Successor” means the person acquiring a Grantee’s rights to a grant under the Plan by will or by the laws of descent or distribution.

HUNTINGTON INGALLS INDUSTRIES, INC.

TERMS AND CONDITIONS APPLICABLE TO NON-EMPLOYEE DIRECTOR STOCK GRANT UNDER THE 2022 LONG-TERM INCENTIVE STOCK PLAN ("Plan")

These Terms and Conditions ("Terms") apply to Shares of the Company's common stock granted by Huntington Ingalls Industries, Inc. (the "Company") to its directors who are not employed by the Company or one of its subsidiaries. The grants are made pursuant to the terms of the Directors' Compensation Policy. The date of grant of the Shares of common stock (the "Grant Date") and the number of shares applicable to your award are set forth in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Company or its designee. These Terms apply only with respect to the Shares of common stock referred to above that is granted pursuant to the Directors' Compensation Policy. If you are entitled to grants of such Shares of common stock, you are referred to as the "Director" with respect to your award. Capitalized terms are generally defined in the Plan, unless defined in Section 7 below or otherwise defined herein.

The Share award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Board, as such rules are in effect from time to time.

1. Vested Status; Payment of Shares.

The Shares subject to your award shall be one hundred percent (100%) vested as of the Grant Date. The Shares shall be paid to the Director on or after each quarterly Grant Date under the Directors' Compensation Policy.

2. Transferability.

The award is non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to: (a) transfers to the Company; or (b) transfers pursuant to a qualified domestic relations order (as defined in the Code). Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company's ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements.

Upon issuance, the Shares shall not be subject to any restrictions on transferability, other than compliance with the ownership guidelines under the Directors' Compensation Policy.

3. Compliance with Laws; No Stockholder Rights Prior to Issuance; Dividend Rights.

3.1 Compliance with Laws. The Company's obligation to issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission or other regulatory agencies having

jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed.

3.2 Rights Associated with Shares. The Director shall have all the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends, for any shares upon issuance.

4. Adjustments.

The Shares are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization consistent with all other issued and outstanding shares of common stock, as specified in the Plan.

5. Tax Matters.

5.1 Tax Withholding. The Company shall be entitled to require, as a condition of making any payments or issuing any shares upon payment of the Stock Units, that the Director or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such payment. Alternatively, the Company, in its discretion, may make such provisions for the withholding of taxes (if any such withholding is required) as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Director or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy any such withholding obligations at the flat percentage rates applicable to supplemental wages).

5.2 Transfer Taxes. The Company will pay all federal and state transfer taxes, if any, and other fees and

expenses in connection with the issuance of shares in connection with the payment of the Stock Units.

5.3 Compliance with Code. The Board shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

5.4 Unfunded Arrangement. The right of the Director to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Director nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

6. Plan; Amendment.

This award is governed by, and the Director's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Board, as the foregoing may be amended from time to time. The Director shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall govern.

7. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is

"Directors' Compensation Policy" means the Company's Amended and Restated Directors' Compensation Policy, as it may be amended from time to time.

"Successor" means the person acquiring a Director's rights to a grant under the Plan by will or by the laws of descent or distribution.

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher D. Kastner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huntington Ingalls Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Christopher D. Kastner

Christopher D. Kastner

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas E. Stiehle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huntington Ingalls Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Thomas E. Stiehle

Thomas E. Stiehle
Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Huntington Ingalls Industries, Inc. (the "company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher D. Kastner, the President and Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: August 4, 2022

/s/ Christopher D. Kastner

Christopher D. Kastner
President and Chief Executive Officer

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

In connection with the Quarterly Report of Huntington Ingalls Industries, Inc. (the "company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Stiehle, Executive Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: August 4, 2022

/s/ Thomas E. Stiehle

Thomas E. Stiehle
Executive Vice President and Chief Financial Officer