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, 2024

or

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

Commission File Number 1-16411

NORTHROP GRUMMAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**80-0640649**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2980 Fairview Park Drive	
Falls Church, Virginia	**22042**
(Address of principal executive offices)	(Zip Code)

(703) 280-2900
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	NOC	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 ☒ Accelerated Filer ☐

Non-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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
As of July 22, 2024, 146,245,264 shares of common stock were outstanding.

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions, except per share amounts	**2024**	2023	**2024**	2023
Sales				
Product	**$ 8,076**	$ 7,441	**$ 16,178**	$ 14,712
Service	**2,142**	2,135	**4,173**	4,165
Total sales	**10,218**	9,576	**20,351**	18,877
Operating costs and expenses				
Product	**6,388**	5,876	**12,799**	11,603
Service	**1,639**	1,660	**3,228**	3,249
General and administrative expenses	**1,101**	1,073	**2,163**	2,111
Total operating costs and expenses	**9,128**	8,609	**18,190**	16,963
Operating income	**1,090**	967	**2,161**	1,914
Other (expense) income				
Interest expense	**(154)**	(147)	**(300)**	(276)
Non-operating FAS pension benefit	**167**	133	**335**	265
Other, net	**43**	34	**81**	82
Earnings before income taxes	**1,146**	987	**2,277**	1,985
Federal and foreign income tax expense	**206**	175	**393**	331
Net earnings	**$ 940**	$ 812	**$ 1,884**	$ 1,654
Basic earnings per share	**$ 6.37**	$ 5.35	**$ 12.72**	$ 10.87
Weighted-average common shares outstanding, in millions	**147.5**	151.7	**148.1**	152.1
Diluted earnings per share	**$ 6.36**	$ 5.34	**$ 12.69**	$ 10.83
Weighted-average diluted shares outstanding, in millions	**147.7**	152.2	**148.5**	152.7
Net earnings (from above)	**$ 940**	$ 812	**$ 1,884**	$ 1,654
Other comprehensive (loss) income, net of tax				
Change in cumulative translation adjustment	**(1)**	3	**—**	5
Change in other, net	**(2)**	(2)	**(18)**	(2)
Other comprehensive (loss) income, net of tax	**(3)**	1	**(18)**	3
Comprehensive income	**$ 937**	$ 813	**$ 1,866**	$ 1,657

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

$ in millions, except par value	**June 30, 2024**	December 31, 2023
Assets		
Cash and cash equivalents	**$ 3,272**	$ 3,109
Accounts receivable, net	**1,694**	1,454
Unbilled receivables, net	**6,434**	5,693
Inventoried costs, net	**1,504**	1,109
Prepaid expenses and other current assets	**1,363**	2,341
Total current assets	**14,267**	13,706
Property, plant and equipment, net of accumulated depreciation of $8,328 for 2024 and $7,964 for 2023	**9,771**	9,653
Operating lease right-of-use assets	**1,823**	1,818
Goodwill	**17,516**	17,517
Intangible assets, net	**282**	305
Deferred tax assets	**1,250**	1,020
Other non-current assets	**2,761**	2,525
Total assets	**$ 47,670**	$ 46,544
Liabilities		
Trade accounts payable	**$ 2,352**	$ 2,110
Accrued employee compensation	**1,903**	2,251
Advance payments and billings in excess of costs incurred	**3,292**	4,193
Other current liabilities	**5,361**	3,388
Total current liabilities	**12,908**	11,942
Long-term debt, net of current portion of $1,590 for 2024 and $70 for 2023	**14,706**	13,786
Pension and other postretirement benefit plan liabilities	**1,211**	1,290
Operating lease liabilities	**1,870**	1,892
Other non-current liabilities	**2,674**	2,839
Total liabilities	**33,369**	31,749
Commitments and contingencies (Note 7)		
Shareholders' equity		
Preferred stock, $1 par value; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, $1 par value; 800,000,000 shares authorized; issued and outstanding: 2024—146,463,372 and 2023—150,109,271	**146**	150
Paid-in capital	**—**	—
Retained earnings	**14,301**	14,773
Accumulated other comprehensive loss	**(146)**	(128)
Total shareholders' equity	**14,301**	14,795
Total liabilities and shareholders' equity	**$ 47,670**	$ 46,544

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

$ in millions	Six Months Ended June 30 2024	2023
Operating activities		
Net earnings	**$ 1,884**	$ 1,654
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	**625**	621
Stock-based compensation	**46**	47
Deferred income taxes	**(230)**	(423)
Net periodic pension and OPB income	**(226)**	(154)
Pension and OPB contributions	**(69)**	(75)
Changes in assets and liabilities:		
Accounts receivable, net	**(240)**	(591)
Unbilled receivables, net	**(741)**	110
Inventoried costs, net	**(398)**	(331)
Prepaid expenses and other assets	**45**	66
Accounts payable and other liabilities	**(918)**	(1,043)
Income taxes payable, net	**925**	285
Other, net	**16**	51
Net cash provided by operating activities	**719**	217
Investing activities		
Capital expenditures	**(590)**	(613)
Other, net	**—**	1
Net cash used in investing activities	**(590)**	(612)
Financing activities		
Net proceeds from issuance of long-term debt	**2,495**	1,995
Net borrowings on commercial paper	**—**	768
Common stock repurchases	**(1,752)**	(931)
Cash dividends paid	**(586)**	(554)
Payments of employee taxes withheld from share-based awards	**(57)**	(50)
Other, net	**(66)**	(26)
Net cash provided by financing activities	**34**	1,202
Increase in cash and cash equivalents	**163**	807
Cash and cash equivalents, beginning of year	**3,109**	2,577
Cash and cash equivalents, end of period	**$ 3,272**	$ 3,384

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions, except per share amounts	**2024**	2023	**2024**	2023
Common stock				
Beginning of period	**$ 148**	$ 152	**$ 150**	$ 153
Common stock repurchased	**(2)**	(1)	**(4)**	(2)
End of period	**146**	151	**146**	151
Paid-in capital				
Beginning of period	**—**	—	**—**	—
End of period	**—**	—	**—**	—
Retained earnings				
Beginning of period	**14,218**	15,135	**14,773**	15,312
Common stock repurchased	**(577)**	(204)	**(1,763)**	(930)
Net earnings	**940**	812	**1,884**	1,654
Dividends declared	**(304)**	(284)	**(583)**	(549)
Stock compensation	**24**	26	**(10)**	(2)
End of period	**14,301**	15,485	**14,301**	15,485
Accumulated other comprehensive loss				
Beginning of period	**(143)**	(151)	**(128)**	(153)
Other comprehensive (loss) income, net of tax	**(3)**	1	**(18)**	3
End of period	**(146)**	(150)	**(146)**	(150)
Total shareholders' equity	**$ 14,301**	$ 15,486	**$ 14,301**	$ 15,486
Cash dividends declared per share	**$ 2.06**	$ 1.87	**$ 3.93**	$ 3.60

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

Principles of Consolidation and Reporting
These unaudited condensed consolidated financial statements (the “financial statements”) include the accounts of Northrop Grumman Corporation and its subsidiaries and joint ventures or other investments for which we consolidate the financial results (herein referred to as “Northrop Grumman,” the “company,” “we,” “us,” or “our”). Intercompany accounts, transactions and profits are eliminated in consolidation. Investments in equity securities and joint ventures where the company has significant influence, but not control, are accounted for using the equity method.

Effective July 1, 2024, the company realigned the Strategic Deterrent Systems (SDS) division, which includes the Ground-Based Strategic Deterrent (“Sentinel”) program, from Space Systems to Defense Systems. The realignment is not reflected in the financial information contained in this report; it will be reflected in the company’s operating results beginning in the third quarter of 2024.

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP” or “FAS”) and in accordance with the rules of the Securities and Exchange Commission (SEC) for interim reporting. The financial statements include adjustments of a normal recurring nature considered necessary by management for a fair presentation of the company’s unaudited condensed consolidated financial position, results of operations and cash flows. For classification of certain current assets and liabilities, we consider the duration of our customer contracts when defining our operating cycle, which is generally longer than one year.

Results reported in these financial statements are not necessarily indicative of results that may be expected for the entire year. These financial statements should be read in conjunction with the information contained in the company’s 2023 Annual Report on Form 10-K.

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 the company’s long-standing practice to establish actual interim closing dates using a “fiscal” calendar, in which we close our books on a Friday near these quarter-end dates in order to normalize the potentially disruptive effects of quarterly closings on business processes. This practice is only used at interim periods within a reporting year.

Accounting Estimates
Preparation of the 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 sales and expenses during the reporting period. Estimates have been prepared using the most current and best available information; however, actual results could differ materially from those estimates.

Revenue Recognition
Contract Estimates
Contract sales may include estimates of variable consideration, including cost or performance incentives (such as award and incentive fees), un-priced change orders, requests for equitable adjustment (REAs) and contract claims. Variable consideration is included in total estimated sales to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We estimate variable consideration as the most likely amount to which we expect to be entitled.

We recognize changes in estimated contract sales or costs and the resulting changes in contract profit on a cumulative basis. Net estimate-at-completion (EAC) adjustments represent the cumulative effect of the changes on current and prior periods; sales and operating margins in future periods are recognized as if the revised estimates had been used since contract inception. If it is determined that a loss is expected to result on an individual performance obligation, the entire amount of the estimable future loss, including an allocation of general and administrative expense, is charged against income in the period the loss is identified.

B-21 Program
In 2015, the U.S. Air Force awarded Northrop Grumman the B-21 contract, which includes a base contract for engineering and manufacturing development (EMD) and five low-rate initial production (LRIP) options for a baseline total of 21 aircraft. The EMD phase of the program is largely cost type and began at contract award. The LRIP options are largely fixed price and are expected to continue to be awarded and executed through

approximately the end of the decade. In addition to the five LRIP options, Northrop Grumman and the U.S. Air Force have established not to exceed (NTE) pricing for additional aircraft up to unit 40. The average NTE value for these subsequent lots is above the average unit price of the five LRIP lots, and the NTE lots include an economic price adjustment clause to protect against certain inflationary pressures. Final terms, quantity, and pricing for these subsequent lots are not fully negotiated.

During the fourth quarter of 2023, we recognized a projected loss of $1.56 billion across the five LRIP options. During the second quarter of 2024, we again reviewed our estimated profitability on the program and made no significant changes to the previously recognized loss. The company's second quarter 2024 results reflect our current best estimate of our cost to complete the LRIP and NTE aircraft, as well as the outcome of ongoing discussions with our suppliers and our customer. If our estimated cost to complete the aircraft changes or our assumptions regarding contract performance, quantities, or funding to mitigate the impact of macroeconomic disruptions are resolved more or less favorably than what we have estimated, our financial position, results of operations and/or cash flows could be materially affected. As of June 30, 2024, the remaining loss accrual is $1.5 billion, of which $972 million is included in Other current liabilities with the remainder included in Other non-current liabilities.

Sentinel Program
In 2020, the U.S. Air Force awarded Northrop Grumman a $13.3 billion contract for the EMD phase of the Sentinel program. In January 2024, the U.S. Air Force provided congressional notification that the Sentinel program was under a Nunn-McCurdy breach review, which is required when total program cost estimates exceed certain defined thresholds. This notification, which had been driven primarily by increases in cost estimates for the Production and Deployment phases, commenced the process to achieve recertification for continuance of the program and update its baseline cost estimates. We are currently executing under a cost-type contract for the EMD phase, and the Production and Deployment phases are yet to be priced and negotiated.

In July 2024, the Sentinel program was recertified for continuation by the DoD upon completion of the Nunn-McCurdy breach review. In connection with the recertification, the DoD directed that the program be restructured, including plans for infrastructure related to the command and launch segment, which was the main driver of the increased cost estimates for the Production and Deployment phases. We are partnering with our customer to establish a new program baseline as part of the restructuring activities.

During the second quarter of 2024, we reviewed our estimated profitability on the Sentinel program and made no significant changes. The Sentinel EAC incorporates our best estimate of costs to complete the restructured EMD effort; however, if the outcome is more or less favorable than what we have estimated, our financial position, results of operations and/or cash flows could be materially affected.

Habitation and Logistics Outpost (HALO) Program
In 2021, the National Aeronautics and Space Administration (NASA) awarded Northrop Grumman Phase 5 of the HALO program to complete the design and development of HALO for NASA's Gateway program. At the request of NASA, Space Systems submitted an engineering change proposal (ECP) during the fourth quarter of 2023 for scope increases and other aspects of the HALO contract largely stemming from evolving Lunar Gateway architecture and mission requirements. During the second quarter of 2024, the company and NASA made significant progress toward ECP resolution, and we updated our profitability estimate for the HALO contract accordingly. We currently expect negotiations to be completed by the end of the year.

The following table presents the effect of aggregate net EAC adjustments:

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions, except per share data	**2024**	2023	**2024**	2023
Revenue	**$ 37**	$ 95	**$ 111**	$ 157
Operating income	**38**	76	**132**	122
Net earnings[(1)]	**30**	60	**104**	96
Diluted earnings per share[(1)]	**0.20**	0.39	**0.70**	0.63

[(1)] Based on a 21 percent federal statutory tax rate.

EAC adjustments on a single performance obligation can have a significant effect on the company's financial statements. When such adjustments occur, we generally disclose the nature, underlying conditions and financial impact of the adjustments. No EAC adjustments on a single performance obligation had a significant impact on the financial statements during the six months ended June 30, 2024. During the three months ended June 30, 2023, we recorded a $36 million unfavorable EAC adjustment on the HALO program at Space Systems.

Backlog
Backlog represents the future sales we expect to recognize on firm orders received by the company and is equivalent to the company's remaining performance obligations at the end of each period. It comprises both funded backlog (firm orders for which funding is authorized and appropriated) and unfunded backlog. Unexercised contract options and indefinite delivery indefinite quantity (IDIQ) contracts are not included in backlog until the time an option or IDIQ task order is exercised or awarded. Backlog is converted into sales as costs are incurred or deliveries are made.

Company backlog as of June 30, 2024 was $83.1 billion. Of our June 30, 2024 backlog, we expect to recognize approximately 40 percent as revenue over the next 12 months and 65 percent as revenue over the next 24 months, with the remainder to be recognized thereafter.

During the first quarter of 2024, the company reduced unfunded backlog by $1.6 billion related to a termination for convenience in our restricted space business.

During the second quarter of 2024, the company reduced unfunded backlog by $0.7 billion related to a termination for convenience on the Next Generation Interceptor (NGI) program at Space Systems.

Contract Assets and Liabilities
For each of the company's contracts, the timing of revenue recognition, customer billings, and cash collections results in a net contract asset or liability at the end of each reporting period. Contract assets are equivalent to and reflected as Unbilled receivables in the unaudited condensed consolidated statements of financial position and are primarily related to long-term contracts where revenue recognized under the cost-to-cost method exceeds amounts billed to customers. Contract liabilities are equivalent to and reflected as Advance payments and billings in excess of costs incurred in the unaudited condensed consolidated statements of financial position. The amount of revenue recognized for the three and six months ended June 30, 2024 that was included in the December 31, 2023 contract liability balance was $1.1 billion and $3.0 billion, respectively. The amount of revenue recognized for the three and six months ended June 30, 2023 that was included in the December 31, 2022 contract liability balance was $899 million and $2.6 billion, respectively.

Disaggregation of Revenue
See Note 10 for information regarding the company's sales by customer type, contract type and geographic region for each of our segments. We believe those categories best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Property, Plant, and Equipment
Non-cash investing activities include capital expenditures incurred but not yet paid of $77 million and $62 million as of June 30, 2024 and 2023, respectively.

Accumulated Other Comprehensive Loss
The components of accumulated other comprehensive loss, net of tax, are as follows:

$ in millions	**June 30, 2024**	December 31, 2023
Cumulative translation adjustment	**$ (138)**	$ (138)
Other, net	**(8)**	10
Total accumulated other comprehensive loss	**$ (146)**	$ (128)

Related Party Transactions
For all periods presented, the company had no material related party transactions.

Accounting Standards Updates
On November 27, 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. Among other new disclosure requirements, ASU 2023-07 requires companies to disclose significant segment expenses that are regularly provided to the chief operating decision maker. ASU 2023-07 will be effective for annual periods beginning on January 1, 2024 and interim periods beginning on January 1, 2025. ASU 2023-07 must be applied retrospectively to all prior periods presented in the financial statements. We are continuing to evaluate the disclosure impact of ASU 2023-07; however, the standard will not have an impact on the company's consolidated financial position, results of operations and/or cash flows.

On December 14, 2023, the FASB issued ASU No. 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 requires companies to disclose, on an annual basis, specific categories in the effective tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires companies to disclose additional information about income taxes paid. ASU 2023-09 will be effective for annual periods beginning January 1, 2025 and will be applied on a prospective basis with the option to apply the standard retrospectively. We are continuing to evaluate the disclosure impact of ASU 2023-09; however, the standard will not have an impact on the company's consolidated financial position, results of operations and/or cash flows.

On March 6, 2024, the SEC issued its final climate disclosure rule, which requires registrants to include climate-related disclosures in registration statements and annual reports. The final rule requires registrants to provide information about the financial statement impacts of severe weather events and other natural conditions. The final rule also requires certain disclosures related to risk management and governance over climate-related risks, material climate targets and goals, and material Scope 1 and Scope 2 greenhouse gas emissions. The requirements would be phased in beginning with fiscal year 2025. On April 4, 2024, the SEC voluntarily stayed the final rule pending the completion of judicial review of cases pending in the Eighth Circuit. We are continuing to evaluate the disclosure impact of the final rule.

Other accounting standards updates adopted and/or issued, but not effective until after June 30, 2024, are not expected to have a material effect on the company's consolidated financial position, results of operations and/or cash flows.

2. EARNINGS PER SHARE, SHARE REPURCHASES AND DIVIDENDS ON COMMON STOCK

Basic Earnings Per Share
We calculate basic earnings per share by dividing net earnings by the weighted-average number of shares of common stock outstanding during each period.

Diluted Earnings Per Share
Diluted earnings per share include the dilutive effect of awards granted to employees under stock-based compensation plans. The dilutive effect of these securities totaled 0.2 million shares and 0.4 million shares for the three and six months ended June 30, 2024, respectively. The dilutive effect of these securities totaled 0.5 million shares and 0.6 million shares for the three and six months ended June 30, 2023, respectively.

Share Repurchases
Share Repurchase Programs
On January 25, 2021, the company's board of directors authorized a share repurchase program of up to $3.0 billion of the company's common stock (the "2021 Repurchase Program"). Repurchases under the 2021 Repurchase Program commenced in October 2021 and were completed in April 2023.

On January 24, 2022, the company's board of directors authorized a new share repurchase program of up to an additional $2.0 billion in share repurchases of the company's common stock (the "2022 Repurchase Program"). Repurchases under the 2022 Repurchase Program commenced in April 2023 and were completed in February 2024.

On December 6, 2023, the company's board of directors authorized a new share repurchase program of up to an additional $2.5 billion in share repurchases of the company's common stock (the "2023 Repurchase Program"). Repurchases under the 2023 Repurchase Program commenced in February 2024 upon completion of the 2022 Repurchase Program. As of June 30, 2024, repurchases under the 2023 Repurchase Program totaled $0.6 billion; $1.9 billion remained under this share repurchase authorization. By its terms, the 2023 Repurchase Program will expire when we have used all authorized funds for repurchases.

Accelerated Share Repurchase Agreements

During the first quarter of 2023, the company entered into an accelerated share repurchase (ASR) agreement with Bank of America, N.A. (Bank of America) to repurchase $500 million of the company's common stock as part of the 2021 and 2022 Repurchase Programs. Under the agreement, we made a payment of $500 million to Bank of America and received an initial delivery of 0.9 million shares valued at $400 million that were immediately canceled by the company. The remaining balance of $100 million was settled on April 27, 2023 with a final delivery of 0.2 million shares from Bank of America. The final average purchase price was $458.28 per share.

During the first quarter of 2024, the company entered into an ASR agreement with Morgan Stanley & Co. LLC (Morgan Stanley) to repurchase $1.0 billion of the company's common stock as part of the 2022 Repurchase Program. Under the agreement, we made a payment of $1.0 billion to Morgan Stanley and received an initial delivery of 1.8 million shares valued at $800 million that were immediately canceled by the company. The remaining balance of $200 million was settled on May 1, 2024 with a final delivery of 0.4 million shares from Morgan Stanley. The final average purchase price was $455.73 per share.

Share repurchases take place from time to time, subject to market conditions and management's discretion, in the open market or in privately negotiated transactions. The company retires its common stock upon repurchase and, in the periods presented, has not made any purchases of common stock other than in connection with these publicly announced repurchase programs.

The table below summarizes the company's share repurchases to date under the authorizations described above:

					Shares Repurchased (in millions)	
					Six Months Ended June 30	
Repurchase Program Authorization Date	Amount Authorized (in millions)	Total Shares Retired (in millions)	Average Price Per Share[1]	Date Completed	**2024**	2023
January 25, 2021	$ 3,000	7.0	$ 431.05	April 2023	—	1.4
January 24, 2022[2]	$ 2,000	4.4	$ 455.01	February 2024	**2.5**	0.6
December 6, 2023	$ 2,500	1.4	$ 453.30		**1.4**	—

[1] As a part of the 2023 Repurchase Program, the board of directors approved that the purchases under this program, and the authorization under the 2022 Repurchase Program, be exclusive of brokerage commissions and other costs of execution, including taxes. Commissions paid are included for the 2021 Repurchase Program.

[2] The 2022 Repurchase Program completed in February 2024; however, it included the $1.0 billion ASR for which the final delivery of shares was outstanding at the end of the first quarter of 2024. On May 1, 2024, the company received a final delivery of 0.4 million shares for that ASR, which are included in the 2022 Repurchase Program authorization.

Dividends on Common Stock

In May 2024, the company increased the quarterly common stock dividend 10 percent to $2.06 per share from the previous amount of $1.87 per share.

3. INVENTORIED COSTS, NET

Inventoried costs, net consist of the following:

$ in millions	**June 30, 2024**	December 31, 2023
Contracts in process	**$ 973**	$ 647
Product inventory:		
Raw materials	**365**	338
Work in process	**103**	72
Finished goods	**63**	52
Total product inventory	**531**	462
Inventoried costs, net	**$ 1,504**	$ 1,109

4. INCOME TAXES

$ in millions	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	**2024**	2023
Federal and foreign income tax expense	**$ 206**	$ 175	**$ 393**	$ 331
Effective income tax rate	**18.0 %**	17.7 %	**17.3 %**	16.7 %

Current Quarter
The company's second quarter 2024 effective tax rate (ETR) increased to 18.0 percent from 17.7 percent in the prior year period principally due to higher interest expense on unrecognized tax benefits. The second quarter 2024 ETR includes benefits of $46 million for research credits and $15 million for foreign derived intangible income (FDII), partially offset by $25 million of interest expense on unrecognized tax benefits. The second quarter 2023 ETR included benefits of $38 million for research credits and $14 million for FDII, partially offset by $14 million of interest expense on unrecognized tax benefits.

Year to Date
The company's year to date 2024 ETR increased to 17.3 percent from 16.7 percent in the prior year period principally due to higher interest expense on unrecognized tax benefits. The year to date 2024 ETR includes benefits of $90 million for research credits and $30 million for FDII, partially offset by $46 million of interest expense on unrecognized tax benefits. The year to date 2023 ETR included benefits of $78 million for research credits and $29 million for FDII, partially offset by $27 million of interest expense on unrecognized tax benefits.

Taxes receivable, which are included in Prepaid expenses and other current assets in the unaudited condensed consolidated statements of financial position, were $583 million as of June 30, 2024 and $1.5 billion as of December 31, 2023.

The company has recorded unrecognized tax benefits related to our methods of accounting associated with the timing of revenue recognition and related costs and the 2017 Tax Cuts and Jobs Act, which includes related final revenue recognition regulations issued in December 2020 under IRC Section 451(b) and procedural guidance issued in August 2021. As of June 30, 2024, we have approximately $2.1 billion in unrecognized tax benefits, including $901 million related to our position on IRC Section 451(b). If these matters, including our position on IRC Section 451(b), are unfavorably resolved, there could be a material impact on our future cash flows. It is reasonably possible that within the next 12 months our unrecognized tax benefits related to these matters may increase by approximately $60 million.

Our current unrecognized tax benefits, which are included in Other current liabilities in the unaudited condensed consolidated statements of financial position, were $1.1 billion and $964 million as of June 30, 2024 and December 31, 2023, respectively, with the remainder of our unrecognized tax benefits included within Other non-current liabilities.

We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Northrop Grumman 2018-2020 federal tax returns are currently under Internal Revenue Service (IRS) examination. During the second quarter of 2023, the company entered into an agreed Revenue Agent's Report ("RAR") for certain matters related to the company's 2014-2017 federal income tax returns, resulting in a $90 million reduction to our unrecognized tax benefits and an immaterial impact to income tax expense. The matters not addressed by the agreed RAR related to the company's 2014-2017 federal income tax returns and refund claims related to its 2007-2016 federal tax returns are currently under review by the IRS Appeals Office.

The Organization for Economic Co-operation and Development has issued Pillar Two model rules for a new global minimum tax of 15% effective January 1, 2024. While it is uncertain whether the United States will enact legislation to adopt Pillar Two, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar Two. Pillar Two had no impact on our second quarter or year to date 2024 effective tax rate, and we do not currently expect Pillar Two to significantly impact our effective tax rate going forward.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The company holds a portfolio of marketable securities to partially fund non-qualified employee benefit plans. A portion of these securities are held in common/collective trust funds and are measured at fair value using net asset value (NAV) per share as a practical expedient; therefore, they are not categorized in the fair value hierarchy table below. Marketable securities are included in Other non-current assets in the unaudited condensed consolidated statements of financial position.

The company's derivative portfolio consists primarily of foreign currency forward contracts. Where model-derived valuations are appropriate, the company utilizes the income approach to determine the fair value using internal models based on observable market inputs.

The following table presents the financial assets and liabilities the company records at fair value on a recurring basis identified by the level of inputs used to determine fair value:

	June 30, 2024				December 31, 2023			
$ in millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial Assets								
Marketable securities	**$ 317**	**$ —**	**$ 14**	**$ 331**	$ 321	$ 1	$ 8	$ 330
Marketable securities valued using NAV				**8**				9
Total marketable securities	**317**	**—**	**14**	**339**	321	1	8	339
Derivatives	**—**	**2**	**—**	**2**	—	5	—	5

The notional value of the company's foreign currency forward contracts at June 30, 2024 and December 31, 2023 was $379 million and $286 million, respectively. The portion of notional value designated as a cash flow hedge at June 30, 2024 and December 31, 2023 was $245 million and $162 million, respectively.

The derivative fair values and related unrealized gains/losses at June 30, 2024 and December 31, 2023 were not material.

There were no transfers of financial instruments into or out of Level 3 of the fair value hierarchy during the six months ended June 30, 2024.

The carrying value of cash and cash equivalents approximates fair value.

Long-term Debt

The estimated fair value of the company's long-term debt was $15.3 billion and $13.4 billion as of June 30, 2024 and December 31, 2023, respectively. We calculated the fair value of long-term debt using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the company's existing debt arrangements. The current portion of long-term debt is recorded in Other current liabilities in the unaudited condensed consolidated statements of financial position.

Unsecured Senior Notes

In January 2024, the company issued $2.5 billion of unsecured senior notes for general corporate purposes, including debt repayment, share repurchases, and working capital, as follows:

- $500 million of 4.60% senior notes due 2029 (the "2029 Notes"),
- $850 million of 4.90% senior notes due 2034 (the "2034 Notes"), and
- $1.15 billion of 5.20% senior notes due 2054 (the "2054 Notes").

In February 2023, the company issued $2.0 billion of unsecured senior notes for general corporate purposes, including debt repayment, share repurchases, and working capital, as follows:

- $1.0 billion of 4.70% senior notes due 2033 (the "2033 Notes") and
- $1.0 billion of 4.95% senior notes due 2053 (the "2053 Notes").

We refer to the 2029 Notes, 2033 Notes, 2034 Notes, 2053 Notes and 2054 Notes together, as the "notes." Interest on the notes is payable semi-annually in arrears. The notes are generally subject to redemption, in whole or in part, at the company's discretion at any time, or from time to time, prior to maturity at a redemption price equal to the greater of 100% of the principal amount of the notes to be redeemed or an applicable "make-whole" amount, plus accrued and unpaid interest.

6. INVESTIGATIONS, CLAIMS AND LITIGATION

For over 25 years, the company has worked closely with the United States Navy, the United States Environmental Protection Agency, the New York State Department of Environmental Conservation, the New York State Department of Health and other federal, state and local governmental authorities, to address environmental conditions allegedly resulting from historic operations at the former United States Navy and Grumman facilities in Bethpage, New York. We have incurred, and expect to continue to incur, as included in Note 7, substantial remediation costs related to these Bethpage environmental conditions, including potential costs relating to unanticipated developments such as new discoveries of potential contaminants. It is also possible that applicable remediation standards and other requirements to which we are subject may continue to change, and that our costs may increase materially. In 2022, we resolved several disputes and regulatory proceedings concerning the scope and allocation of remediation responsibilities and costs related to this site and we continue remediation consistent with agreements through which those disputes were resolved. The company continues to be involved in other remediation-related disputes, none of which are material individually or in the aggregate. We are also a party to various individual lawsuits and a putative class action in the Eastern District of New York alleging personal injury and property damage related to the legacy Bethpage environmental conditions. The court has stayed the filed individual lawsuits, pending its decision on class certification, which the court will undertake if an ongoing mediation between the parties is unsuccessful. We are also a party, and may become a party, to other lawsuits brought by or against insurance carriers, and by other individual plaintiffs and/or putative classes, as well as other parties. We cannot at this time predict or reasonably estimate the potential cumulative outcomes or ranges of possible liability of these Bethpage lawsuits.

The company received from the U.S. Department of Justice (DOJ) a criminal subpoena on December 9, 2022, and a civil investigative demand (CID) on February 2, 2023, both seeking information regarding financial and cost accounting and controls that appears focused on the interest rate assumptions the company used to determine our U.S. Government Cost Accounting Standards (CAS) pension expense, which we discuss in Note 7 below. The company is engaging with the government and responding to the requests. We cannot at this point predict the outcome of these matters.

The company is a party to various other investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings, including government investigations and claims, that arise in the ordinary course of our business. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter. However, based on information available to the company to date, the company does not believe that the outcome of any of these other matters pending against the company is likely to have a material adverse effect on the company's unaudited condensed consolidated financial position as of June 30, 2024, or its annual results of operations and/or cash flows.

7. COMMITMENTS AND CONTINGENCIES

U.S. Government Cost Claims and Contingencies

From time to time, the company is advised of claims by the U.S. government concerning certain potential disallowed costs, plus, at times, penalties and interest. When such findings are presented, the company and U.S. government representatives engage in discussions to enable the company to evaluate the merits of these claims, as well as to assess the amounts being claimed. Where appropriate, provisions are made to reflect the company's estimated exposure for such potential disallowed costs. Such provisions are reviewed periodically using the most recent information available. The company believes it has adequately reserved for disputed amounts that are probable and reasonably estimable, and that the outcome of any such matters would not have a material adverse effect on its unaudited condensed consolidated financial position as of June 30, 2024, or its annual results of operations and/or cash flows.

In 2019, the Defense Contract Management Agency (DCMA) raised questions about an interest rate assumption used by the company to determine our CAS pension expense. On June 1, 2020, DCMA provided written notice that the assumptions the company used during the period 2013-2019 were potentially noncompliant with CAS. We submitted a formal response on July 31, 2020, which we believed demonstrates the appropriateness of the assumptions used. On November 24, 2020, DCMA replied to the company's response, disagreeing with our position and requesting additional input, which we provided on February 22, 2021. We subsequently continued to exchange correspondence and engage with DCMA on this matter, including responding to requests for and providing additional information. On February 15, 2024, DCMA sent to the company a Contracting Officer's determination of noncompliance with CAS, which is an interim, non-final determination, and the parties are engaged in ongoing discussions. As noted in Note 6 above, the company received from the DOJ a criminal subpoena on December 9, 2022 and a CID on February 2, 2023, both seeking information that appears related to the interest rate assumptions at issue in our discussions with DCMA. The company is engaging with the government and responding to the requests. We cannot at this point predict the outcome of these matters. The sensitivity to changes in interest rate assumptions makes it reasonably possible the outcome of the DCMA matter could have a material adverse effect on our financial position, results of operations and/or cash flows, although we are not currently able to estimate a range of any potential loss.

Environmental Matters

The table below summarizes the amount accrued for environmental remediation costs, management's estimate of the amount of reasonably possible future costs in excess of accrued costs and the deferred costs expected to be recoverable through overhead charges on U.S. government contracts as of June 30, 2024 and December 31, 2023:

$ in millions	Accrued Costs[1][2]	Reasonably Possible Future Costs in Excess of Accrued Costs[2]	Deferred Costs[3]
June 30, 2024	**$ 574**	**$ 382**	**$ 535**
December 31, 2023	584	387	518

[1] As of June 30, 2024, $223 million is recorded in Other current liabilities and $351 million is recorded in Other non-current liabilities.

[2] Estimated remediation costs are not discounted to present value. The reasonably possible future costs in excess of accrued costs do not take into consideration amounts expected to be recoverable through overhead charges on U.S. government contracts.

[3] As of June 30, 2024, $212 million is deferred in Prepaid expenses and other current assets and $323 million is deferred in Other non-current assets. These amounts reflect a $26 million increase during the second quarter of 2024 in our estimated recovery of certain environmental remediation costs and are evaluated for recoverability on a routine basis.

Although management cannot predict whether (i) new information gained as our environmental remediation projects progress, (ii) changes in remediation standards or other requirements to which we are subject, or (iii) other changes in facts and circumstances will materially affect the estimated liability accrued, we do not anticipate that future remediation expenditures associated with our currently identified projects will have a material adverse effect on the company's unaudited condensed consolidated financial position as of June 30, 2024, or its annual results of operations and/or cash flows.

Financial Arrangements

In the ordinary course of business, the company uses standby letters of credit and guarantees issued by commercial banks and surety bonds issued principally by insurance companies to guarantee the performance on certain obligations. At June 30, 2024, there were $365 million of stand-by letters of credit and guarantees and $272 million of surety bonds outstanding.

Commercial Paper

The company maintains a commercial paper program that serves as a source of short-term financing with capacity to issue unsecured commercial paper notes up to $2.5 billion. At June 30, 2024, there were no commercial paper borrowings outstanding.

Credit Facilities

The company maintains a five-year senior unsecured credit facility in an aggregate principal amount of $2.5 billion (the "2022 Credit Agreement") that matures in August 2027 and is intended to support the company's commercial paper program and other general corporate purposes. Commercial paper borrowings reduce the amount available for borrowing under the 2022 Credit Agreement. At June 30, 2024, there were no borrowings outstanding under this facility.

The 2022 Credit Agreement contains generally customary terms and conditions, including covenants restricting the company's ability to sell all or substantially all of its assets, merge or consolidate with another entity or undertake other fundamental changes and incur liens. The company also cannot permit the ratio of its debt to capitalization (as set forth in the credit agreement) to exceed 65 percent.

At June 30, 2024, the company was in compliance with all covenants under its credit agreements.

8. RETIREMENT BENEFITS

The cost to the company of its pension and other postretirement benefit (OPB) plans is shown in the following table:

	Three Months Ended June 30				Six Months Ended June 30			
	Pension Benefits		OPB		Pension Benefits		OPB	
$ in millions	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Components of net periodic benefit cost (benefit)								
Service cost	**$ 59**	$ 59	**$ 1**	$ 1	**$ 119**	$ 118	**$ 2**	$ 2
Interest cost	**382**	392	**16**	16	**763**	784	**31**	33
Expected return on plan assets	**(549)**	(525)	**(22)**	(21)	**(1,098)**	(1,049)	**(43)**	(42)
Net periodic benefit cost (benefit)	**$ (108)**	$ (74)	**$ (5)**	$ (4)	**$ (216)**	$ (147)	**$ (10)**	$ (7)

Employer Contributions

The company sponsors defined benefit pension and OPB plans, as well as defined contribution plans. We fund our defined benefit pension plans annually in a manner consistent with the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006.

Contributions made by the company to its retirement plans are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions	**2024**	2023	**2024**	2023
Defined benefit pension plans	**$ 24**	$ 25	**$ 49**	$ 54
OPB plans	**9**	10	**20**	21
Defined contribution plans	**151**	146	**381**	361

9. STOCK COMPENSATION PLANS AND OTHER COMPENSATION ARRANGEMENTS

Stock Awards

The following table presents the number of restricted stock rights (RSRs) and restricted performance stock rights (RPSRs) granted to employees under the company's long-term incentive stock plan and the grant date aggregate fair value of those stock awards for the periods presented:

	Six Months Ended June 30	
in millions	**2024**	2023
RSRs granted	**0.1**	0.1
RPSRs granted	**0.2**	0.1
Grant date aggregate fair value	**$ 105**	$ 101

RSRs typically vest on the third anniversary of the grant date, while RPSRs generally vest and pay out based on the achievement of certain performance metrics and market conditions over a three-year period.

Cash Awards

The following table presents the minimum and maximum aggregate payout amounts related to cash units (CUs) and cash performance units (CPUs) granted to employees in the periods presented:

	Six Months Ended June 30	
$ in millions	**2024**	2023
Minimum aggregate payout amount	**$ 35**	$ 34
Maximum aggregate payout amount	**200**	192

CUs typically vest and settle in cash on the third anniversary of the grant date, while CPUs generally vest and pay out in cash based on the achievement of certain performance metrics over a three-year period.

10. SEGMENT INFORMATION

The following table presents sales and operating income by segment:

$ in millions	Three Months Ended June 30 **2024**	Three Months Ended June 30 2023	Six Months Ended June 30 **2024**	Six Months Ended June 30 2023
Sales				
Aeronautics Systems	**$ 2,963**	$ 2,595	**$ 5,932**	$ 5,110
Defense Systems	**1,513**	1,420	**2,925**	2,796
Mission Systems	**2,773**	2,641	**5,432**	5,204
Space Systems	**3,573**	3,488	**7,228**	6,838
Intersegment eliminations	**(604)**	(568)	**(1,166)**	(1,071)
Total sales	**10,218**	9,576	**20,351**	18,877
Operating income				
Aeronautics Systems	**295**	278	**592**	515
Defense Systems	**204**	166	**381**	326
Mission Systems	**361**	401	**739**	761
Space Systems	**324**	283	**656**	596
Intersegment eliminations	**(83)**	(76)	**(163)**	(144)
Total segment operating income	**1,101**	1,052	**2,205**	2,054
FAS/CAS operating adjustment	**6**	(21)	**12**	(42)
Unallocated corporate expense	**(17)**	(64)	**(56)**	(98)
Total operating income	**$ 1,090**	$ 967	**$ 2,161**	$ 1,914
Other (expense) income				
Interest expense	**(154)**	(147)	**(300)**	(276)
Non-operating FAS pension benefit	**167**	133	**335**	265
Other, net	**43**	34	**81**	82
Earnings before income taxes	**$ 1,146**	$ 987	**$ 2,277**	$ 1,985

FAS/CAS Operating Adjustment

For financial statement purposes, we account for our employee pension plans in accordance with FAS. However, the cost of these plans is charged to our contracts in accordance with applicable Federal Acquisition Regulation (FAR) and CAS requirements. The FAS/CAS operating adjustment reflects the difference between CAS pension expense included as cost in segment operating income and the service cost component of FAS expense included in total operating income.

Unallocated Corporate Expense

Unallocated corporate expense includes the portion of corporate costs not considered allowable or allocable under the applicable FAR and CAS requirements, and therefore not allocated to the segments, such as changes in deferred state income taxes and a portion of management and administration, legal, environmental, compensation, retiree benefits, advertising and other corporate unallowable costs. Unallocated corporate expense also includes costs not considered part of management’s evaluation of segment operating performance, such as amortization of purchased intangible assets and the additional depreciation expense related to the step-up in fair value of property, plant and equipment acquired through business combinations, as well as certain compensation and other costs.

Disaggregation of Revenue

Sales by Customer Type	Three Months Ended June 30				Six Months Ended June 30			
	2024		2023		**2024**		2023	
$ in millions	**$**	**%[3]**	$	%[3]	**$**	**%[3]**	$	%[3]
Aeronautics Systems								
U.S. government[1]	**$ 2,536**	**86 %**	$ 2,215	86 %	**$ 5,061**	**85 %**	$ 4,323	85 %
International[2]	**363**	**12 %**	308	12 %	**744**	**13 %**	639	12 %
Other customers	**5**	**— %**	8	— %	**9**	**— %**	19	— %
Intersegment sales	**59**	**2 %**	64	2 %	**118**	**2 %**	129	3 %
Aeronautics Systems sales	**2,963**	**100 %**	2,595	100 %	**5,932**	**100 %**	5,110	100 %
Defense Systems								
U.S. government[1]	**932**	**62 %**	848	60 %	**1,862**	**64 %**	1,651	59 %
International[2]	**339**	**22 %**	357	25 %	**601**	**21 %**	745	27 %
Other customers	**19**	**1 %**	20	1 %	**40**	**1 %**	36	1 %
Intersegment sales	**223**	**15 %**	195	14 %	**422**	**14 %**	364	13 %
Defense Systems sales	**1,513**	**100 %**	1,420	100 %	**2,925**	**100 %**	2,796	100 %
Mission Systems								
U.S. government[1]	**2,028**	**73 %**	1,877	71 %	**3,940**	**72 %**	3,812	73 %
International[2]	**427**	**15 %**	454	17 %	**881**	**16 %**	830	16 %
Other customers	**21**	**1 %**	27	1 %	**37**	**1 %**	42	1 %
Intersegment sales	**297**	**11 %**	283	11 %	**574**	**11 %**	520	10 %
Mission Systems sales	**2,773**	**100 %**	2,641	100 %	**5,432**	**100 %**	5,204	100 %
Space Systems								
U.S. government[1]	**3,392**	**95 %**	3,314	95 %	**6,869**	**95 %**	6,480	95 %
International[2]	**56**	**2 %**	83	2 %	**121**	**2 %**	154	2 %
Other customers	**100**	**2 %**	65	2 %	**186**	**2 %**	146	2 %
Intersegment sales	**25**	**1 %**	26	1 %	**52**	**1 %**	58	1 %
Space Systems sales	**3,573**	**100 %**	3,488	100 %	**7,228**	**100 %**	6,838	100 %
Total								
U.S. government[1]	**8,888**	**87 %**	8,254	86 %	**17,732**	**87 %**	16,266	86 %
International[2]	**1,185**	**12 %**	1,202	13 %	**2,347**	**12 %**	2,368	13 %
Other customers	**145**	**1 %**	120	1 %	**272**	**1 %**	243	1 %
Total Sales	**$ 10,218**	**100 %**	$ 9,576	100 %	**$ 20,351**	**100 %**	$ 18,877	100 %

[1] Sales to the U.S. government include sales from contracts for which we are the prime contractor, as well as those for which we are a subcontractor and the ultimate customer is the U.S. government. Each of the company's segments derives substantial revenue from the U.S. government.

[2] International sales include sales from contracts for which we are the prime contractor, as well as those for which we are a subcontractor and the ultimate customer is an international customer. These sales include foreign military sales contracted through the U.S. government.

[3] Percentages calculated based on total segment sales.

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Sales by Contract Type	Three Months Ended June 30				Six Months Ended June 30			
	2024		2023		**2024**		2023	
$ in millions	**$**	**%[1]**	$	%[1]	**$**	**%[1]**	$	%[1]
Aeronautics Systems								
Cost-type	**$ 1,381**	**48 %**	$ 1,319	52 %	**$ 2,694**	**46 %**	$ 2,550	51 %
Fixed-price	**1,523**	**52 %**	1,212	48 %	**3,120**	**54 %**	2,431	49 %
Intersegment sales	**59**		64		**118**		129	
Aeronautics Systems sales	**2,963**		2,595		**5,932**		5,110	
Defense Systems								
Cost-type	**353**	**27 %**	404	33 %	**713**	**28 %**	827	34 %
Fixed-price	**937**	**73 %**	821	67 %	**1,790**	**72 %**	1,605	66 %
Intersegment sales	**223**		195		**422**		364	
Defense Systems sales	**1,513**		1,420		**2,925**		2,796	
Mission Systems								
Cost-type	**1,107**	**45 %**	957	41 %	**2,174**	**45 %**	1,918	41 %
Fixed-price	**1,369**	**55 %**	1,401	59 %	**2,684**	**55 %**	2,766	59 %
Intersegment sales	**297**		283		**574**		520	
Mission Systems sales	**2,773**		2,641		**5,432**		5,204	
Space Systems								
Cost-type	**2,452**	**69 %**	2,572	74 %	**4,909**	**68 %**	5,018	74 %
Fixed-price	**1,096**	**31 %**	890	26 %	**2,267**	**32 %**	1,762	26 %
Intersegment sales	**25**		26		**52**		58	
Space Systems sales	**3,573**		3,488		**7,228**		6,838	
Total								
Cost-type	**5,293**	**52 %**	5,252	55 %	**10,490**	**52 %**	10,313	55 %
Fixed-price	**4,925**	**48 %**	4,324	45 %	**9,861**	**48 %**	8,564	45 %
Total Sales	**$ 10,218**		$ 9,576		**$ 20,351**		$ 18,877	

[1] Percentages calculated based on external customer sales.

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Sales by Geographic Region	Three Months Ended June 30				Six Months Ended June 30			
	2024		2023		**2024**		2023	
$ in millions	**$**	**%**(2)	$	%(2)	**$**	**%**(2)	$	%(2)
Aeronautics Systems								
United States	**$ 2,541**	**88 %**	$ 2,223	88 %	**$ 5,070**	**87 %**	$ 4,342	87 %
Asia/Pacific	**151**	**5 %**	138	5 %	**300**	**5 %**	285	6 %
Europe	**204**	**7 %**	165	7 %	**429**	**8 %**	339	7 %
All other(1)	**8**	**— %**	5	— %	**15**	**— %**	15	— %
Intersegment sales	**59**		64		**118**		129	
Aeronautics Systems sales	**2,963**		2,595		**5,932**		5,110	
Defense Systems								
United States	**951**	**74 %**	868	71 %	**1,902**	**76 %**	1,687	70 %
Asia/Pacific	**93**	**7 %**	114	9 %	**164**	**7 %**	231	9 %
Europe	**203**	**16 %**	132	11 %	**357**	**14 %**	260	11 %
All other(1)	**43**	**3 %**	111	9 %	**80**	**3 %**	254	10 %
Intersegment sales	**223**		195		**422**		364	
Defense Systems sales	**1,513**		1,420		**2,925**		2,796	
Mission Systems								
United States	**2,049**	**83 %**	1,904	81 %	**3,977**	**82 %**	3,854	82 %
Asia/Pacific	**122**	**5 %**	120	5 %	**248**	**5 %**	212	5 %
Europe	**226**	**9 %**	266	11 %	**481**	**10 %**	466	10 %
All other(1)	**79**	**3 %**	68	3 %	**152**	**3 %**	152	3 %
Intersegment sales	**297**		283		**574**		520	
Mission Systems sales	**2,773**		2,641		**5,432**		5,204	
Space Systems								
United States	**3,492**	**98 %**	3,379	97 %	**7,055**	**98 %**	6,626	98 %
Asia/Pacific	**11**	**1 %**	25	1 %	**24**	**1 %**	45	1 %
Europe	**34**	**1 %**	38	1 %	**76**	**1 %**	83	1 %
All other(1)	**11**	**— %**	20	1 %	**21**	**— %**	26	— %
Intersegment sales	**25**		26		**52**		58	
Space Systems sales	**3,573**		3,488		**7,228**		6,838	
Total								
United States	**9,033**	**88 %**	8,374	88 %	**18,004**	**88 %**	16,509	88 %
Asia/Pacific	**377**	**4 %**	397	4 %	**736**	**4 %**	773	4 %
Europe	**667**	**7 %**	601	6 %	**1,343**	**7 %**	1,148	6 %
All other(1)	**141**	**1 %**	204	2 %	**268**	**1 %**	447	2 %
Total Sales	**$ 10,218**		$ 9,576		**$ 20,351**		$ 18,877	

(1) All other is principally comprised of the Middle East.

(2) Percentages calculated based on external customer sales.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Northrop Grumman Corporation
Falls Church, Virginia

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries (the "Company") as of June 30, 2024, and the related condensed consolidated statements of earnings and comprehensive income and changes in shareholders' equity for the three-month and six-month periods ended June 30, 2024 and 2023, and of cash flows for the six-month periods ended June 30, 2024 and 2023 and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries as of December 31, 2023, and the related consolidated statements of earnings and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 24, 2024, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2023, is fairly stated, in all material respects, in relation to the audited consolidated statement of financial position from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Deloitte & Touche LLP
McLean, Virginia
July 24, 2024

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

OVERVIEW

Northrop Grumman Corporation (herein referred to as "Northrop Grumman," the "company," "we," "us," or "our") is a leading global aerospace and defense technology company. We deliver a broad range of products, services and solutions to United States (U.S.) and international customers, and principally to the U.S Department of Defense (DoD) and intelligence community. Our broad portfolio is aligned to support national security priorities and our solutions equip our customers with capabilities they need to connect, protect and advance humanity.

The company is a leading provider of space systems, advanced aircraft, missile defense, advanced weapons and long-range fires capabilities, mission systems, networking and communications, strategic deterrence systems, and breakthrough technologies, such as artificial intelligence, advanced computing and cyber. We are focused on competing and winning programs that enable continued growth, performing on our commitments and affordably delivering capability our customers need. With the investments we've made in advanced technologies, combined with our talented workforce and digital transformation capabilities, Northrop Grumman is well positioned to meet our customers' needs today and in the future.

The following discussion should be read along with the financial statements included in this Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Liquidity and Capital Resources," "Quantitative and Qualitative Disclosures About Market Risks" and "Risk Factors" in our 2023 Annual Report on Form 10-K, which provides additional information on our business, the environment in which we operate and our operating results.

Global Security Environment

The U.S. and its allies continue to face a global security environment of heightened tensions and instability, threats from state and non-state actors, including in particular major global powers, as well as terrorist organizations, increasing nuclear tensions, diverse regional security concerns and political instability. The market for defense products, services and solutions globally is driven by these complex and evolving security challenges, considered in the broader context of political and socioeconomic circumstances and priorities. Our operations and financial performance, as well as demand for our products and services, are impacted by global events, including violence and unrest. The same is true for our suppliers and other business partners.

The conflict in Ukraine has increased global tensions and instability, highlighted threats and increased global demand, as well as further disrupted global supply chains. We have not experienced, and do not anticipate experiencing, significant adverse financial impacts directly from the ongoing conflict. We have experienced, and, while difficult to predict, may continue to experience an increase in demand for certain of our goods and services directly and indirectly related to the conflict in Ukraine, either through direct sales or if the U.S. provides increased military assistance and support to Ukraine.

Hostilities in the Middle East have further heightened global tensions and instability. At this time, it is unknown whether hostilities in this region will escalate into an even larger conflict. We do not have a significant business presence in the region, and therefore do not anticipate significant adverse financial impacts directly from the current conflict.

More broadly, the ongoing conflicts in Ukraine and the Middle East and threats elsewhere, particularly in the Pacific region, have heightened tensions and highlighted security requirements globally, including in Europe, the Middle East and the Pacific region, as well as the U.S. These conflicts may result in increased demand for defense products and services from allies and partner nations, particularly in those areas. We are actively evaluating both opportunities and risks associated with the broader global security environment.

We believe the current global security environment highlights the significant national security threats to the U.S. and its allies, and the need for strong deterrence and robust defense capabilities. We believe our capabilities, particularly in space, C4ISR, missile defense, battle management, advanced weapons, and survivable aircraft and mission systems should help our customers in the U.S. and globally defend against current and future threats and, as a result, continue to allow for long-term profitable business growth.

Global Economic Environment

Over the past several years, the global economic environment has experienced extraordinary challenges, including inflationary pressures; widespread delays and disruptions in supply chains; business slowdowns or shutdowns; workforce challenges and labor shortfalls; and market volatility. The macroeconomic factors have contributed, and we expect will continue to contribute, to increased costs, delays, disruptions and other performance challenges, as well as increased competing demands for limited resources to address such increased costs and other challenges, for our company, our suppliers and partners, and our customers. We continue to work hard to mitigate challenges caused by the macroeconomic environment on our business, including by taking steps to support our suppliers and small business partners. Although certain pockets of our business were adversely affected by the broader macroeconomic environment during the second quarter of 2024, the overall financial impact on our company has continued to subside.

In addition, increased interest rates, raising the cost of borrowing for governments, could further impact government spending priorities (in the U.S. and allied countries, in particular), including their demand for defense products. Economic tensions and changes in international trade policies, including higher tariffs on imported goods and materials and renegotiation of free trade agreements, could also further impact the global market for defense products, services and solutions.

U.S. Political, Budget and Regulatory Environment

The U.S. continues to face an uncertain and evolving political, budget and regulatory environment. In particular, it is difficult to predict the specific course of future defense budgets. Current and future requirements related to the conflicts in Ukraine and Israel, threats in the Pacific regions and other security priorities, as well as global inflation, the national debt, and other domestic priorities, among other things, in the U.S. and globally, will continue to impact our customers' budgets, spending and priorities, and our industry. The U.S. political environment, including the U.S. election cycle, may also impact defense budgets and priorities, issues related to the national debt, and government spending more broadly. We anticipate that issues related to budgetary priorities and defense spending levels, the debt ceiling, and the spending caps imposed by the Fiscal Responsibility Act of 2023 (FRA), particularly with respect to discretionary spending, will continue to be a subject of considerable debate, with a potentially significant impact on our programs and the company.

On March 11, 2024, the Administration released its budget request for FY 2025. The request included $895 billion for national security, $850 billion of which is for the DoD. Congress is evaluating the Administration's budget request as it drafts authorization and appropriations legislation for FY 2025. On March 23, 2024, the President signed into law the Further Consolidated Appropriations Act for FY 2024, which provides funding for government agencies, including $825 billion for the DoD, through September 30, 2024. On April 24, 2024, the President signed into law bills providing $95 billion in supplemental funding for Ukraine, Israel and Indo-Pacific, to include funding for the restock of U.S. munitions and additional capacity.

The political environment, federal budget, debt ceiling and regulatory environment, including potential tax reform, are expected to continue to be the subject of considerable debate, especially in light of the ongoing conflicts and heightened global tensions, the inflationary environment and political tensions. The results of those debates could have material impacts on defense spending broadly and the company's programs in particular.

CONSOLIDATED OPERATING RESULTS

Selected financial highlights are presented in the table below:

	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions, except per share amounts	**2024**	2023	**Change**	**2024**	2023	**Change**
Sales	**$ 10,218**	$ 9,576	**7 %**	**$ 20,351**	$ 18,877	**8 %**
Operating costs and expenses	**9,128**	8,609	**6 %**	**18,190**	16,963	**7 %**
Operating costs and expenses as a % of sales	***89.3 %***	*89.9 %*		***89.4 %***	*89.9 %*	
Operating income	**1,090**	967	**13 %**	**2,161**	1,914	**13 %**
Operating margin rate	***10.7 %***	*10.1 %*		***10.6 %***	*10.1 %*	
Federal and foreign income tax expense	**206**	175	**18 %**	**393**	331	**19 %**
Effective income tax rate	***18.0 %***	*17.7 %*		***17.3 %***	*16.7 %*	
Net earnings	**940**	812	**16 %**	**1,884**	1,654	**14 %**
Diluted earnings per share	**$ 6.36**	$ 5.34	**19 %**	**$ 12.69**	$ 10.83	**17 %**

Sales

Current Quarter

Second quarter 2024 sales increased $642 million, or 7 percent, due to higher sales at all four sectors, including 14 percent growth at Aeronautics Systems. Second quarter 2024 sales reflect continued strong demand for our products and services.

Year to Date
Year to date 2024 sales increased $1.5 billion, or 8 percent, due to higher sales at all four sectors, including 16 percent growth at Aeronautics Systems.

See “Segment Operating Results” below for further information by segment and “Product and Service Analysis” for product and service detail. See Note 10 to the financial statements for information regarding the company’s sales by customer type, contract type and geographic region for each of our segments.

Operating Income and Margin Rate
Current Quarter
Second quarter 2024 operating income increased $123 million, or 13 percent, primarily due to $49 million of higher segment operating income and $47 million of lower unallocated corporate expense. Operating margin rate increased to 10.7 percent from 10.1 percent primarily due to lower unallocated corporate expense and a benefit associated with the FAS/CAS operating adjustment.

Second quarter 2024 general and administrative (G&A) costs as a percentage of sales decreased to 10.8 percent from 11.2 percent in the prior year period primarily due to higher sales, which more than offset an increase in our investments for future business opportunities.

Year to Date
Year to date 2024 operating income increased $247 million, or 13 percent, due to $151 million of higher segment operating income, a $54 million increase in the FAS/CAS operating adjustment and $42 million of lower unallocated corporate expense. Operating margin rate increased to 10.6 percent from 10.1 percent primarily due to a benefit associated with the FAS/CAS operating adjustment and lower unallocated corporate expense.

Year to date 2024 G&A costs as a percentage of sales decreased to 10.6 percent from 11.2 percent in the prior year period primarily due to higher sales, which more than offset an increase in our investments for future business opportunities.

See “Segment Operating Results” below for further information by segment. For information regarding product and service operating costs and expenses, see “Product and Service Analysis” below.

Federal and Foreign Income Taxes
Current Quarter
The second quarter 2024 ETR increased to 18.0 percent from 17.7 percent in the prior year period principally due to higher interest expense on unrecognized tax benefits.

Year to Date
The year to date 2024 ETR increased to 17.3 percent from 16.7 percent in the prior year period principally due to higher interest expense on unrecognized tax benefits.

See Note 4 to the financial statements for additional information.

Net Earnings
Current Quarter
Second quarter 2024 net earnings increased $128 million, or 16 percent, primarily due to $123 million of higher operating income and a $34 million increase in the non-operating FAS pension benefit, partially offset by a higher effective tax rate.

Year to Date
Year to date 2024 net earnings increased $230 million, or 14 percent, primarily due to $247 million of higher operating income and a $70 million increase in the non-operating FAS pension benefit, partially offset by $24 million of higher interest expense and a higher effective tax rate.

Diluted Earnings Per Share
Current Quarter
Second quarter 2024 diluted earnings per share increased 19 percent, reflecting a 16 percent increase in net earnings and a 3 percent reduction in weighted-average diluted shares outstanding.

Year to Date
Year to date 2024 diluted earnings per share increased 17 percent, reflecting a 14 percent increase in net earnings and a 3 percent reduction in weighted-average diluted shares outstanding.

NORTHROP GRUMMAN CORPORATION

SEGMENT OPERATING RESULTS

Basis of Presentation

The company is aligned in four operating sectors, which also comprise our reportable segments: Aeronautics Systems, Defense Systems, Mission Systems and Space Systems.

Subsequent Realignment - Effective July 1, 2024, the company realigned the Strategic Deterrent Systems (SDS) division, which includes the Sentinel program, from Space Systems to Defense Systems. The realignment is not reflected in the financial information contained in this report; it will be reflected in the company's operating results beginning in the third quarter of 2024.

Operating Performance Assessment and Reporting

This section discusses segment sales, operating income and operating margin rates. In evaluating segment operating performance, we look primarily at changes in sales and operating income. Where applicable, significant fluctuations in operating performance attributable to individual contracts or programs, or changes in a specific cost element across multiple contracts, are described in our analysis. Based on this approach and the nature of our operations, the discussion of results of operations below first focuses on our four segments before distinguishing between products and services. Changes in sales are generally described in terms of volume, while changes in margin rates are generally described in terms of performance and/or contract mix. For purposes of this discussion, volume generally refers to increases or decreases in sales or cost from production/service activity levels and performance generally refers to non-volume related changes in profitability. Contract mix generally refers to changes in the ratio of contract type and/or lifecycle (e.g., cost-type, fixed-price, development, production, and/or sustainment).

We periodically record losses and restructure contract terms, conditions and pricing for certain programs. For additional information on the B-21, Sentinel and HALO programs, please see Note 1 to the financial statements.

Segment Operating Income and Margin Rate

Segment operating income, as reconciled in the table below, and segment operating margin rate (segment operating income divided by sales) are non-GAAP measures that reflect the combined operating income of our four segments less the operating income associated with intersegment sales. Segment operating income includes pension expense allocated to our sectors under FAR and CAS and excludes FAS pension service expense and unallocated corporate items (certain corporate-level expenses, which are not considered allowable or allocable under applicable FAR and CAS requirements, and costs not considered part of management's evaluation of segment operating performance). These non-GAAP measures may be useful to investors and other users of our financial statements as supplemental measures in evaluating the financial performance and operational trends of our sectors. These measures may not be defined and calculated by other companies in the same manner and should not be considered in isolation or as alternatives to operating results presented in accordance with GAAP.

	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions	**2024**	2023	**Change**	**2024**	2023	**Change**
Operating income	**$ 1,090**	$ 967	**13 %**	**$ 2,161**	$ 1,914	**13 %**
Operating margin rate	***10.7 %***	*10.1 %*		***10.6 %***	*10.1 %*	
Reconciliation to segment operating income:						
CAS pension expense	**(65)**	(38)	**71 %**	**(131)**	(76)	**72 %**
FAS pension service expense	**59**	59	**— %**	**119**	118	**1 %**
FAS/CAS operating adjustment	**(6)**	21	**NM**	**(12)**	42	**NM**
Intangible asset amortization and PP&E step-up depreciation	**24**	31	**(23)%**	**49**	61	**(20)%**
Other unallocated corporate (income) expense	**(7)**	33	**NM**	**7**	37	**(81)%**
Unallocated corporate expense	**17**	64	**(73)%**	**56**	98	**(43)%**
Segment operating income	**$ 1,101**	$ 1,052	**5 %**	**$ 2,205**	$ 2,054	**7 %**
Segment operating margin rate	***10.8 %***	*11.0 %*		***10.8 %***	*10.9 %*	

Current Quarter
Second quarter 2024 segment operating income increased $49 million, or 5 percent, primarily due to higher sales. Segment operating margin rate decreased to 10.8 percent and reflects lower operating margin rates at Mission Systems and Aeronautics Systems, partially offset by higher operating margin rates at Space Systems and Defense Systems.

Year to Date
Year to date 2024 segment operating income increased $151 million, or 7 percent, primarily due to higher sales. Segment operating margin rate was comparable to the prior year period and reflects a lower operating margin rate at Mission Systems and higher operating margin rates at Defense Systems and Space Systems.

FAS/CAS Operating Adjustment
Second quarter 2024 and year to date 2024 FAS/CAS operating adjustment reflects higher CAS pension expense largely driven by plan asset returns in prior years and changes in certain CAS actuarial assumptions as of December 31, 2023.

Unallocated Corporate Expense
Current Quarter and Year to Date
The decrease in the second quarter and year to date 2024 unallocated corporate expense is primarily due to a $26 million increase in our estimated recovery of certain environmental remediation costs and a loss recognized in the prior year in connection with the divestiture of a small international subsidiary.

Net EAC Adjustments - We record changes in estimated contract earnings at completion (net EAC adjustments) using the cumulative catch-up method of accounting. Net EAC adjustments can have a significant effect on segment operating income and margin rate.

The aggregate favorable and unfavorable EAC adjustments are presented in the table below:

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions	**2024**	2023	**2024**	2023
Favorable EAC adjustments	**$ 360**	$ 324	**$ 722**	$ 650
Unfavorable EAC adjustments	**(322)**	(248)	**(590)**	(528)
Net EAC adjustments	**$ 38**	$ 76	**$ 132**	$ 122

Net EAC adjustments by segment are presented in the table below:

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions	**2024**	2023	**2024**	2023
Aeronautics Systems	**$ 36**	$ 42	**$ 112**	$ 36
Defense Systems	**39**	20	**66**	47
Mission Systems	**(21)**	38	**(5)**	95
Space Systems	**(17)**	(22)	**(36)**	(54)
Eliminations	**1**	(2)	**(5)**	(2)
Net EAC adjustments	**$ 38**	$ 76	**$ 132**	$ 122

AERONAUTICS SYSTEMS	Three Months Ended June 30		**%**	Six Months Ended June 30		**%**
$ in millions	**2024**	2023	**Change**	**2024**	2023	**Change**
Sales	**$ 2,963**	$ 2,595	**14 %**	**$ 5,932**	$ 5,110	**16 %**
Operating income	**295**	278	**6 %**	**592**	515	**15 %**
Operating margin rate	***10.0 %***	*10.7 %*		***10.0 %***	*10.1 %*	

Sales
Current Quarter

Second quarter 2024 sales increased $368 million, or 14 percent. This increase was primarily due to higher restricted sales, a $128 million increase on F-35 sustainment and production work largely driven by the timing of materials, and higher volume on the Triton program.

Year to Date
Year to date 2024 sales increased $822 million, or 16 percent. This increase was primarily due to higher restricted sales, a $242 million increase on F-35 sustainment and production work largely driven by the timing of materials, and higher volume on the Triton, E-2 and Global Hawk programs.

Operating Income
Current Quarter
Second quarter 2024 operating income increased $17 million, or 6 percent, due to higher sales, partially offset by a lower operating margin rate. Operating margin rate decreased to 10.0 percent from 10.7 percent principally due to sales growth on a low margin restricted program and lower net EAC adjustments. The second quarter 2023 operating margin rate reflected particularly strong performance due, in part, to restricted work.

Year to Date
Year to date 2024 operating income increased $77 million, or 15 percent, primarily due to higher sales. Operating margin rate decreased to 10.0 percent from 10.1 percent principally due to sales growth on low margin restricted programs, partially offset by higher net EAC adjustments largely driven by improved performance and cost efficiencies on the F-35 and F/A-18 production programs.

DEFENSE SYSTEMS	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions	**2024**	2023	**Change**	**2024**	2023	**Change**
Sales	**$ 1,513**	$ 1,420	**7 %**	**$ 2,925**	$ 2,796	**5 %**
Operating income	**204**	166	**23 %**	**381**	326	**17 %**
Operating margin rate	***13.5 %***	*11.7 %*		***13.0 %***	*11.7 %*	

Sales
Current Quarter
Second quarter 2024 sales increased $93 million, or 7 percent, primarily due to ramp-up on certain military ammunition programs, higher volume from the timing of materials and increased order quantities on the Guided Multiple Launch Rocket System (GMLRS), ramp-up on the Stand-in Attack Weapon (SiAW) program and higher volume on the Integrated Battle Command System (IBCS) program. These increases were partially offset by lower volume due to the completion of an international training program.

Year to Date
Year to date 2024 sales increased $129 million, or 5 percent, primarily due to ramp-up on certain military ammunition programs, higher volume from the timing of materials and increased order quantities on GMLRS, ramp-up on SiAW and higher volume on IBCS. These increases were partially offset by a $149 million decrease due to the completion of an international training program.

Operating Income
Current Quarter
Second quarter 2024 operating income increased $38 million, or 23 percent, due to a higher operating margin rate and higher sales. Operating margin rate increased to 13.5 percent from 11.7 percent principally due to higher net EAC adjustments driven by cost efficiencies and improved performance, as well as changes in contract mix.

Year to Date
Year to date 2024 operating income increased $55 million, or 17 percent, due to a higher operating margin rate and higher sales. Operating margin rate increased to 13.0 percent from 11.7 percent principally due to higher net EAC adjustments driven by cost efficiencies and improved performance, as well as changes in contract mix.

MISSION SYSTEMS	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions	**2024**	2023	**Change**	**2024**	2023	**Change**
Sales	**$ 2,773**	$ 2,641	**5 %**	**$ 5,432**	$ 5,204	**4 %**
Operating income	**361**	401	**(10)%**	**739**	761	**(3)%**
Operating margin rate	***13.0 %***	*15.2 %*		***13.6 %***	*14.6 %*	

Sales

Current Quarter

Second quarter 2024 sales increased $132 million, or 5 percent, primarily due to higher volume on restricted advanced microelectronics programs, the timing of materials on marine systems programs, higher volume on the Surface Electronic Warfare Improvement Program (SEWIP) and ramp-up on full-rate production (FRP) awards on the Ground/Air Task Oriented Radar (G/ATOR) program. These increases were partially offset by lower sales on the F-35 program largely due to timing.

Year to Date

Year to date 2024 sales increased $228 million, or 4 percent, primarily due to higher volume on restricted advanced microelectronics programs, the timing of materials on marine systems programs and FRP ramp-up on G/ATOR. These increases were partially offset by lower sales on the Scalable Agile Beam Radar (SABR) and F-35 programs.

Operating Income

Current Quarter

Second quarter 2024 operating income decreased $40 million, or 10 percent, due to a lower operating margin rate, partially offset by higher sales. Operating margin rate decreased to 13.0 percent from 15.2 percent primarily due to lower net EAC adjustments on certain airborne radar programs due, in part, to production inefficiencies that have driven higher labor costs, as well as changes in contract mix toward more cost-type content.

Year to Date

Year to date 2024 operating income decreased $22 million, or 3 percent, due to a lower operating margin rate, partially offset by higher sales. Operating margin rate decreased to 13.6 percent from 14.6 percent, primarily due to lower net EAC adjustments on certain airborne radar production programs, partially offset by sales growth on higher margin advanced microelectronics programs.

SPACE SYSTEMS	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions	**2024**	2023	**Change**	**2024**	2023	**Change**
Sales	**$ 3,573**	$ 3,488	**2 %**	**$ 7,228**	$ 6,838	**6 %**
Operating income	**324**	283	**14 %**	**656**	596	**10 %**
Operating margin rate	***9.1 %***	*8.1 %*		***9.1 %***	*8.7 %*	

Sales

Current Quarter

Second quarter 2024 sales increased $85 million, or 2 percent, primarily due to a $117 million increase on the Space Development Agency (SDA) Tranche 2 Transport Layer (T2TL) programs as they ramp, increased sales on the HALO program and higher materials volume on the GEM 63 program in support of Amazon’s Project Kuiper. These increases were partially offset by lower restricted sales due to a termination for convenience in our restricted space business during the first quarter of 2024.

Year to Date

Year to date 2024 sales increased $390 million, or 6 percent, primarily due to a $234 million increase on the SDA T2TL programs as they ramp, increased sales on the HALO program, higher volume on hypersonics programs, and higher materials volume on the GEM 63 program in support of Amazon’s Project Kuiper. These increases were partially offset by lower volume on the Ground-based Midcourse Defense (GMD) program.

Operating Income

Current Quarter

Second quarter 2024 operating income increased $41 million, or 14 percent, due to a higher operating margin rate and higher sales. Operating margin rate increased to 9.1 percent from 8.1 percent principally due to changes in contract mix and an improvement in net EAC adjustments. The prior year period included a $15 million write-down of commercial inventory.

Year to Date

Year to date 2024 operating income increased $60 million, or 10 percent, due to higher sales and a higher operating margin rate. Operating margin rate increased to 9.1 percent from 8.7 percent principally due to an improvement in net EAC adjustments largely driven by the prior year period including a $36 million unfavorable EAC adjustment on the HALO program.

NORTHROP GRUMMAN CORPORATION

PRODUCT AND SERVICE ANALYSIS

The following table presents product and service sales and operating costs and expenses by segment:

	Three Months Ended June 30				Six Months Ended June 30			
$ in millions	**2024**		2023		**2024**		2023	
Segment Information:	**Sales**	**Operating Costs and Expenses**	Sales	Operating Costs and Expenses	**Sales**	**Operating Costs and Expenses**	Sales	Operating Costs and Expenses
Aeronautics Systems								
Product	**$ 2,184**	**$ 1,995**	$ 1,925	$ 1,726	**$ 4,442**	**$ 4,030**	$ 3,832	$ 3,466
Service	**720**	**623**	606	533	**1,372**	**1,206**	1,149	1,013
Intersegment eliminations	**59**	**50**	64	58	**118**	**104**	129	116
Total Aeronautics Systems	**2,963**	**2,668**	2,595	2,317	**5,932**	**5,340**	5,110	4,595
Defense Systems								
Product	**855**	**736**	691	602	**1,627**	**1,411**	1,369	1,200
Service	**435**	**376**	534	480	**876**	**763**	1,063	948
Intersegment eliminations	**223**	**197**	195	172	**422**	**370**	364	322
Total Defense Systems	**1,513**	**1,309**	1,420	1,254	**2,925**	**2,544**	2,796	2,470
Mission Systems								
Product	**1,918**	**1,685**	1,834	1,573	**3,779**	**3,290**	3,649	3,136
Service	**558**	**475**	524	429	**1,079**	**921**	1,035	870
Intersegment eliminations	**297**	**252**	283	238	**574**	**482**	520	437
Total Mission Systems	**2,773**	**2,412**	2,641	2,240	**5,432**	**4,693**	5,204	4,443
Space Systems								
Product	**3,119**	**2,848**	2,991	2,770	**6,330**	**5,776**	5,862	5,379
Service	**429**	**379**	471	411	**846**	**749**	918	811
Intersegment eliminations	**25**	**22**	26	24	**52**	**47**	58	52
Total Space Systems	**3,573**	**3,249**	3,488	3,205	**7,228**	**6,572**	6,838	6,242
Segment Totals								
Total Product	**$ 8,076**	**$ 7,264**	$ 7,441	$ 6,671	**$ 16,178**	**$ 14,507**	$ 14,712	$ 13,181
Total Service	**2,142**	**1,853**	2,135	1,853	**4,173**	**3,639**	4,165	3,642
Total Segment[(1)]	**$ 10,218**	**$ 9,117**	$ 9,576	$ 8,524	**$ 20,351**	**$ 18,146**	$ 18,877	$ 16,823

[(1)] A reconciliation of segment operating income to total operating income is included in “Segment Operating Results.”

Product Sales and Costs

Current Quarter

Second quarter 2024 product sales increased $635 million, or 9 percent, primarily due to an increase in product sales at all four sectors. The increase was primarily driven by higher volume on restricted programs, F-35 and Triton at Aeronautics Systems, higher volume on certain military ammunition programs, GMLRS, SiAW and IBCS at Defense Systems, sales growth on SDA T2TL and HALO at Space Systems, and higher restricted sales, partially offset by lower F-35 volume, at Mission Systems.

Second quarter 2024 product costs increased $593 million, or 9 percent, consistent with the higher product sales described above.

Year to Date

Year to date 2024 product sales increased $1.5 billion, or 10 percent, primarily due to an increase in product sales at all four sectors. The increase was principally driven by higher volume on restricted programs, F-35, E-2 and Triton at Aeronautics Systems, sales growth on SDA T2TL and HALO at Space Systems, higher volume on SiAW, certain military ammunition programs, GMLRS and IBCS at Defense Systems, and higher restricted sales, partially offset by lower SABR and F-35 volume, at Mission Systems.

Year to date 2024 product costs increased $1.3 billion, or 10 percent, consistent with the higher product sales described above.

Service Sales and Costs
Current Quarter
Second quarter 2024 service sales were comparable to the prior year period and reflect an increase in service sales at Aeronautics Systems driven by higher volume on restricted programs and Global Hawk, partially offset by a decrease in service sales at Defense Systems principally due to the completion of an international training program.

Second quarter 2024 service costs were comparable to the prior year period, consistent with the service sales described above.

Year to Date
Year to date 2024 service sales were comparable to the prior year period and reflect an increase in service sales at Aeronautics Systems driven by higher volume on restricted programs and Global Hawk, partially offset by a decrease in service sales at Defense Systems principally due to the completion of an international training program.

Year to date 2024 service costs were comparable to the prior year period, consistent with the service sales described above.

BACKLOG

Second quarter and year to date 2024 net awards totaled $15.1 billion and $21.6 billion, respectively, and backlog consisted of the following as of June 30, 2024 and December 31, 2023:

	June 30, 2024			December 31, 2023	
$ in millions	**Funded**	**Unfunded**	**Total Backlog**	Total Backlog	% Change in 2024
Aeronautics Systems	**$ 9,757**	**$ 8,698**	**$ 18,455**	$ 19,583	**(6)%**
Defense Systems	**6,599**	**1,388**	**7,987**	8,064	**(1)%**
Mission Systems	**11,048**	**4,217**	**15,265**	16,108	**(5)%**
Space Systems	**11,035**	**30,376**	**41,411**	40,475	**2 %**
Total backlog	**$ 38,439**	**$ 44,679**	**$ 83,118**	$ 84,230	**(1)%**

During the first quarter of 2024, the company reduced unfunded backlog by $1.6 billion related to a termination for convenience in our restricted space business.

During the second quarter of 2024, the company reduced unfunded backlog by $0.7 billion related to a termination for convenience on the Next Generation Interceptor (NGI) program at Space Systems.

LIQUIDITY AND CAPITAL RESOURCES

We are focused on the efficient conversion of operating income into cash to provide for the company’s material cash requirements, including working capital needs, satisfaction of contractual commitments, funding of our pension and OPB plans, investment in our business through capital expenditures, and shareholder return through dividend payments and share repurchases.

At June 30, 2024, we had $3.3 billion in cash and cash equivalents. We expect cash and cash equivalents and cash generated from operating activities, supplemented by borrowings under credit facilities, commercial paper and/or in the capital markets through our shelf registration with the SEC, if needed, to be sufficient to provide liquidity to the company in the short-term and long-term. The company has a five-year senior unsecured credit facility in an aggregate principal amount of $2.5 billion, and in April 2024, we renewed our one-year $500 million uncommitted credit facility. At June 30, 2024, there were no borrowings outstanding under these credit facilities. In January 2024, we issued $2.5 billion of unsecured senior notes for general corporate purposes, including debt repayment, share repurchases and working capital.

IRC Section 174
Beginning in 2022, the Tax Cuts and Jobs Act of 2017 (“TCJA”) eliminated the option to deduct research and development expenditures in the current year and requires taxpayers to amortize them over five years pursuant to IRC Section 174. Our 2023 cash from operations were reduced by approximately $500 million for federal estimated tax payments we made related to Section 174. Congress is considering legislation that would defer the amortization requirement to later years, possibly with retroactive effect. In the meantime, we expect to continue to make additional federal tax payments based on the current Section 174 tax law, which we estimate will reduce our 2024 cash from operations by approximately $350 million. The impact of Section 174 on our cash from operations

depends on the amount of research and development expenditures incurred by the company and whether the IRS issues guidance on the provision which differs from our current interpretation, among other things.

Cash Flow Measures

In addition to our cash position, we consider various cash flow measures in capital deployment decision-making, including cash provided by operating activities and free cash flow, a non-GAAP measure described in more detail below.

Operating Cash Flow

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

	Six Months Ended June 30		%
$ in millions	**2024**	2023	**Change**
Net earnings	**$ 1,884**	$ 1,654	**14 %**
Non-cash items[(1)]	**215**	91	**136 %**
Pension and OPB contributions	**(69)**	(75)	**(8)%**
Changes in trade working capital	**(1,327)**	(1,504)	**(12)%**
Other, net	**16**	51	**(69)%**
Net cash provided by operating activities	**$ 719**	$ 217	**231 %**

[(1)] Includes depreciation and amortization, stock based compensation expense, deferred income taxes and net periodic pension and OPB income.

Year to date 2024 net cash provided by operating activities increased $502 million as compared with the same period in 2023 primarily due to higher net earnings and improved trade working capital, largely driven by lower net federal tax payments, partially offset by the timing of billings and cash collections.

Free Cash Flow

Free cash flow, as reconciled in the table below, is a non-GAAP measure defined as net cash provided by or used in operating activities less capital expenditures, and may not be defined and calculated by other companies in the same manner. We use free cash flow as a key factor in our planning for, and consideration of, acquisitions, the payment of dividends and stock repurchases. This non-GAAP measure may be useful to investors and other users of our financial statements as a supplemental measure of our cash performance, but should not be considered in isolation, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating cash flows presented in accordance with GAAP.

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

	Six Months Ended June 30		%
$ in millions	**2024**	2023	**Change**
Net cash provided by operating activities	**$ 719**	$ 217	**231 %**
Capital expenditures	**(590)**	(613)	**(4)%**
Free cash flow	**$ 129**	$ (396)	**133 %**

Year to date 2024 free cash flow increased $525 million, or 133 percent, as compared with the same period in 2023 principally due to higher net cash provided by operating activities.

Investing Cash Flow

Year to date 2024 net cash used in investing activities decreased $22 million, or 4 percent, as compared with the same period in 2023 principally due to lower capital expenditures largely driven by timing.

Financing Cash Flow

Year to date 2024 net cash provided by financing activities decreased $1.2 billion, or 97 percent, as compared with the same period in 2023, primarily due to an $821 million increase in share repurchases and a $768 million decrease in borrowings on commercial paper, partially offset by a $500 million increase in proceeds from long-term debt.

Credit Facilities, Commercial Paper and Financial Arrangements - See Note 7 to the financial statements for further information on our credit facilities, commercial paper and our use of standby letters of credit and guarantees.

Share Repurchases - See Note 2 to the financial statements for further information on our share repurchase programs.

Long-term Debt - See Note 5 to the financial statements for further information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to our critical accounting policies and estimates from those discussed in our 2023 Annual Report on Form 10-K.

ACCOUNTING STANDARDS UPDATES

See Note 1 to our financial statements for further information on accounting standards updates.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This Form 10-Q and the information we are incorporating by reference contain statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “will,” “expect,” “anticipate,” “intend,” “may,” “could,” “should,” “plan,” “project,” “forecast,” “believe,” “estimate,” “guidance,” “outlook,” “trends,” “goals” and similar expressions generally identify these forward-looking statements. Forward-looking statements include, among other things, statements relating to our future financial condition, results of operations and/or cash flows. Forward-looking statements are based upon assumptions, expectations, plans and projections that we believe to be reasonable when made, but which may change over time. These statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. Specific risks that could cause actual results to differ materially from those expressed or implied in these forward-looking statements include, but are not limited to, those identified and discussed more fully in the section entitled “Risk Factors” in our 2023 Annual Report on Form 10-K and from time to time in our other filings with the SEC. They include:

Industry and Economic Risks

- our dependence on the U.S. government for a substantial portion of our business
- significant delays or reductions in appropriations and/or for our programs, and U.S. government funding and program support more broadly, including as a result of a prolonged continuing resolution and/or government shutdown, and/or related to the global security environment or other global events
- significant delays or reductions in payments as a result of or related to a breach of the debt ceiling
- the use of estimates when accounting for our contracts and the effect of contract cost growth and our efforts to recover or offset such costs and/or changes in estimated contract costs and revenues, including as a result of inflationary pressures, labor shortages, supply chain challenges and/or other macroeconomic factors, and risks related to management’s judgments and assumptions in estimating and/or projecting contract revenue and performance which may be inaccurate
- continued pressures from macroeconomic trends, including on costs, schedules, performance and ability to meet expectations
- increased competition within our markets and bid protests

Legal and Regulatory Risks

- investigations, claims, disputes, enforcement actions, litigation (including criminal, civil and administrative) and/or other legal proceedings
- the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate, including the impact on our reputation and our ability to do business
- changes in procurement and other laws, SEC, DoD and other rules and regulations, contract terms and practices applicable to our industry, findings by the U.S. government as to our compliance with such requirements, more aggressive enforcement of such requirements and changes in our customers’ business practices globally
- environmental matters, including climate change, unforeseen environmental costs and government and third party claims
- unanticipated changes in our tax provisions or exposure to additional tax liabilities

Business and Operational Risks

- cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners, and changes in related regulations
- our ability to attract and retain a qualified, talented and diverse workforce with the necessary security clearances to meet our performance obligations
- the performance and viability of our subcontractors and suppliers and the availability and pricing of raw materials and components, particularly with inflationary pressures, increased costs, shortages in labor and financial resources, supply chain disruptions, and extended material lead times
- impacts related to health epidemics and pandemics and similar outbreaks
- our exposure to additional risks as a result of our international business, including risks related to global security, geopolitical and economic factors, misconduct, suppliers, laws and regulations
- our ability to innovate, develop new products and technologies, progress and benefit from digital transformation and maintain technologies to meet the needs of our customers
- natural disasters
- products and services we provide related to hazardous and high risk operations, including the production and use of such products, which subject us to various environmental, regulatory, financial, reputational and other risks
- our ability appropriately to exploit and/or protect intellectual property rights

General and Other Risk Factors

- the adequacy and availability of, and ability to obtain, insurance coverage, customer indemnifications or other liability protections
- the future investment performance of plan assets, gains or losses associated with changes in valuation of marketable securities related to our non-qualified benefit plans, changes in actuarial assumptions associated with our pension and other postretirement benefit plans and legislative or other regulatory actions impacting our pension and postretirement benefit obligations
- changes in business conditions that could impact business investments and/or recorded goodwill or the value of other long-lived assets, and other potential future liabilities

We urge you to consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of forward-looking statements. These forward-looking statements speak only as of the date this report is first filed or, in the case of any document incorporated by reference, the date of that document. We undertake 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risks from those discussed in our 2023 Annual Report on Form 10-K.

Item 4. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Our principal executive officer (Chair, Chief Executive Officer and President) and principal financial officer (Corporate Vice President and Chief Financial Officer) have evaluated the company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) as of June 30, 2024, and have concluded that these controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit is accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended June 30, 2024, no changes occurred in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about certain legal proceedings in which we are involved in Notes 6 and 7 to the financial statements.

We are a party to various investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings, including government investigations and claims, that arise in the ordinary course of our business. These types of matters could result in administrative, civil or criminal fines, penalties or other sanctions (which terms include judgments or convictions and consent or other voluntary decrees or agreements); compensatory, treble or other damages; non-monetary relief actions; or other liabilities. Government regulations provide that certain allegations against a contractor may lead to suspension or debarment from future government contracts or suspension of export privileges for the company or one or more of its components. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter. For additional information on pending matters, please see Notes 6 and 7 to the financial statements, and for further information on the risks we face from existing and future investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings, please see “Risk Factors” in our 2023 Annual Report on Form 10-K.

Consistent with SEC Regulation S-K Item 103, we have elected to disclose those environmental proceedings with a governmental entity as a party where the company reasonably believes such proceeding would result in monetary sanctions, exclusive of interest and costs, of $1.0 million or more.

Item 1A. Risk Factors

For a discussion of our risk factors please see the section entitled “Risk Factors” in our 2023 Annual Report on Form 10-K.

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

The table below summarizes our repurchases of common stock during the three months ended June 30, 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share[(1)(2)]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs ($ in millions)
March 30, 2024 - April 26, 2024	118,798	$ 460.43	118,798	$ 2,391
April 27, 2024 - May 24, 2024	821,306	NM[(2)]	821,306	2,177
May 25, 2024 - June 28, 2024	691,988	$ 437.31	691,988	1,874
Total	1,632,092	NM[(2)]	1,632,092	$ 1,874

(1) Excludes commissions paid and other costs of execution, including taxes.

(2) During the first quarter of 2024, the company entered into an accelerated share repurchase (ASR) agreement with Morgan Stanley, which was completed on May 1, 2024. Pursuant to the terms of the ASR, a total of approximately 2.2 million shares of our common stock were repurchased with an average final purchase price of of $455.73 (1.8 million shares in January 2024 and 0.4 million shares in May 2024).

Share repurchases take place from time to time, subject to market conditions and management’s discretion, in the open market or in privately negotiated transactions. The company retires its common stock upon repurchase and, in the periods presented, has not made any purchases of common stock other than in connection with these publicly announced repurchase programs.

See Note 2 to the financial statements for further information on our share repurchase programs.

NORTHROP GRUMMAN CORPORATION

Item 5. Other Information

Consistent with Item 408 of Regulation S-K, the following table reflects Rule 10b5-1 trading arrangements and non-Rule 10b5-1 trading arrangements (as defined in Item 408) entered into by any director or officer (as defined in Rule 16a-1(f) of the Exchange Act) during the quarter ended June 30, 2024.

Name (Title)	Type of Trading Arrangement	Date of Adoption	Expiration Date of Trading Arrangement	Aggregate Number of Securities to Be Purchased or Sold
Mark A. Welsh III (Director)	Rule 10b5-1 Trading Arrangement	May 30, 2024	Until August 29, 2025 or such earlier date upon the completion of all trades under the plan or the occurrence of such other termination events as specified in the plan.	Sale of 397 shares of common stock

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Item 6. Exhibits

3.1	Restated Certificate of Incorporation of Northrop Grumman Corporation, dated May 15, 2024 (incorporated by reference to Exhibit 3.1 to Form 8-K filed May 16, 2024, File No. 001-16411)
+10.1	Northrop Grumman 2024 Long-Term Incentive Stock Plan (incorporated by reference to Exhibit 10.1 to Form 8-K filed May 16, 2024, File No. 001-16411)
*+10.2	Northrop Grumman Corporation Equity Grant Program for Non-Employee Directors under the Northrop Grumman 2024 Long-Term Incentive Stock Plan, Amended and Restated effective May 15, 2024
*+10.3	Non-Employee Director Compensation Term Sheet, effective May 15, 2024
*15	Letter from Independent Registered Public Accounting Firm
*31.1	Certification of Kathy J. Warden pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of David F. Keffer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification of Kathy J. Warden pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of David F. Keffer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*101	Northrop Grumman Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted as inline XBRL (Extensible Business Reporting Language): (i) the Cover Page, (ii) Condensed Consolidated Statements of Earnings and Comprehensive Income, (iii) Condensed Consolidated Statements of Financial Position, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Shareholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*	Filed with this report
**	Furnished with this report
+	Management contract or compensatory plan or arrangement

NORTHROP GRUMMAN CORPORATION

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.

NORTHROP GRUMMAN CORPORATION
(Registrant)

By: **/s/ Michael A. Hardesty**

Michael A. Hardesty
Corporate Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

Date: July 24, 2024

Exhibit 10.2

NORTHROP GRUMMAN CORPORATION
EQUITY GRANT PROGRAM FOR NON-EMPLOYEE DIRECTORS
UNDER THE
NORTHROP GRUMMAN 2024 LONG-TERM INCENTIVE STOCK PLAN
Amended and Restated Effective as of May 15, 2024

1. Purpose

(a) The purpose of the Northrop Grumman Corporation Equity Grant Program for Non-Employee Directors (the "Program") is to promote the long-term growth and financial success of Northrop Grumman Corporation (the "Company") by attracting and retaining non-employee directors of outstanding ability and assisting the Company in promoting a greater identity of interest between the Company's non-employee directors and its stockholders.

(b) The Program is adopted and maintained under the Company's 2024 Long-Term Incentive Stock Plan and any successor equity compensation plan of the Company (as each such plan may be amended from time to time, the "Equity Plan"). The Program sets forth terms and conditions approved by the Company's Board of Directors (the "Board") with respect to the compensation of Eligible Directors (as defined below). This amended and restated Program is effective as of May 15, 2024 (the "Effective Date"). The Program as in effect at the time that Stock Units are awarded hereunder constitutes the award agreement evidencing the terms and conditions of the awards applicable to such Stock Units. This amended and restated Program does not affect any stock units or other awards granted prior to the Effective Date and any prior elections made by Eligible Directors with respect to Stock Units and compensation related to the 2024 Service Year (as defined below) and the 2024 calendar year shall remain in effect and be governed by the terms and conditions of the Program as previously in effect. Unless otherwise provided by the Board, no awards will be granted to Eligible Directors under the Equity Plan on or after the Effective Date other than as provided under this Program.

2. Term

The Program shall operate and shall remain in effect until terminated by action of the Board.

3. Program Operation

The Program and transactions hereunder in respect of Company equity securities are intended to be exempt from Section 16(b) of the Securities Exchange Act of 1934 (the "1934 Act") to the maximum extent possible under Rule 16b-3 promulgated thereunder. Except as specifically provided for herein, the Program requires no discretionary action by any administrative body with regard to any transaction under the Program. To the extent, if any, that any administrative or interpretive actions are required under the

Program, such actions shall be undertaken by the Board or by the Compensation and Human Capital Committee of the Board (the "Compensation Committee").

4. Eligibility

Only directors of the Company who are not employees of the Company or any subsidiary of the Company ("Eligible Directors") shall participate in the Program.

5. Shares of Common Stock Subject to the Program

Shares of common stock of the Company ("Common Stock") that are paid in settlement of Stock Units awarded under the Program shall be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Equity Plan then in effect and giving effect to any applicable fungible or premium share-counting rules of such plan.

6. Adjustments and Reorganizations

(a) Upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock; or any exchange of shares of Common Stock or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; then the Board or Compensation Committee shall equitably and proportionately adjust (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Stock Units, (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any outstanding Stock Units, and/or (3) the securities, cash or other property deliverable upon payment of any outstanding Stock Units, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Program and the then-outstanding Stock Units. The Board or Compensation Committee may also prospectively make such similar appropriate adjustment in the calculation of Fair Market Value (as defined in Section 7) as it deems necessary to preserve (but not increase) Eligible Directors' rights under the Program.

(b) It is intended that, if possible, any adjustments contemplated by the preceding Section 6(a) be made in a manner that satisfies applicable legal, tax (including, without limitation and as applicable in the circumstances, Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A")) and accounting (so as to not trigger any charge to earnings with respect to such adjustment) requirements. Any good faith determination by the Board or Compensation Committee as to whether an adjustment is required in the circumstances pursuant to Section 6(a), and the extent and nature of any such adjustment, shall be conclusive and binding on all persons.

7. Fair Market Value

Fair Market Value for all purposes under the Program shall have the meaning ascribed to such term in the Equity Plan.

8. Annual Retainer; Grants of Stock Units

(a) The Board (or applicable committee thereof) shall establish what portion or amount, if any, of the annual retainer payable to each Eligible Director for services as a director (the "Annual Retainer") will be paid in the form of shares of Common Stock or Stock Units (the "Stock Component") and what portion or amount of the Annual Retainer will be paid in cash (the "Cash Component"). The Stock Component shall be compensation for services rendered for each service year commencing with the **Company's Annual Meeting of Shareholders and ending with** the **Company's next following Annual Meeting of Shareholders (the "Service Year"). The Cash Component shall be compensation for services** rendered **during the calendar year, paid on a quarterly basis.**

(b) **As of the close of business on the day of the Company's Annual Meeting of Shareholders, each Eligible Director's account under the Program automatically will be credited with a number of Stock Units equal to the Stock Component for that Service Year divided by the Fair Market Value of a share of Common Stock on that date (the "Automatic Stock Units"); provided that for calendar year 2024 only, the date on which the Automatic Stock Units calculation is based and the grant date of the Automatic Stock Units shall not be the day of the Company's Annual Meeting of Shareholders (May 15, 2024) but instead shall be the fourth business day following filing of the Form 10-Q for the quarter ended June 30, 2024, and also conditioned upon the filing of the Form S-8 with respect to the Equity Plan on or before that date. As used herein, a "Stock Unit" is a non-voting unit of measurement which is credited to a bookkeeping account and deemed for purposes of the Program to be equivalent in value to one outstanding share of Common Stock. The Stock Units shall be used solely as a device for the determination of any payment to eventually be made to the Eligible Director pursuant to Section 9.** Automatic Stock Units will vest on the first anniversary of the date of the Company's Annual Meeting of Shareholders on which the **Automatic Stock Units were** granted (and will vest on May 15, 2025 with respect to the 2024 Automatic Stock Units), and, absent a valid election in accordance with Section 9(a), be payable on or within 30 days after the Eligible Director's Separation from Service. Should any individual experience a Separation from Service prior to the vesting date of his or her Automatic Stock Units, such individual shall vest in a pro rata portion of such Automatic Stock Units based on the number of calendar days that such individual served as a director during the Service Year for which such Automatic Stock Units were granted, which pro rata portion shall become payable on the same date(s) as otherwise would have applied with respect to such Automatic Stock Units (including after giving effect to any election pursuant to Section 9(a) hereof).

(c) Absent a valid election in accordance with this Section 8(c), the Cash Component of the Annual Retainer earned for each calendar quarter, as well as **any fees payable for service on Board committees, for service as lead independent director or for extraordinary services (the "Other Annual Retainers") for such calendar quarter** shall be payable to each Eligible Director as of the last day of each calendar quarter during the relevant year. For any Eligible Director who submits a valid election pursuant to this Section 8(c), all or any portion of the Cash Component and the Other Annual Retainers shall be payable in the form of a credit of Stock Units under the Program (collectively, the "Elective Stock Units"), which shall be credited as of the date that such amounts otherwise would have been payable in cash under the Program (each, a "Crediting Date"), subject to the proviso in the next sentence. The number of Elective Stock Units to be credited pursuant to such election on a Crediting Date shall be determined by dividing the portion of the Cash Component of the Annual Retainer and Other Annual Retainer that would have otherwise been paid in cash to the Eligible Director for the corresponding calendar quarter but for such an election by the Eligible Director, divided by the Fair Market Value of a share of Common Stock on that Crediting Date; **provided that with respect to the second quarter of 2024 only, the date on which the Elective Stock Units calculation is based and the Crediting Date of the Elective Stock Units shall not be the last day of the second calendar quarter of 2024 but instead shall be the fourth business day following the filing of the Form 10-Q for the quarter ended June 30, 2024, and also conditioned upon the filing of the Form S-8 with respect to the Equity Plan on or before that date**. Any such election to receive Elective Stock Units in lieu of a cash payment under the foregoing proviso must be made on a form and in a manner prescribed by Company management prior to the beginning of the calendar year to which such Cash Component or Other Annual Retainers relate. For the avoidance of doubt, any prior elections made with respect to the Cash Component of the Annual Retainer and Other Annual Retainer for the 2024 calendar year shall continue to apply for such compensation and this amendment and restatement of the Program shall not change any such elections.

(d) Should any individual become an Eligible Director after the beginning of the Service Year or after the beginning of the calendar year, such Eligible Director shall be entitled to a pro rata Annual Retainer, with the amount of the Stock Component and the Cash Component proportionately reduced to reflect the number of calendar days that have elapsed between the beginning of the Service Year (with respect to the Stock Component) or the calendar year (with respect to the Cash Component), respectively, and the effective date of the individual's election as an Eligible Director. Such pro-rated Stock Component shall be credited as Automatic Stock Units as of the effective date of the individual's election as an Eligible Director and shall vest on the first anniversary of the date of the Company's immediately preceding Annual Meeting of Shareholders. The number of Automatic Stock Units so credited to the Eligible Director's account shall be **equal to the pro-rated Stock Component divided by the Fair Market Value of a share of Common Stock on the effective date of the Eligible Director's election to the Board.** Such pro-rated Cash Component shall be paid on the date that the relevant Cash

Component would otherwise have been paid had the individual served as an Eligible Director during the entire calendar year.

9. Payment of Stock Units

(a) All Stock Units shall be paid in an equivalent number of shares of Common Stock. All Stock Units shall be paid on or within 30 days after the Eligible Director's Separation from Service; provided, however, that an Eligible Director may make an irrevocable election in advance to have all or any portion of any Stock Units paid (A) upon the earlier of (i) the Eligible Director's Separation from Service or (ii) a calendar year specified by the Eligible Director in his or her election (which year may be no earlier than the year after the relevant year to which the deferred Annual Retainer or Other Annual Retainers, as the case may be, relate), or (B) in the case of Automatic Stock Units, upon the Automatic Stock Units' vesting date. Notwithstanding the foregoing, no Automatic Stock Units shall be paid before the date they otherwise vest pursuant to Section 8. Any election to receive payment of Stock Units upon an event other than Separation from Service must be made on a form and in a manner prescribed by Company management by no later than December 31st of the calendar year before the start of the relevant Service Year (that is, before the start of the calendar year in which the Eligible Director performs the services giving rise to Stock Units). Notwithstanding the foregoing, an individual who first becomes an Eligible Director on or after January 1 of a calendar year shall be permitted to make an irrevocable election to receive payment of Automatic Stock Units upon an event other than Separation from Service provided that such election is made within 30 days after the date the individual becomes an Eligible Director and such election relates only to Automatic Stock Units attributable to services performed after the election. If the Eligible Director makes such an election to receive payment upon an event that is earlier than Separation from Service and payment is triggered (1) by the occurrence of the specified calendar year, the applicable Stock Units will generally be paid in January of such calendar year, and shall in all cases be paid prior to the end of such calendar year, or (2) upon vesting or Separation from Service, the applicable Stock Units shall be paid on or within 30 days of such event. For the avoidance of doubt, any prior elections made with respect to the Annual Retainer for the 2024 Service Year and the 2024 calendar year shall continue to apply for such Annual Retainer and this amendment and restatement of the Program shall not change any such elections.

(b) Notwithstanding the foregoing Section 9(a), if an Eligible Director is a Key Employee as of his Separation from Service, any payment triggered by the Eligible Director's Separation from Service which constitutes nonqualified deferred compensation subject to Section 409A shall be made on the first day of the seventh month following the date of his or her Separation from Service (or, if earlier, the date of his or her death). Such payment shall be subject to adjustment as provided in Section 6 and shall be in complete satisfaction of such payment. For the avoidance of doubt, an Eligible Director shall continue to be eligible to receive additional credits of Stock Units as dividend equivalents pursuant to Section 12 during any period of time payment of the Eligible Director's Stock Units is delayed pursuant to this Section 9(b).

(c) For purposes of this Program, the following terms shall have the meanings indicated below:

Affiliated Company. The Company and any other entity related to the Company under the rules of section 414 of the Code. The Affiliated Companies include Northrop Grumman Corporation and its 80%-owned subsidiaries and may include other entities as well.

Key Employee. A director or an employee treated as a "specified employee" under Code section 409A(a)(2)(B)(i) of the Company or an Affiliated Company (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof)) if the Company's or an Affiliated Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Section 409A. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.

Separation from Service. A "separation from service" within the meaning of Section 409A.

(d) Section 6 of the Equity Plan (addressing certain change in control events) shall apply to the Stock Units; provided that no modification to the timing of payment of the Stock Units shall be made unless such modification complies with Section 409A, including the requirements of Treas. Reg. Section 1.409A-3(j)(4)(ix) ("plan terminations and liquidations"), or any successor provision thereto, and such modification would not result in any tax, penalty or interest under Section 409A.

10. Elective Deferrals

(a) Eligible Directors shall be provided with the opportunity to elect to defer all or a portion of their Eligible Compensation, at the time and in the form and manner set forth below. To be effective, any deferral election must be filed by the deadline established by Company management, which shall be no later than December 31st of the calendar year before the calendar year in which the services giving rise to the Eligible Compensation to be deferred will be performed. An individual who becomes an Eligible Director on or after January 1 of a calendar year shall not be eligible to defer any portion of Eligible Compensation during that calendar year. Deferral election forms shall be in such form, and shall be filed and revoked in such manner as Company management shall from time to time determine. In addition, the Board may establish such minimum deferral amounts, specified percentages of Eligible Compensation that may be deferred, and similar requirements and limitations, as it may determine to be appropriate for convenience of administration of the Program.

(b) The Board shall cause Company management to establish and maintain an Elective Deferral Account for each Eligible Director who elects to defer Eligible Compensation earned on or after January 1, 2015, pursuant to Section 10(a) above. On the last day of each calendar quarter, the Elective Deferral Account of each person who is an Eligible Director as of such date shall be credited with his or her Elective Deferral Amount (if any) for such calendar quarter.

(c) Company management shall from time to time establish one or more bookkeeping investment funds (each, an "Investment Fund") based upon such criteria as it may from time to time determine. Company management shall establish procedures to permit Eligible Directors to make Investment Elections from time to time indicating in which of the available Investment Funds their Elective Deferral Accounts shall be deemed invested. Company management shall cause Eligible Director's Elective Deferral Account to be adjusted upwards or downwards, at such intervals as it may from time to time determine, to reflect the net investment return (whether positive or negative) of the particular Investment Fund(s) elected; *provided*, that no Elective Deferral Account may at any time have a balance less than zero.

(d) For purposes of this Program, the following terms shall have the meanings indicated below:

Elective Deferral Account. A bookkeeping account for an Eligible Director representing the Eligible Compensation that the Eligible Director has elected to defer under Section 10(a) of the Program, as adjusted to reflect earnings, losses, contributions and distributions in accordance with Section 10(c) and Section 11 of the Program.

Elective Deferral Amount. An amount of Eligible Compensation that an Eligible Director elects to defer under and in accordance with Section 10(a) of the Program.

Eligible Compensation. With respect to any calendar quarter, the portion of an Eligible Director's Cash Component and Other Annual Retainers payable for such quarter, less any portion of such amount for such quarter which the Eligible Director elects to receive in the form of Elective Stock Units in accordance with Section 8(c).

Investment Election. An election by an Eligible Director to have Elective Deferral Amounts invested in an Investment Fund. Investment Elections shall be made on a form and in the manner prescribed by Company management.

11. Payment of Elective Deferrals

(a) The balance of an Eligible Director's Elective Deferral Account shall be paid in a single distribution within 30 days following such Eligible Director's Separation from Service, unless: (i) the Eligible Director has elected an alternative time of payment under Section 11(b) or (ii) a later date is required by Section 11(e).

(b) In lieu of the default time of payment set forth in Section 11(a), an Eligible Director may elect to receive a distribution of all or a portion of his Elective Deferral Account at the earlier of Separation from Service or a calendar year specified by the Eligible Director. Any such election must be made in accordance with the procedures set forth in Section 11(d). A distribution scheduled to be made due to the Eligible Director's Separation from Service shall be made within 30 days of such Separation from Service. A distribution scheduled to be made in a specified calendar year shall be made no later than December 31st of such calendar year.

(c) All distributions from an Eligible Director's Elective Deferral Account shall be made in cash.

(d) Company management shall establish rules and procedures for an Eligible Director to file a distribution election form on which such Eligible Director may make a distribution election, subject to the following requirements and restrictions:

(1) A distribution election form must be filed by the deadline established by Company management, which shall be no later than December 31st of the calendar year before the calendar year in which the Eligible Director will perform the services giving rise to the Annual Retainer (or Other Annual Retainer, if applicable) to be deferred;

(2) A distribution election applies only with respect to deferrals for the calendar year for which the distribution election form is filed. If an Eligible Director wishes to make a distribution election for amounts deferred in subsequent calendar years, a new distribution election form must be filed for each calendar year by the deadline described in Section 11(d)(1), above; and

(3) A distribution election is irrevocable once the distribution election form is filed.

In addition, Company management may establish rules for designating a beneficiary, and such other rules, limitations and conditions as Company management determines to be appropriate, subject to the requirements and restrictions set forth above.

(e) If an Eligible Director is a "specified employee" (as determined by the Company in accordance with Section 409A(a)(2)(B) of the Code and Treas. Reg. § 1.409A-1(i)), any amount that becomes payable under this Section 11 as a result of the Eligible Director's Separation from Service shall be paid on the later of (a) the payment date prescribed by this Section 11, and (b) the first day of the seventh month that begins after the Eligible Director's Separation from Service.

(f) If an Eligible Director dies before the balance of his Elective Deferral Account is fully distributed, the remaining balance of the Eligible Director's Elective Deferral Account shall be distributed (in the form such balance would have been paid to such Eligible Director) to his beneficiary within 90 days after the Eligible Director's death.

(g) Section 6 of the Equity Plan (addressing certain change in control events) shall apply to Elective Deferral Accounts; provided that no modification to the timing of payment shall be made unless the requirements of Treas. Reg. Section 1.409A-3(j)(4)(ix) ("plan terminations and liquidations"), or any successor provision thereto, are satisfied and such modification would not result in any tax, penalty or interest under Section 409A.

12. Dividend Equivalents

No later than sixty (60) days following each date that the Company pays an ordinary cash dividend on its outstanding Common Stock (if any ordinary cash dividends are paid), for which the related record date occurs on or after the Effective Date and prior to all of the Eligible Director's Stock Units being paid pursuant to Section 9, the Eligible Director's Stock Unit account shall be credited with additional Stock Units equal to (i) the number of outstanding and unpaid Stock Units credited to such account as of such record date, multiplied by (ii) the amount of the ordinary cash dividend paid by the Company on a share of Common Stock, divided by (iii) the Fair Market Value of a share of the Common Stock as of such record date. Any Stock Units credited pursuant to the foregoing provisions of this Section 12 shall be subject to the same payment and other terms and conditions as the original Stock Units to which they relate.

13. Restrictions on Transfer

Stock Units shall be nontransferable and shall not be assignable, alienable, saleable or otherwise transferable by an Eligible Director other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order. An Eligible Director may designate, on a form provided by the Company, a beneficiary or beneficiaries to receive any distributions under the Program, including distributions of Elective Deferral Accounts, upon the death of the Eligible Director.

14. Issuance of Certificates

(a) On each payment date described in Section 9, the Company shall deliver to the Eligible Director a number of shares of Common Stock (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Company in its discretion) equivalent to the number of Stock Units which are payable under the Program with respect to such payment date.

(b) Whenever under the terms of the Program a fractional share would be required to be issued, the fractional share shall be rounded up to the next full share.

(c) All shares of Common Stock delivered under the Program shall be subject to such stop-transfer orders and other restrictions as the Company may deem advisable or legally necessary under any laws, statutes, rules, regulations and other legal requirements, including those of any stock exchange upon which the Common Stock is then listed and any applicable Federal, state or foreign securities law.

(d) Anything to the contrary herein notwithstanding, the Company shall not be required to issue any shares of Common Stock under the Program if, in the opinion of legal counsel, the issuance and delivery of such shares would constitute a violation by the Eligible Director or the Company of any applicable law or regulation of any governmental authority, including, without limitation, Federal and state securities laws, or the regulations of any stock exchange on which the Company's securities may then be listed.

15. Program Amendment

The Board may suspend or terminate the Program or any portion of the Program. The Board may also amend the Program if deemed to be in the best interests of the Company and its stockholders; provided, however, that (a) no such amendment may impair any Eligible Director's right regarding any outstanding grants or Stock Units, Elective Deferral Accounts, or other right to receive shares or cash payments under the Program without his or her consent, and (b) no such amendment may cause the Program not to comply with Rule 16b-3, or any successor rule, under the 1934 Act.

16. Unfunded Program

The Program shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Program shall not establish any fiduciary relationship between the Company and any Eligible Director or other person. To the extent any person holds any rights by virtue of an award granted under the Program, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured general creditor of the Company.

17. Future Rights

Neither the Program, nor the granting of Common Stock nor any other action taken pursuant to the Program, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain an Eligible Director for any period of time, or at any particular rate of compensation. Nothing in this Program shall in any way limit or affect the right of the Board or the stockholders of the Company to remove any Eligible Director or otherwise terminate his or her service as a director of the Company.

18. Governing Law

The Program and all rights and obligations under the Program shall be governed by, and construed in accordance with, the laws of the State of Delaware and applicable Federal law.

19. Successors and Assigns

The Program shall be binding on all successors and assigns of an Eligible Director, including, without limitation, the estate of such Eligible Director and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Eligible Director's creditors.

20. Rights as a Stockholder

The Eligible Director in whose name any shares of Common Stock have been issued pursuant to this Program shall have all of the rights of a stockholder with respect to such shares, including the right to vote the Common Stock and receive dividends and other distributions made on the Common Stock (but for the avoidance of doubt, shall not have any rights of a stockholder prior to the issuance of such shares). Shares of Common Stock issued in respect of Stock Units credited under the Program shall be fully paid and non-assessable.

21. Construction

The Program shall be construed and interpreted to comply with, and avoid any tax or penalty or interest under, Section 409A. Notwithstanding Section 15 above, the Company reserves the right to amend the Program and any outstanding grants or deferrals under the Program to the extent it reasonably determines is consistent with and necessary in order to preserve the intended tax consequences of the Stock Units and amounts deferred in Elective Deferral Accounts, in light of Section 409A and any regulations or other guidance promulgated thereunder. Notwithstanding the foregoing, the Company does not make any representations as to the potential tax treatment of any compensation or Stock Units granted under the Program under Section 409A or otherwise and the Company will not have any liability to any Eligible Director for adverse tax consequences or penalty.

Exhibit 10.3

<u>Fees and Expenses</u>

(effective as of May 15, 2024)

Retainer:	Retainer fees are paid quarterly, at the end of each quarter. Fees are as follows:	
	Annual cash retainer:	$145,000
	Additional retainer for:	
	Lead Independent Director:	$50,000
	Audit and Risk Committee:	$15,000
	Audit and Risk Committee chair:	$25,000
	Compensation and Human Capital Committee chair:	$25,000
	Nominating and Governance Committee chair:	$25,000
	Policy Committee chair:	$25,000
Equity Grant:	Directors are awarded an annual equity grant of $182,500 in deferred stock units ("Automatic Stock Units"), with such grant to be made as of the fourth business day following the filing of the Form 10-Q for the quarter ending June 30, 2024, and also conditioned upon the filing of the Form S-8 with respect to the Northrop Grumman 2024 Long-Term Incentive Stock Plan (the "Equity Plan") on or before that date and in accordance with the Northrop Grumman Corporation Equity Program for Non-Employee Directors, as amended (the "Program") under the Equity Plan. The Automatic Stock Units will vest on the one-year anniversary of the 2024 Annual Meeting of Shareholders. Directors may elect to have all or any portion of their Automatic Stock Units paid on (A) the earlier of (i) the beginning of a specified calendar year after the vesting date or (ii) their separation from service as a member of the Board or (B) the vesting date.	
Deferral of Cash Retainer:	Directors may elect to defer payment of all or a portion of their cash retainer fees and any other committee retainer fees into a deferred stock unit account ("Elective Stock Units"). Elective Stock Units are awarded on a calendar quarterly basis. Directors may elect to have all or a portion of their Elective Stock Units paid on the earlier of (i) the beginning of a specified calendar year or (ii) their separation from service as a member of the Board.	
Elective Deferral Program:	Directors may elect to defer to a later year all or a portion of their annual cash retainer and any other fees payable for their Board service into alternative investment options similar to the options available under Northrop Grumman's Savings Excess Plan.	
Stock Ownership:	All directors are required to own Company stock in an amount equal to five times the annual cash retainer, with such ownership to be achieved within five years of the director's election to the Board. Deferred stock units and Company stock owned outright by the director will count towards this requirement.	

NORTHROP GRUMMAN CORPORATION

EXHIBIT 15

LETTER FROM INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

July 24, 2024

The Board of Directors and Shareholders of Northrop Grumman Corporation

Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, Virginia 22042

We are aware that our report dated July 24, 2024, on our review of the interim financial information of Northrop Grumman Corporation and subsidiaries appearing in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, is incorporated by reference in Registration Statement Nos. 033-59815, 033-59853, 333-67266, 333-100179, 333-107734, 333-121104, 333-125120, 333-127317, 333-175798, and 333-273482 on Form S-8, 333-270497 on Form S-3, and 333-264549 on Form S-4.

/s/ Deloitte & Touche LLP
McLean, Virginia

NORTHROP GRUMMAN CORPORATION

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kathy J. Warden, certify that:

1. I have reviewed this report on Form 10-Q of Northrop Grumman Corporation ("company");
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 company as of, and for, the periods presented in this report;
4. The company'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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: July 24, 2024

/s/ Kathy J. Warden
Kathy J. Warden
Chair, Chief Executive Officer and President

NORTHROP GRUMMAN CORPORATION

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David F. Keffer, certify that:

1. I have reviewed this report on Form 10-Q of Northrop Grumman Corporation ("company");
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 company as of, and for, the periods presented in this report;
4. The company'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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: July 24, 2024

/s/ David F. Keffer

David F. Keffer
Corporate Vice President and Chief Financial Officer

NORTHROP GRUMMAN CORPORATION

EXHIBIT 32.1

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 Northrop Grumman Corporation (the “company”) on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kathy J. Warden, Chair, Chief Executive Officer and President of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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: July 24, 2024

/s/ Kathy J. Warden

Kathy J. Warden
Chair, Chief Executive Officer and President

NORTHROP GRUMMAN CORPORATION

EXHIBIT 32.2

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 Northrop Grumman Corporation (the “company”) on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David F. Keffer, Corporate Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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: July 24, 2024

/s/ David F. Keffer
David F. Keffer
Corporate Vice President and Chief Financial Officer