

State of the Business:

A Message from Bath Iron Works President Dirk Lesko



As we near the end of the first quarter of 2021, I want to provide an update on the state of our business at Bath Iron Works.

First, let me say again how proud I am of BIW and its dedicated workforce, as we have come together and persevered through these challenging times.

This year, 2021, may be remembered as one of the most important times in the history of our shipyard.

We have a substantial backlog of work – 12 ships to deliver in the next six years. At the same time, we are training a new generation of shipbuilders, as some of our most experienced workers are taking their well-earned retirement. And we are simultaneously increasing the pace of our construction to meet the escalating national security needs of our customer, the Navy.

Our challenges are not insignificant, but they represent opportunity – the chance to demonstrate to the Navy that we can meet their expectations, are deserving of the faith they have placed in us, and are ready to take on more work in the future.

Making Progress on Schedule Recovery

As I mentioned in my year-end statement, I am

incredibly pleased with how management and union leaders are working cooperatively to get the shipyard back on track. With the help of the Federal Mediation and Conciliation Service, our Joint Schedule Recovery Committee has been identifying production challenges and finding solutions to improve our ability to deliver ships on time.

Performance is improving and we are making progress on our overarching goal of reaching a build rate of two ships per year. Ongoing improvements in our Pre-outfit construction and the virtual elimination of late parts coming out of Fabrication are making this possible. Improving our schedule performance will put us in a position where we can compete for new work, which could provide years of additional shipbuilding opportunities for our new generation of BIW shipbuilders.

We have committed to reaching a build rate of 1.8 ships per year by the end of this year and have identified shorter-term milestones designed to benchmark our progress.

One of those milestones is at hand. We have now formally delivered the future USS Daniel Inouye (DDG 118) to the U.S. Navy. Meeting this first quarter goal wasn't easy and reflects a tremendous level of dedication by all the employees involved.

The Need for Another DDG 51 Multi-Year Contract During Transition to DDG(x)

For the next several years, we are fortunate to have a steady flow of work ahead of us. In addition to providing maintenance and modernization services for Navy surface combatants, we currently have 11 DDG 51s and one DDG 1000 in our construction line up, with eight of those ships under varying stages of construction.

The DDG 51 remains an extremely capable platform, and deserving of its reputation as the most versatile combatant in the world. The enhancements included in the Flight III

upgrade, which include some of the latest advances in weapons and technology, provide the Navy with the capability to launch anti-ballistic missiles while at the same time defending carrier groups against threats from the sea and air.

Although planning is underway to transition to a new Large Surface Combatant, the DDG(x), that ship is not slated for construction until fiscal year 2027. The best way to keep our workforce thriving and capable of performing on that new ship class is to maintain the build rate of DDG 51s until the DDG(x) is fully designed and ready for production. The proven track record of the DDG 51, the work horse of the Navy, makes a compelling case for ongoing construction of the platform until a replacement is well underway. Ideally, BIW and Huntington Ingalls Industries will work directly with the Navy on the design and construction of the DDG(x) to ensure we produce a ship that is capable of countering the growing threats to US Naval superiority.

Growing Our Workforce

To meet these objectives, we are continuing to grow our workforce. We have hired almost 3,000 new employees in the past two years and will hire about 2,000 more in 2021. We have invested more than \$24 million over the last two years to train these new workers. We have invested in new hire training and, with the help of our union partners, are focusing on continued training and mentoring as new shipbuilders begin their work on the deckplates.

Investing in Our Facilities and People

Achieving our goals involves making systematic improvements across the business. That is why we are also continuously upgrading our facilities and investing in the professional growth of our mechanics and supervisors.

In fact, we have invested more than \$800 million in BIW facilities since 1996, including

\$200 million in just the last five years. These investments have helped improve the reliability of our equipment and the efficiency of our production flow.

We are also investing in our people and promoting a culture that encourages learning and continuous improvement. This culture will translate into ship over ship learning, making us better at what we do every year.

Growing the effectiveness of our workforce also means providing an enhanced work environment. That is why, through the efforts of our delegation and our Navy customer, we are investing in new locker and bathroom facilities in production areas, improving tool availability and upgrading trade workshops and special tooling and equipment.

Conclusion

It is an honor and a great responsibility to deliver the ships our Navy needs. Shipbuilding provides economic security for ourselves, our communities and our country. BIW's shipbuilders are more than capable of answering the call. I remain humbled and proud to be a part of this team. I will continue to keep you updated on our efforts throughout the year. Thank you again for everything you do, and for your daily efforts to live up to the legacy of Bath Built is Best Built.