



Northrop Grumman Second Quarter 2012 Conference Call

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Forward Looking Statement



This presentation contains “forward-looking statements” including projections based on our current expectations. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. These statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. Actual results may differ materially from those expressed or implied in this presentation due to factors such as: U.S. and global economic conditions; the availability of government funding and budgetary constraints; changes in government and customer priorities and requirements; the acquisition or termination of contracts; access to capital; the future impact of acquisitions, divestitures, joint ventures or spin-off transactions; the ability to comply with extensive government regulation; the impact of competition; the risk that actual pension returns, discount rates or other actuarial assumptions are significantly different than the Company’s assumptions; the outcome of legal proceedings; potential security threats, information technology attacks, natural disasters and other disruptions not under our control and other factors. Our Form 10-K filing for the year ended December 31, 2011 and other filings with the Securities and Exchange Commission contain more information on the types of risks and other factors that could adversely affect these statements. You are urged to consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. The forward-looking statements speak only as of the date of this presentation. Northrop Grumman undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

This presentation also contains non-GAAP financial measures. A reconciliation of these financial measures to the nearest GAAP measure is included in this presentation.

CEO Highlights



- Strong operational performance
- 4% increase in EPS from continuing operations
- 13% increase in pension-adjusted EPS from continuing operations
- Segment OM% expands 50 basis points to 12.5%⁽¹⁾
- \$8.8 billion new business awards; \$41.5 billion total backlog
- \$876M cash from operations; \$825M free cash flow
- 4.9M shares repurchased
- 2012 EPS guidance increased to \$7.05 - \$7.25

(1) Non-GAAP metric as defined and reconciled in the Appendix of this presentation

2012 Guidance



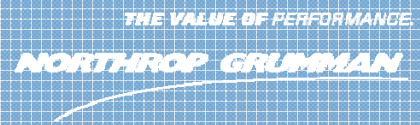
	Prior	Current
Sales (\$B)	24.7 – 25.4	24.7 – 25.4
Segment operating margin rate ⁽¹⁾	Mid 11%	High 11%
Operating margin rate	Low 11%	Mid 11%
EPS from continuing operations	\$6.70 - \$6.95	\$7.05 - \$7.25
Cash provided by operations (\$B)	2.3 – 2.6	2.3 – 2.6
Free cash flow ⁽¹⁾ (\$B)	1.8 – 2.1	1.8 – 2.1

(1) Non-GAAP metric as defined in the Appendix of this presentation

2012 Sector Guidance Summary



Sector	Sales (\$B)		OM Rate %	
	Prior	Current	Prior	Current
Aerospace Systems	9.7 – 10.0	9.7 – 10.0	Mid 11%	Mid 11%
Electronic Systems	6.9 – 7.2	6.9 – 7.2	Mid 14%	Low to Mid 15%
Information Systems	7.4 – 7.6	7.4 – 7.6	Mid 9%	~ 10%
Technical Services	2.6 – 2.7	2.8 – 2.9	Mid 8%	Mid 8%



Appendix

Non-GAAP Definitions



Non-GAAP Financial Measures Disclosure: Today's presentation contains non-GAAP (accounting principles generally accepted in the United States of America) financial measures, as defined by Securities and Exchange Commission (SEC) Regulation G and indicated by a footnote in the text of this presentation. While we believe that these non-GAAP financial measures may be useful in evaluating our financial information, they should be considered as supplemental in nature and not as a substitute for financial information prepared in accordance with GAAP. Other companies may define these measures differently or may utilize different non-GAAP measures.

Pension-adjusted diluted EPS from continuing operations: Diluted EPS from continuing operations excluding the after-tax net pension adjustment per share, as defined below. These per share amounts are provided for consistency and comparability of operating results. Management uses pension-adjusted diluted EPS from continuing operations as an internal measure of financial performance.

Net pension adjustment: Pension expense determined in accordance with GAAP less pension expense allocated to the operating segments under U.S. Government Cost Accounting Standards (CAS).

After-tax net pension adjustment per share: The per share impact of the net pension adjustment as defined above, after tax at the statutory rate of 35%, provided for consistency and comparability of 2012 and 2011 financial performance.

Segment operating income: Total earnings from our four segments including allocated pension expense recognized under CAS. Reconciling items to operating income are unallocated corporate expenses, including unallowable or unallocable portions of management and administration, legal, environmental, certain compensation and retiree benefits, and other expenses; net pension adjustment; and reversal of royalty income included in segment operating income. Management uses segment operating income, as reconciled in as an internal measure of financial performance of our individual operating segments.

Segment operating margin rate: Segment operating income as defined above, divided by sales. Management uses segment operating margin rate as an internal measure of financial performance.

Free cash flow: Cash provided by continuing operations less capital expenditures (including outsourcing contract & related software costs). We use free cash flow from continuing operations as a key factor in our planning for, and consideration of, strategic acquisitions, stock repurchases and the payment of dividends. This measure should not be considered in isolation, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating results presented in accordance with GAAP.

Non-GAAP Reconciliations – Pension-Adjusted EPS from Continuing Operations



	Second Quarter		Six Months	
<i>\$ in millions, except per share amounts</i>	2012	2011	2012	2011
Pension-adjusted Operating Highlights				
Operating income	\$ 774	\$ 841	\$ 1,570	\$ 1,652
Net pension adjustment	(35)	(99)	(67)	(202)
Pension-adjusted operating income	\$ 739	\$ 742	\$ 1,503	\$ 1,450
<i>Pension-adjusted operating margin rate</i>	11.8%	11.3%	12.1%	10.9%
Pension-adjusted Per Share Data				
Diluted EPS from continuing operations	\$ 1.88	\$ 1.81	\$ 3.84	\$ 3.48
After-tax net pension adjustment per share	(0.09)	(0.22)	(0.17)	(0.45)
Pension-adjusted diluted EPS from continuing operations	\$ 1.79	\$ 1.59	\$ 3.67	\$ 3.03
Weighted average shares outstanding — Basic	250.8	282.6	252.0	287.2
Dilutive effect of stock options and stock awards	3.9	4.6	4.5	5.0
Weighted average shares outstanding — Diluted	254.7	287.2	256.5	292.2

Non-GAAP Reconciliations – Free Cash Flow



	Second Quarter		Six Months	
<i>\$ millions</i>	2012	2011	2012	2011
Cash provided by (used in) continuing operations	\$ 876	\$ (34)	\$ 771	\$ 78
Less: capital expenditures	(51)	(94)	(132)	(217)
Free cash flow provided by (used in) continuing operations	\$ 825	\$ (128)	\$ 639	\$ (139)

Non-GAAP Reconciliations – Segment Operating Income



<i>\$ millions</i>	Second Quarter		Six Months	
	2012	2011	2012	2011
Sales	\$ 6,274	\$ 6,560	\$ 12,472	\$ 13,294
Segment operating income	782	784	1,571	1,505
<i>Segment operating margin rate</i>	12.5%	12.0%	12.6%	11.3%
Reconciliation to operating income				
Unallocated corporate expenses	\$ (39)	\$ (38)	\$ (62)	\$ (48)
Net pension adjustment	35	99	67	202
Reversal of royalty income included above	(4)	(4)	(6)	(7)
Operating income	\$ 774	\$ 841	\$ 1,570	\$ 1,652
<i>Operating margin rate</i>	12.3%	12.8%	12.6%	12.4%

THE VALUE OF PERFORMANCE.

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