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, 2026

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 16, 2026, 142,063,026 shares of common stock were outstanding.

NORTHROP GRUMMAN CORPORATION

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NORTHROP GRUMMAN CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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	**2026**	2025	**2026**	2025
Sales				
Product	**$ 8,808**	$ 8,258	**$ 16,766**	$ 15,779
Service	**2,068**	2,093	**3,991**	4,040
Total sales	**10,876**	10,351	**20,757**	19,819
Operating costs and expenses				
Product	**7,155**	6,526	**13,588**	12,892
Service	**1,600**	1,615	**3,088**	3,137
General and administrative expenses	**1,025**	1,016	**1,996**	2,023
Total operating costs and expenses	**9,780**	9,157	**18,672**	18,052
Gain on sale of business	**—**	231	**—**	231
Operating income	**1,096**	1,425	**2,085**	1,998
Other (expense) income				
Interest expense	**(161)**	(173)	**(323)**	(329)
Non-operating FAS pension benefit	**166**	137	**332**	267
Other, net	**67**	38	**104**	69
Earnings before income taxes	**1,168**	1,427	**2,198**	2,005
Federal and foreign income tax expense	**74**	253	**229**	350
Net earnings	**$ 1,094**	$ 1,174	**$ 1,969**	$ 1,655
Basic earnings per share	**$ 7.70**	$ 8.17	**$ 13.86**	$ 11.48
Weighted-average common shares outstanding, in millions	**142.1**	143.7	**142.1**	144.2
Diluted earnings per share	**$ 7.68**	$ 8.15	**$ 13.83**	$ 11.45
Weighted-average diluted shares outstanding, in millions	**142.4**	144.0	**142.4**	144.5
Net earnings (from above)	**$ 1,094**	$ 1,174	**$ 1,969**	$ 1,655
Other comprehensive (loss) income, net of tax				
Change in cumulative translation adjustment	**—**	7	**(2)**	9
Change in other, net	**(3)**	11	**(6)**	19
Other comprehensive (loss) income, net of tax	**(3)**	18	**(8)**	28
Comprehensive income	**$ 1,091**	$ 1,192	**$ 1,961**	$ 1,683

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, 2026**	December 31, 2025
Assets		
Cash and cash equivalents	**$ 2,307**	$ 4,403
Accounts receivable, net	**2,311**	1,375
Unbilled receivables, net	**7,953**	6,544
Inventoried costs, net	**1,415**	1,309
Prepaid expenses and other current assets	**1,604**	1,656
Total current assets	**15,590**	15,287
Property, plant and equipment, net of accumulated depreciation of $10,061 for 2026 and $9,648 for 2025	**10,297**	10,972
Operating lease right-of-use assets	**1,901**	1,859
Goodwill	**17,439**	17,437
Deferred tax assets	**598**	1,051
Pension and other postretirement benefit plan assets	**3,447**	3,167
Other non-current assets	**1,491**	1,604
Total assets	**$ 50,763**	$ 51,377
Liabilities		
Trade accounts payable	**$ 2,895**	$ 3,240
Accrued employee compensation	**1,991**	2,309
Advance payments and billings in excess of costs incurred	**3,823**	4,086
Other current liabilities	**4,636**	4,247
Total current liabilities	**13,345**	13,882
Long-term debt, net of current portion of $763 for 2026 and $534 for 2025	**14,428**	15,162
Pension and other postretirement benefit plan liabilities	**1,086**	1,110
Operating lease liabilities	**1,861**	1,857
Other non-current liabilities	**2,159**	2,692
Total liabilities	**32,879**	34,703
Commitments and contingencies (Note 7)		
Shareholders’ equity		
Preferred stock, $1 par value; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, $1 par value; 800,000,000 shares authorized; issued and outstanding: 2026—142,062,680 and 2025—141,997,194	**142**	142
Paid-in capital	**37**	—
Retained earnings	**17,839**	16,658
Accumulated other comprehensive loss	**(134)**	(126)
Total shareholders’ equity	**17,884**	16,674
Total liabilities and shareholders’ equity	**$ 50,763**	$ 51,377

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

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30	
$ in millions	**2026**	2025
Operating activities		
Net earnings	**$ 1,969**	$ 1,655
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	**739**	687
Stock-based compensation	**49**	40
Deferred income taxes	**453**	(114)
B-21 loss provision	**—**	477
Gain on sale of business	**—**	(231)
Net periodic pension and OPB income	**(240)**	(169)
Pension and OPB contributions	**(63)**	(62)
Changes in assets and liabilities:		
Accounts receivable, net	**(936)**	(929)
Unbilled receivables, net	**(860)**	(1,343)
Inventoried costs, net	**(118)**	(102)
Prepaid expenses and other assets	**141**	21
Trade accounts payable	**(345)**	(2)
Advance payments and billings in excess of costs incurred	**(263)**	(70)
Other liabilities	**(836)**	(420)
Income taxes payable, net	**(38)**	(145)
Other operating activities	**(28)**	10
Net cash used in operating activities	**(376)**	(697)
Investing activities		
Capital expenditures	**(469)**	(487)
Proceeds from sale of investment	**107**	—
Divestiture of training services business	**—**	333
Other investing activities	**(2)**	(37)
Net cash used in investing activities	**(364)**	(191)
Financing activities		
Net proceeds from issuance of long-term debt	**—**	998
Payments of long-term debt	**(527)**	(1,500)
Net borrowings on commercial paper	**—**	566
Common stock repurchases	**(68)**	(891)
Cash dividends paid	**(684)**	(634)
Payments of employee taxes withheld from share-based awards	**(58)**	(38)
Other financing activities	**(19)**	(67)
Net cash used in financing activities	**(1,356)**	(1,566)
Decrease in cash and cash equivalents	**(2,096)**	(2,454)
Cash and cash equivalents, beginning of year	**4,403**	4,353
Cash and cash equivalents, end of period	**$ 2,307**	$ 1,899

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	**2026**	2025	**2026**	2025
Common stock				
Beginning of period	**$ 142**	$ 144	**$ 142**	$ 145
Common stock repurchased	**—**	(1)	**—**	(2)
End of period	**142**	143	**142**	143
Paid-in capital				
Beginning of period	**8**	—	**—**	—
Stock compensation	**29**	—	**37**	—
End of period	**37**	—	**37**	—
Retained earnings				
Beginning of period	**17,096**	14,982	**16,658**	15,297
Common stock repurchased	**—**	(391)	**(63)**	(872)
Net earnings	**1,094**	1,174	**1,969**	1,655
Dividends declared	**(351)**	(332)	**(681)**	(631)
Stock compensation	**—**	19	**(44)**	3
End of period	**17,839**	15,452	**17,839**	15,452
Accumulated other comprehensive loss				
Beginning of period	**(131)**	(142)	**(126)**	(152)
Other comprehensive (loss) income, net of tax	**(3)**	18	**(8)**	28
End of period	**(134)**	(124)	**(134)**	(124)
Total shareholders’ equity	**$ 17,884**	$ 15,471	**$ 17,884**	$ 15,471
Cash dividends declared per share	**$ 2.47**	$ 2.31	**$ 4.78**	$ 4.37

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

On May 24, 2025 (the "Divestiture date"), the company completed its previously announced sale of substantially all of the Immersive Mission Solutions (IMS) operating unit of Defense Systems (the "training services" business or "divestiture") for $333 million in cash and recorded a pre-tax gain on sale of $231 million. IMS is a provider of mission training and satellite ground network communications software for U.S. government customers. 2025 operating results include sales and operating income for the training services business prior to the Divestiture date.

The 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.

During the fourth quarter of 2025, we modified our presentation of the changes in liabilities in the operating cash flow section of the consolidated statement of cash flows by disaggregating Accounts payable and other liabilities into three separate line items: Accounts payable, Advance payments and billings in excess of costs incurred, and Other liabilities. Prior period amounts have been conformed to the current period presentation. The modified presentation does not impact previously reported cash provided by operating activities.

Results reported in the financial statements are not necessarily indicative of results that may be expected for the entire year. The financial statements should be read in conjunction with the information contained in the company's 2025 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 (G&A) cost, is charged against income in the period the loss is identified.

B-21 Program

The company has previously recognized and disclosed cumulative losses of approximately $2.0 billion on the low-rate initial production (LRIP) phase of the B-21 program. As of June 30, 2026, the remaining loss accrual totaled $1.0 billion, which is included in Other current liabilities.

Net EAC Adjustments

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	**2026**	2025	**2026**	2025
Revenue	**$ 112**	$ 164	**$ 104**	$ 202
Operating income	**94**	126	**14**	26
Net earnings[1]	**74**	100	**11**	21
Diluted earnings per share[1]	**0.52**	0.69	**0.08**	0.15

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

EAC adjustments 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. In most cases, EAC adjustments have an equal impact on both revenue and operating income. However, for contracts in a forward loss position, the impact of EAC adjustments on revenue is different than the impact on operating income because changes in forward losses also impact cost of sales.

2026 – The company recorded the following significant EAC adjustments during 2026:

- Graphite Epoxy Motor (GEM) 63XL – During the second quarter of 2026, the company recorded a $91 million unfavorable EAC adjustment on the GEM 63XL program at Space Systems largely related to increases in the projected cost and quantity of material needed to complete the program. During the first quarter of 2026, the company recorded a $71 million unfavorable EAC adjustment on the program associated with the evaluation and implementation of corrective actions for a solid rocket motor anomaly that occurred during a Q1 2026 launch.
- Stand-in Attack Weapon (SiAW) – During the second quarter of 2026, the company recorded a $68 million unfavorable EAC adjustment on the SiAW program at Defense Systems driven by increases in the projected costs to support the design and qualification of system software and hardware architecture for the U.S. Air Force.
- B-21 – During the first quarter of 2026, the company reached an agreement with the U.S. Air Force to expand production capacity and increase the aircraft production rate for the B-21 program at Aeronautics Systems. We made no significant changes to the previously recognized loss on the program; however, impacts from the agreement and higher estimated production costs resulted in a $157 million net unfavorable EAC adjustment on the first four LRIP lots, which was offset by a net reduction in the loss contingency accrual on the remainder of the program.

2025 – The company recorded the following significant EAC adjustments during 2025:

- B-21 – During the first quarter of 2025, the company recorded a $226 million unfavorable EAC adjustment on the first and second LRIP lots of the B-21 program at Aeronautics Systems.
- Sentinel – During the second quarter of 2025, the company recorded a $76 million favorable EAC adjustment on the engineering and manufacturing development (EMD) phase of the Sentinel program at Defense 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, 2026 was $104.7 billion. Of our June 30, 2026 backlog, we expect to recognize approximately 35 percent as revenue over the next 12 months and 55 percent as revenue over the next 24 months, with the remainder to be recognized thereafter.

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, 2026 that was included in the December 31, 2025 contract liability balance was $784 million and $2.6 billion, respectively. The amount of revenue recognized for the three and six months ended June 30, 2025 that was included in the December 31, 2024 contract liability balance was $780 million and $2.7 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
In connection with the company's first quarter 2026 agreement with the U.S. Air Force to expand production capacity and increase the aircraft production rate for the B-21 program, we agreed to sell an aircraft to the U.S. Air Force that we had previously planned to utilize as a company-owned test asset. While the sale of this asset accelerates the LRIP aircraft delivery schedule, it does not change the number of aircraft we expect to deliver under the LRIP phase of the program. The test asset was under construction at the time of sale, and our construction costs prior to the agreement were recognized as capital expenditures and included in property, plant and equipment. The agreement to sell the asset resulted in a reduction of PP&E during the first quarter of 2026; we had no material cash inflows related to the sale during the quarter.

Non-cash investing activities for the six months ended June 30, 2026 and 2025 include capital expenditures incurred but not yet paid of $102 million and $134 million, respectively.

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

$ in millions	**June 30, 2026**	December 31, 2025
Cumulative translation adjustment	**$ (133)**	$ (131)
Other, net	**(1)**	5
Total accumulated other comprehensive loss	**$ (134)**	$ (126)

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

Accounting Standards Updates
On November 4, 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2024-03 *Disaggregation of Income Statement Expenses (Subtopic 220-40).* ASU 2024-03 requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. ASU 2024-03 will be effective for annual periods beginning January 1, 2027 and interim periods beginning January 1, 2028 and will be applied on a prospective basis with the option to apply the standard retrospectively. We are evaluating the disclosure impact of ASU 2024-03; however, the standard will not have an impact on the company's consolidated financial position, results of operations or cash flows.

On September 18, 2025, the FASB issued ASU No. 2025-06 *Targeted Improvements to the Accounting for Internal-Use Software (Subtopic 350-40)*. ASU 2025-06 removes references to prescriptive and sequential software development stages, requiring companies to capitalize internal-use software costs when management commits to funding the software project and it is probable the project will be completed. ASU 2025-06 will be effective for annual and interim periods beginning January 1, 2028, and can be applied on a prospective, modified prospective, or retrospective basis. We do not currently expect the standard will have a material impact on the company's consolidated financial position, results of operations or cash flows.

On December 8, 2025, the FASB issued ASU No. 2025-11 *Interim Reporting (Topic 270): Narrow-Scope Improvements*. ASU 2025-11 clarifies the applicability of Topic 270 and the form and content of interim financial statements. In addition, ASU 2025-11 requires entities to disclose material events occurring since the last annual reporting period. ASU 2025-11 will be effective for interim periods beginning January 1, 2028, and can be applied on a prospective or retrospective basis. We are evaluating the disclosure impact of ASU 2025-11; however, the standard will not have an impact on the company's consolidated financial position, results of operations or cash flows.

Other accounting standards updates adopted and/or issued, but not effective until after June 30, 2026, 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 0.3 million shares for each of the three and six months ended June 30, 2026. The dilutive effect of these securities totaled 0.3 million shares for each of the three and six months ended June 30, 2025.

Share Repurchases
We had no repurchases of common stock during the three months ended June 30, 2026.

On December 11, 2024, the company's board of directors authorized a share repurchase program of up to $3.0 billion in share repurchases of the company's common stock. Repurchases under the program commenced in September 2025 and $2.5 billion of the share repurchase authorization remained as of June 30, 2026.

Share repurchases take place from time to time, subject to market and regulatory 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.

Dividends on Common Stock
In May 2026, the company increased the quarterly common stock dividend 7 percent to $2.47 per share from the previous amount of $2.31 per share.

3. INVENTORIED COSTS, NET

Inventoried costs, net consisted of the following:

$ in millions	**June 30, 2026**	December 31, 2025
Raw materials	**$ 309**	$ 306
Work in process	**1,037**	945
Finished goods	**69**	58
Inventoried costs, net	**$ 1,415**	$ 1,309

4. INCOME TAXES

In July 2025, the One Big Beautiful Bill Act (OBBBA) was enacted. Key income tax-related provisions of the OBBBA include the repeal of mandatory capitalization of research and development expenditures under Internal Revenue Code (IRC) Section 174 (reinstating full expensing beginning in 2025), extension of bonus depreciation, and revisions to international tax regimes. As part of the enactment of the OBBBA, the company became subject to the corporate alternative minimum tax (CAMT) and recorded CAMT credit carryforwards of $187 million during 2025. In February 2026, the Internal Revenue Service (IRS) issued Notice 2026-7, providing interim relief for the CAMT through a favorable adjustment related to the amortization of research and development expenditures under IRC Section 174. The company recognized the impacts of Notice 2026-7 during the first quarter of 2026, resulting in a $187 million decrease in CAMT credit carryforwards and a corresponding increase in Taxes receivable, as well as a $19 million reduction to federal income tax expense.

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions	**2026**	2025	**2026**	2025
Federal and foreign income tax expense	**$ 74**	$ 253	**$ 229**	$ 350
Effective income tax rate	**6.3 %**	17.7 %	**10.4 %**	17.5 %

Current Quarter

Second quarter 2026 income tax expense decreased $179 million, or 71 percent, due to a lower effective tax rate (ETR) and $259 million of lower earnings before income taxes. The second quarter 2026 ETR decreased to 6.3 percent from 17.7 percent principally due to the remeasurement of uncertain tax positions (UTPs) given recent developments with the IRS towards resolving our previously filed federal income tax returns and refund claims. The second quarter 2026 ETR includes benefits of $176 million for research credits, inclusive of the UTP remeasurement of $115 million, and $10 million for foreign-derived deduction-eligible income (FDDEI). The second quarter 2025 ETR included benefits of $68 million for research credits and $12 million for foreign derived intangible income (FDII), partially offset by $18 million of interest expense on unrecognized tax benefits and $17 million of tax expense related to nondeductible goodwill in the divested business.

Year to Date

Year to date 2026 income tax expense decreased $121 million, or 35 percent, due to a lower ETR, partially offset by $193 million of higher earnings before income taxes. The year to date 2026 ETR decreased to 10.4 percent from 17.5 percent primarily due to the remeasurement of UTPs described above, as well as higher research credits, including a $19 million benefit related to the CAMT guidance discussed above. The year to date 2026 ETR includes benefits of $244 million for research credits, inclusive of the UTP remeasurement, and $19 million for FDDEI, partially offset by $25 million of interest expense on unrecognized tax benefits. The year to date 2025 ETR included benefits of $103 million for research credits and $18 million for FDII, partially offset by $34 million of interest expense on unrecognized tax benefits and $17 million of tax expense related to nondeductible goodwill in the divested business.

We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. Certain matters related to the company's 2018-2024 federal income tax returns are currently under IRS examination. Certain matters 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.

Current unrecognized tax benefits, which are included in Other current liabilities, were $831 million and $436 million as of June 30, 2026 and December 31, 2025, respectively. Non-current unrecognized tax benefits, which are included in Other non-current liabilities, were $1.2 billion and $1.6 billion as of June 30, 2026 and December 31, 2025, respectively.

Taxes receivable, which are included in Prepaid expenses and other current assets in the unaudited condensed consolidated statements of financial position, were $962 million as of June 30, 2026 and $924 million as of December 31, 2025.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The company holds a portfolio of marketable securities including investments to partially fund non-qualified employee benefit plans as well as investments in companies that are advancing or developing technologies applicable to our business. 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 identified by the level of inputs used to determine fair value:

	June 30, 2026				December 31, 2025			
$ in millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial Assets								
Marketable securities	**$ 402**	**$ —**	**$ 22**	**$ 424**	$ 454	$ —	$ 24	$ 478
Marketable securities valued using NAV				**4**				5
Total marketable securities	**402**	**—**	**22**	**428**	454	—	24	483
Derivatives	**—**	**1**	**—**	**1**	—	2	—	2

During the second quarter of 2026, the company sold its investment in a public company for $107 million and recognized a related gain of $35 million. 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, 2026.

Unrealized gains and losses from marketable securities, which are reflected in Other, net on the unaudited condensed consolidated statement of earnings and comprehensive income, were not material for the three and six months ended June 30, 2026 and 2025.

The notional value of the company's foreign currency forward contracts at June 30, 2026 and December 31, 2025 was $280 million and $308 million, respectively. The portion of notional value designated as a cash flow hedge at June 30, 2026 and December 31, 2025 was $129 million and $167 million, respectively.

The derivative fair values and related unrealized gains/losses at June 30, 2026 and December 31, 2025 were not material.

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 $14.4 billion and $15.1 billion as of June 30, 2026 and December 31, 2025, 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.

Issuance of Senior Notes

During the six months ended June 30, 2026, the company issued no unsecured senior notes.

In May 2025, the company issued $1.0 billion of unsecured senior notes for general corporate purposes, including debt repayment, share repurchases, and working capital, as follows:

- $500 million of 4.65% senior notes due 2030 (the "2030 Notes") and
- $500 million of 5.25% senior notes due 2035 (the "2035 Notes").

We refer to the 2030 Notes and 2035 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.

Repayment of Senior Notes

In March 2026, the company repaid $270 million of 7.875% unsecured senior notes and $257 million of 7.75% unsecured senior notes upon maturity.

In January 2025, the company repaid $1.5 billion of 2.93% unsecured senior notes upon maturity.

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 "Bethpage EDNY cases"). The court had previously stayed the filed individual lawsuits and, at an April 24 hearing, denied plaintiffs' motion to lift that stay as to a subset of plaintiffs. The parties have submitted supplemental briefing on pending class certification and expert motions in the putative class action. The parties remain engaged in a mediation. 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 outcomes or ranges of possible liability of the Bethpage EDNY cases.

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 focused on the interest rate assumptions the company used to determine our U.S. Government Cost Accounting Standards (CAS) pension expense, which are the subject of the DCMA inquiry we discuss in Note 7 below. On May 20, 2026, DOJ confirmed that, based on the information it has learned to date, the Criminal Division has closed its inquiry into this matter. The company continues to engage with the government in relation to the CID and the DCMA inquiry. We cannot at this point predict the outcome of these remaining 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, 2026, 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 accrued 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, 2026, 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 engaged in discussions. In addition, 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 related to the interest rate assumptions at issue in our discussions with DCMA. On May 20, 2026, DOJ confirmed that, based on the information it has learned to date, the Criminal Division has closed its inquiry into this matter. The company continues to engage with the government in relation to the CID and the DCMA inquiry. We cannot at this point predict the outcome of these remaining matters. The sensitivity to changes in interest rate assumptions makes it reasonably possible the outcome of these matters 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 of accrued and deferred costs associated with the company's environmental remediation liabilities as of June 30, 2026 and December 31, 2025:

$ in millions	**June 30, 2026**	December 31, 2025
Accrued costs[1]	**$ 552**	$ 547
Deferred costs[2]	**508**	502

[1] As of June 30, 2026, $215 million is recorded in Other current liabilities and $337 million is recorded in Other non-current liabilities in the unaudited condensed consolidated statements of financial position. Estimated remediation costs are not discounted to present value.

[2] The company defers the portion of environmental remediation costs we expect to be recoverable through overhead charges on U.S. government contracts. As of June 30, 2026, $200 million is deferred in Prepaid expenses and other current assets and $308 million is deferred in Other non-current assets in the unaudited condensed consolidated statements of financial position. These amounts are routinely evaluated for recoverability.

Reasonably possible future costs in excess of accrued costs were $402 million and $380 million as of June 30, 2026 and December 31, 2025, respectively. We currently expect any such future costs would be recoverable through overhead charges on our U.S. government contracts in a similar proportion as the amounts deferred in the table above.

Although we 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, 2026, 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, 2026, there were $611 million of stand-by letters of credit and guarantees and $271 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 $3.0 billion. At June 30, 2026, there were no commercial paper borrowings outstanding.

Credit Facilities
The company maintains a five-year senior unsecured revolving credit facility in an aggregate principal amount of $3.0 billion (the "2025 Credit Agreement") that matures in September 2030 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 2025 Credit Agreement. At June 30, 2026, there were no borrowings outstanding under this facility.

The 2025 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, 2026, 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	**2026**	2025	**2026**	2025	**2026**	2025	**2026**	2025
Components of net periodic benefit cost (benefit)								
Service cost	**$ 53**	$ 54	**$ 1**	$ 1	**$ 106**	$ 108	**$ 2**	$ 2
Interest cost	**399**	402	**14**	15	**798**	805	**29**	31
Expected return on plan assets	**(565)**	(539)	**(22)**	(21)	**(1,130)**	(1,079)	**(44)**	(42)
Amortization of prior service credit	**—**	—	**—**	—	**—**	—	**(1)**	(1)
Other	**—**	—	**—**	—	**—**	7	**—**	—
Net periodic benefit cost (benefit)	**$ (113)**	$ (83)	**$ (7)**	$ (5)	**$ (226)**	$ (159)	**$ (14)**	$ (10)

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	**2026**	2025	**2026**	2025
Defined benefit pension plans	**$ 20**	$ 24	**$ 42**	$ 42
OPB plans	**10**	10	**21**	20
Defined contribution plans	**158**	155	**387**	384

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	**2026**	2025
RSRs granted	**0.1**	0.1
RPSRs granted	**0.1**	0.1
Grant date aggregate fair value	**$ 142**	$ 104

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	**2026**	2025
Minimum aggregate payout amount	**$ —**	$ 35
Maximum aggregate payout amount	**163**	198

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. During the six months ended June 30, 2026, there were no CUs granted to employees.

10. SEGMENT INFORMATION

The company is aligned in four operating sectors, which also comprise our reportable segments: Aeronautics Systems, Defense Systems, Mission Systems and Space Systems. We generally organize our segments based on the nature of products and services offered.

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The following table presents sales, operating costs and expenses, and operating income by segment:

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions	**2026**	2025	**2026**	2025
Aeronautics Systems				
Sales	**$ 3,519**	$ 3,114	**$ 6,802**	$ 5,928
Operating costs and expenses:				
Product	**2,423**	2,109	**4,717**	4,467
Service	**697**	649	**1,350**	1,250
Intersegment	**37**	35	**68**	73
Aeronautics Systems operating income	**362**	321	**667**	138
Defense Systems				
Sales	**2,093**	1,991	**3,992**	3,796
Operating costs and expenses:				
Product	**1,576**	1,372	**2,951**	2,634
Service	**312**	319	**606**	643
Intersegment	**49**	47	**95**	87
Defense Systems operating income	**156**	253	**340**	432
Mission Systems				
Sales	**3,250**	3,157	**6,111**	5,964
Operating costs and expenses:				
Product	**1,900**	1,945	**3,582**	3,675
Service	**453**	483	**872**	917
Intersegment	**396**	288	**723**	570
Mission Systems operating income	**501**	441	**934**	802
Space Systems				
Sales	**2,753**	2,646	**5,233**	5,214
Operating costs and expenses:				
Product	**2,050**	1,893	**3,861**	3,722
Service	**307**	362	**588**	724
Intersegment	**160**	111	**313**	205
Space Systems operating income	**236**	280	**471**	563
Intersegment profit eliminations	**(97)**	(76)	**(182)**	(148)
Total segment operating income	**1,158**	1,219	**2,230**	1,787
FAS/CAS operating adjustment	**7**	63	**14**	126
Unallocated corporate (expense) income	**(69)**	143	**(159)**	85
Total operating income	**1,096**	1,425	**2,085**	1,998
Other (expense) income				
Interest expense	**(161)**	(173)	**(323)**	(329)
Non-operating FAS pension benefit	**166**	137	**332**	267
Other, net	**67**	38	**104**	69
Earnings before income taxes	**$ 1,168**	$ 1,427	**$ 2,198**	$ 2,005

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) Income

Unallocated corporate (expense) income includes the portion of corporate costs not considered allowable or allocable under 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) income 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.

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Disaggregation of Revenue

Sales by Customer Type	Three Months Ended June 30				Six Months Ended June 30			
	2026		2025		**2026**		2025	
$ in millions	**$**	**%[3]**	$	%[3]	**$**	**%[3]**	$	%[3]
Aeronautics Systems								
U.S. government[1]	**$ 2,809**	**81 %**	$ 2,526	82 %	**$ 5,503**	**82 %**	$ 4,816	82 %
International[2]	**652**	**19 %**	544	18 %	**1,192**	**18 %**	1,022	18 %
Other customers	**17**	**— %**	6	— %	**32**	**— %**	11	— %
Intersegment sales	**41**		38		**75**		79	
Aeronautics Systems sales	**3,519**		3,114		**6,802**		5,928	
Defense Systems								
U.S. government[1]	**1,738**	**85 %**	1,611	83 %	**3,329**	**86 %**	3,062	83 %
International[2]	**279**	**14 %**	305	16 %	**514**	**13 %**	594	16 %
Other customers	**21**	**1 %**	22	1 %	**42**	**1 %**	42	1 %
Intersegment sales	**55**		53		**107**		98	
Defense Systems sales	**2,093**		1,991		**3,992**		3,796	
Mission Systems								
U.S. government[1]	**2,180**	**78 %**	2,282	81 %	**4,159**	**79 %**	4,255	80 %
International[2]	**563**	**20 %**	505	18 %	**1,027**	**20 %**	980	19 %
Other customers	**43**	**2 %**	29	1 %	**76**	**1 %**	53	1 %
Intersegment sales	**464**		341		**849**		676	
Mission Systems sales	**3,250**		3,157		**6,111**		5,964	
Space Systems								
U.S. government[1]	**2,500**	**97 %**	2,349	93 %	**4,700**	**96 %**	4,658	93 %
International[2]	**49**	**2 %**	47	2 %	**91**	**2 %**	91	2 %
Other customers	**25**	**1 %**	125	5 %	**92**	**2 %**	235	5 %
Intersegment sales	**179**		125		**350**		230	
Space Systems sales	**2,753**		2,646		**5,233**		5,214	
Total								
U.S. government[1]	**9,227**	**85 %**	8,768	85 %	**17,691**	**85 %**	16,791	85 %
International[2]	**1,543**	**14 %**	1,401	13 %	**2,824**	**14 %**	2,687	13 %
Other customers	**106**	**1 %**	182	2 %	**242**	**1 %**	341	2 %
Total Sales	**$ 10,876**		$ 10,351		**$ 20,757**		$ 19,819	

[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 a substantial percentage of its 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 to the extent that information is available to us or can be reasonably estimated. These sales include foreign military sales contracted through the U.S. government.

[3] Percentages calculated based on external customer sales.

Sales by Contract Type	Three Months Ended June 30				Six Months Ended June 30			
	2026		2025		**2026**		2025	
$ in millions	**$**	**%[1]**	$	%[1]	**$**	**%[1]**	$	%[1]
Aeronautics Systems								
Cost-type	**$ 1,607**	**46 %**	$ 1,461	47 %	**$ 2,966**	**44 %**	$ 2,800	48 %
Fixed-price	**1,871**	**54 %**	1,615	53 %	**3,761**	**56 %**	3,049	52 %
Intersegment sales	**41**		38		**75**		79	
Aeronautics Systems sales	**3,519**		3,114		**6,802**		5,928	
Defense Systems								
Cost-type	**1,161**	**57 %**	1,084	56 %	**2,227**	**57 %**	2,049	55 %
Fixed-price	**877**	**43 %**	854	44 %	**1,658**	**43 %**	1,649	45 %
Intersegment sales	**55**		53		**107**		98	
Defense Systems sales	**2,093**		1,991		**3,992**		3,796	
Mission Systems								
Cost-type	**1,075**	**39 %**	1,406	50 %	**2,256**	**43 %**	2,569	49 %
Fixed-price	**1,711**	**61 %**	1,410	50 %	**3,006**	**57 %**	2,719	51 %
Intersegment sales	**464**		341		**849**		676	
Mission Systems sales	**3,250**		3,157		**6,111**		5,964	
Space Systems								
Cost-type	**1,394**	**54 %**	1,562	62 %	**2,724**	**56 %**	3,102	62 %
Fixed-price	**1,180**	**46 %**	959	38 %	**2,159**	**44 %**	1,882	38 %
Intersegment sales	**179**		125		**350**		230	
Space Systems sales	**2,753**		2,646		**5,233**		5,214	
Total								
Cost-type	**5,237**	**48 %**	5,513	53 %	**10,173**	**49 %**	10,520	53 %
Fixed-price	**5,639**	**52 %**	4,838	47 %	**10,584**	**51 %**	9,299	47 %
Total Sales	**$ 10,876**		$ 10,351		**$ 20,757**		$ 19,819	

[1] Percentages calculated based on external customer sales.

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Sales by Geographic Region[1]	Three Months Ended June 30				Six Months Ended June 30			
	2026		2025		**2026**		2025	
$ in millions	**$**	**%**[3]	$	%[3]	**$**	**%**[3]	$	%[3]
Aeronautics Systems								
United States	**$ 2,826**	**81 %**	$ 2,532	82 %	**$ 5,535**	**82 %**	$ 4,827	82 %
Asia/Pacific	**263**	**7 %**	226	8 %	**492**	**7 %**	426	8 %
Europe	**369**	**11 %**	301	10 %	**658**	**10 %**	570	10 %
Other geographic regions	**20**	**1 %**	17	— %	**42**	**1 %**	26	— %
Intersegment sales	**41**		38		**75**		79	
Aeronautics Systems sales	**3,519**		3,114		**6,802**		5,928	
Defense Systems								
United States	**1,759**	**86 %**	1,633	84 %	**3,371**	**87 %**	3,104	84 %
Asia/Pacific	**110**	**6 %**	79	4 %	**191**	**5 %**	160	4 %
Europe	**129**	**6 %**	168	9 %	**254**	**6 %**	338	9 %
Other geographic regions	**40**	**2 %**	58	3 %	**69**	**2 %**	96	3 %
Intersegment sales	**55**		53		**107**		98	
Defense Systems sales	**2,093**		1,991		**3,992**		3,796	
Mission Systems								
United States	**2,223**	**80 %**	2,311	82 %	**4,235**	**80 %**	4,308	81 %
Asia/Pacific	**148**	**5 %**	132	5 %	**262**	**5 %**	260	5 %
Europe	**302**	**11 %**	263	9 %	**554**	**11 %**	502	10 %
Other geographic regions	**113**	**4 %**	110	4 %	**211**	**4 %**	218	4 %
Intersegment sales	**464**		341		**849**		676	
Mission Systems sales	**3,250**		3,157		**6,111**		5,964	
Space Systems								
United States	**2,525**	**98 %**	2,474	98 %	**4,792**	**98 %**	4,893	98 %
Asia/Pacific	**15**	**1 %**	15	1 %	**33**	**1 %**	23	— %
Europe	**28**	**1 %**	20	1 %	**48**	**1 %**	46	2 %
Other geographic regions	**6**	**— %**	12	— %	**10**	**— %**	22	— %
Intersegment sales	**179**		125		**350**		230	
Space Systems sales	**2,753**		2,646		**5,233**		5,214	
Total								
United States	**9,333**	**86 %**	8,950	87 %	**17,933**	**86 %**	17,132	87 %
Asia/Pacific	**536**	**5 %**	452	4 %	**978**	**5 %**	869	4 %
Europe	**828**	**7 %**	752	7 %	**1,514**	**7 %**	1,456	7 %
Other geographic regions[2]	**179**	**2 %**	197	2 %	**332**	**2 %**	362	2 %
Total Sales	**$ 10,876**		$ 10,351		**$ 20,757**		$ 19,819	

(1) Sales are attributed to countries based on the ultimate customer's location to the extent that information is available to us or can be reasonably estimated. No country other than the United States represents greater than 10 percent of total company sales.

(2) Other geographic regions are principally comprised of the Middle East.

(3) Percentages calculated based on external customer sales.

Capital Expenditures and Depreciation and Amortization

The following table presents capital expenditures and depreciation and amortization for each of our reportable segments and for Corporate:

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions	**2026**	2025	**2026**	2025
Capital Expenditures				
Aeronautics Systems	**$ 35**	$ 69	**$ 69**	$ 148
Defense Systems	**28**	11	**44**	23
Mission Systems	**42**	47	**87**	86
Space Systems	**84**	71	**127**	181
Corporate[1]	**113**	33	**142**	49
Total capital expenditures	**$ 302**	$ 231	**$ 469**	$ 487
Depreciation and Amortization				
Aeronautics Systems	**$ 86**	$ 92	**$ 177**	$ 181
Defense Systems	**44**	42	**88**	85
Mission Systems	**70**	68	**139**	135
Space Systems	**99**	84	**195**	163
Corporate[1]	**68**	64	**140**	123
Total depreciation and amortization	**$ 367**	$ 350	**$ 739**	$ 687

[1] Corporate amounts include the amortization of purchased intangible assets and the additional depreciation expense related to the step-up in fair value of PP&E acquired through business combinations as they are not considered part of management's evaluation of segment operating performance.

Assets

Our chief operating decision maker ("CODM") does not use assets by segment to evaluate segment performance or allocate resources. Therefore, we do not disclose assets by segment.

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, 2026, 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, 2026 and 2025, and of cash flows for the six-month periods ended June 30, 2026 and 2025 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, 2025, 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 26, 2026, 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, 2025, 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 20, 2026

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 U.S. and international customers, and principally to the U.S. Department of War (“DoW”) 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, military aircraft, missile defense, advanced weapons and long-range fires capabilities, mission systems, networking and communications, strategic deterrence systems, and breakthrough technologies, such as advanced computing, microelectronics 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 2025 Annual Report on Form 10-K, which provides additional information on our business, the environment in which we operate and our operating results.

Divestiture of Training Services Business

On May 24, 2025 (the “Divestiture date”), the company completed its previously announced sale of substantially all of the Immersive Mission Solutions (IMS) operating unit of Defense Systems (the “training services” business or “divestiture”) for $333 million in cash and recorded a pre-tax gain on sale of $231 million. IMS is a provider of mission training and satellite ground network communications software for U.S. government customers. 2025 operating results include sales and operating income for the training services business prior to the Divestiture date.

Global Security Environment

The U.S. and its allies continue to face a dynamic 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, political instability and uncertainty concerning global strategic alliances. The market for defense products, services and solutions globally is driven by these complex and rapidly 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 these events, including global unrest. The same is true for our suppliers and other business partners.

The ongoing conflicts in Ukraine and Iran and threats elsewhere, particularly in the Middle East and the Western Pacific region, have increased global tensions and instability and highlighted security requirements globally. These conflicts have resulted in and may continue to result in increased demand for defense products and services from allies and partner nations, particularly in those regions. We continue to monitor developments in these regions, but have not experienced, and do not anticipate experiencing, significant adverse financial impacts directly from these conflicts.

We believe the current global security environment, characterized by significant national security threats to the U.S. and its allies, continues to highlight the need for strong deterrence and robust defense capabilities. We are actively evaluating both opportunities and risks associated with this environment and are moving with speed and at scale to deliver innovative solutions to our customers. We believe our capabilities, particularly in space, C4ISR, air and missile defense, battle management, solid rocket motors, advanced weapons, strategic deterrence, survivable aircraft, autonomous aircraft systems 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 position us for long-term profitable business growth.

Global Economic Environment

Over the past several years, the global economic environment has experienced challenges, including inflationary pressures; widespread delays and disruptions in supply chains; constraints on the availability of critical materials, including rare earth minerals and metals; business slowdowns or shutdowns; workforce challenges and labor shortfalls; and market volatility. These macroeconomic factors have contributed, and could 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, suppliers and partners, and customers.

In addition, if interest rates increase or otherwise fluctuate, it could impact government spending priorities (in the U.S. and allied countries, in particular), including the demand for defense products. Economic tensions and changes in international trade policies, including, for example, widespread tariffs announced since last year by the U.S. on its major trading partners, higher tariffs on imported goods and materials and actions taken in response (such as retaliatory tariffs or other trade protectionist measures or the renegotiation of free trade agreements), could also further impact the global market for defense products, services and solutions. In addition, following the first quarter 2026 U.S. Supreme Court decision that invalidated tariffs imposed pursuant to the International Emergency Economic Powers Act (“IEEPA”), the U.S. announced tariffs under different statutory authorities, including a 10% global tariff. The full impact of these governmental actions on macroeconomic conditions and on our business is uncertain, difficult to predict and depends on a number of factors, including the extent and duration of tariffs, the availability of exemptions, changes in the amount and scope of tariffs, any reversal or temporary suspension of announced tariffs, the availability of refunds for tariffs paid under IEEPA, the imposition of new tariffs and other measures that target countries may take in response to U.S. trade policies, and possible resulting general inflationary pressures in the global economy. We are continuing to monitor the impact on our business, suppliers and customers, but do not believe that the tariffs, including the IEEPA tariffs, have had or will have a material adverse effect on our business.

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 Iran and threats in the Middle East, the Western Pacific and Latin America and other security priorities, as well as the macroeconomic environment, 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 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, defense spending levels and the debt ceiling will continue to be subjects of considerable debate, with a potentially significant impact on our programs and the company.

On July 4, 2025, the FY 2025 reconciliation bill titled the One Big Beautiful Bill Act (the “OBBBA”) was enacted. The OBBBA allocated approximately $150 billion in mandatory defense funding, including funding for air and missile defense, munitions, strategic deterrence, shipbuilding and supply chains and other military capabilities. The appropriated funds will remain available to be obligated until September 30, 2029 and expended through FY 2034. Funding from the OBBBA has allowed for increased investments by the DoW in defense modernization projects, homeland missile defense capabilities, and increased production capacity across a number of key programs. See Note 4 to the financial statements for additional information on key income tax provisions of the OBBBA.

On February 3, 2026, annual appropriations to fund a vast majority of the federal government for FY 2026, including approximately $859 billion for defense, were enacted. Appropriations to partially fund the Department of Homeland Security were enacted on April 30, 2026, with the remaining appropriations enacted on June 10, 2026. On April 3, 2026, the Trump Administration (the “Administration”) released its FY 2027 budget request. The request includes $1.45 trillion for defense, with $1.1 trillion in the base budget (discretionary funding) and $350 billion in reconciliation (mandatory) funding. The total defense budget request reflects an increase of 44% ($441 billion) above the FY 2026 enacted levels (including $153 billion in FY 2026 reconciliation funding). Congress is evaluating the Administration’s budget request as it drafts authorization and appropriations legislation for FY 2027. Additionally, the Administration recently transmitted an $88 billion supplemental funding request for FY 2026, of which $67 billion is intended to address the operational costs associated with the Iran conflict and other defense priorities. There is uncertainty as to when Congress will act on the reconciliation funding and supplemental request.

The Administration has issued numerous executive orders, including orders to undertake a comprehensive overhaul of the Federal Acquisition Regulation, to reform the DoW defense acquisition process and, more recently, to promote the use of fixed price contracts where appropriate and to address underperformance and insufficient prioritization of government contracts, insufficient investment in production and production speed and incentive compensation metrics applicable to defense contractors. See “Risk factors” for further discussion regarding risks associated with executive orders and regulatory changes. Some of the Administration’s executive orders are subject to ongoing court challenges. Implementation of certain of these executive orders could adversely affect our business or create a more challenging or costly regulatory, operating and economic environment.

In light of the ongoing conflicts and heightened global instability as well as political tensions and related legal challenges, we expect continued uncertainty in the global security, U.S. political, budget and regulatory environment. Initiatives to reduce governmental spending, federal budget and debt ceiling action, and further changes in U.S. government policy positions, including trade and foreign policy, tax policy and DoW policies or priorities, could materially impact defense spending broadly and the company's programs in particular.

B-21 Program

In 2015, the U.S. Air Force awarded Northrop Grumman the B-21 contract, which includes a base contract for 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. We have previously recognized and disclosed cumulative losses of approximately $2.0 billion on the LRIP phase of the program. Northrop Grumman and the U.S. Air Force have also established not to exceed (NTE) pricing for two additional lots. Final terms, quantity, and pricing for the NTE lots are not fully negotiated; however, the average value for these NTE lots is above the average unit price of the five LRIP lots, and the NTE lots include an economic price adjustment clause to help protect against certain inflationary pressures.

During the first quarter of 2026, we reached an agreement with the U.S. Air Force to expand production capacity for the B-21 program and increase the aircraft production rate. We continue to expect to invest approximately $2.5 billion over a multi-year period to expand production capacity; in return, we have the opportunity to earn improved returns on the LRIP and NTE phases of the program.

During the second quarter of 2026, we again reviewed our estimated profitability on the LRIP phase of the program and made no significant changes to the previously recognized loss. As we finalized certain details associated with the first quarter 2026 agreement with the U.S. Air Force described above, certain costs shifted between LRIP lots resulting in favorable EAC adjustments on the first four LRIP lots and an increase in the loss contingency accrual on the remainder of the program. The company's second quarter 2026 results reflect our current best estimate of cost to complete the LRIP and NTE aircraft, as well as the outcome of ongoing discussions with our suppliers. If our estimated cost to complete the aircraft changes, or if our assumptions regarding contract performance, quantities, or supplier negotiations 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.

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 certification 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 certified for continuation by the DoW upon completion of the Nunn-McCurdy breach review. In connection with the certification, the DoW 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.

During the second quarter of 2025, we partnered with the U.S. Air Force in defining the preliminary execution framework necessary for successful restructure of the program. The program restructure will include a revision to the acquisition strategy, joint establishment of a new program baseline, and other critical preparation activities necessary to re-accomplish Milestone B approval.

During the second quarter of 2026, we continued to make progress on joint activities with the U.S. Air Force. These efforts, which included requirements and design maturation, risk reduction activities, and evaluation of options to accelerate fielding of initial capability, have resulted in further definition and authorization of elements of the program execution plan, resulting in a $7.6 billion increase in program backlog. We also reviewed our estimated profitability on the program and recognized a favorable earnings adjustment related to our recent achievement of certain contract incentives. If our estimated cost to complete the restructured EMD effort or our achievement of future contract incentives is more or less favorable than what we have estimated, our financial position, results of operations and/or cash flows could be materially affected.

Operating Performance Assessment and Reporting
In evaluating our operating performance, we primarily focus on changes in sales and operating margin rates. 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 operating 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, which are typically described in terms of changes in net EAC adjustments. Contract mix generally refers to changes in the ratio of contract type and/or life cycle (e.g., cost-type, fixed-price, development, production, and/or sustainment). Contract mix can also refer to differences in the profitability of the programs that drive changes in sales (e.g., sales growth or decreases on programs with accretive or dilutive margin rates).

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	**2026**	2025	**Change**	**2026**	2025	**Change**
Sales	**$ 10,876**	$ 10,351	**5 %**	**$ 20,757**	$ 19,819	**5 %**
Operating costs and expenses	**9,780**	9,157	**7 %**	**18,672**	18,052	**3 %**
Operating costs and expenses as a % of sales	***89.9%***	*88.5%*		***90.0%***	*91.1%*	
Gain on sale of business	**—**	231	**NM**	—	**231**	**NM**
Operating income	**1,096**	1,425	**(23)%**	**2,085**	1,998	**4 %**
Operating margin rate	***10.1%***	*13.8%*		***10.0%***	*10.1%*	
Federal and foreign income tax expense	**74**	253	**(71)%**	**229**	350	**(35)%**
Effective income tax rate	***6.3%***	*17.7%*		***10.4%***	*17.5%*	
Net earnings	**1,094**	1,174	**(7)%**	**1,969**	1,655	**19 %**
Diluted earnings per share	**$ 7.68**	$ 8.15	**(6)%**	**$ 13.83**	$ 11.45	**21 %**

Sales
Current Quarter
Second quarter 2026 sales increased $525 million, or 5 percent, driven by higher sales at all four sectors, including a 13 percent increase at Aeronautics Systems.

Year to Date
Year to date 2026 sales increased $938 million, or 5 percent, primarily due to higher sales of $874 million at Aeronautics Systems, $196 million at Defense Systems and $147 million at Mission Systems. These increases were partially offset by $298 million of higher intercompany eliminations.

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 2026 operating income decreased $329 million, or 23 percent, primarily driven by the prior year $231 million gain on the training services divestiture, as well as $61 million of lower segment operating income and a $56 million decrease in the FAS/CAS operating adjustment. Operating margin rate declined to 10.1 percent from 13.8 percent reflecting the items above.

Second quarter 2026 G&A costs as a percentage of sales decreased to 9.4 percent from 9.8 percent in the prior year period primarily due to higher sales.

Year to Date

Year to date 2026 operating income increased $87 million, or 4 percent, primarily due to $443 million of higher segment operating income largely driven by the prior year B-21 loss provision at Aeronautics Systems, partially offset by the prior year $231 million gain on the training services divestiture and a $112 million decrease in the FAS/CAS operating adjustment. Operating margin rate of 10.0 percent was comparable with the prior year.

Year to date 2026 G&A costs as a percentage of sales decreased to 9.6 percent from 10.2 percent in the prior year period primarily due to higher sales.

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

Second quarter 2026 income tax expense decreased $179 million, or 71 percent, due to a lower ETR and $259 million of lower earnings before income taxes. The second quarter 2026 ETR decreased to 6.3 percent from 17.7 percent principally due to the remeasurement of UTPs given recent developments with the IRS towards resolving our previously filed federal income tax returns and refund claims.

Year to Date

Year to date 2026 income tax expense decreased $121 million, or 35 percent, due to a lower ETR, partially offset by $193 million of higher earnings before income taxes. The year to date 2026 ETR decreased to 10.4 percent from 17.5 percent primarily due to the remeasurement of UTPs described above, as well as higher research credits, including a benefit related to CAMT guidance recently issued by the IRS.

See Note 4 to the financial statements for additional information.

Net Earnings

Current Quarter

Second quarter 2026 net earnings decreased $80 million, or 7 percent, primarily due to the $329 million decrease in operating income described above, partially offset by a $179 million decrease in income tax expense, a $29 million increase in the non-operating FAS pension benefit and a $29 million increase in Other, net largely driven by favorable returns associated with an investment sold during the quarter.

Year to Date

Year to date 2026 net earnings increased $314 million, or 19 percent, primarily due to a $121 million decrease in income tax expense, an $87 million increase in operating income, a $65 million increase in the non-operating FAS pension benefit and a $35 million increase in Other, net largely driven by favorable returns associated with an investment sold during the second quarter.

Diluted Earnings Per Share

Current Quarter

Second quarter 2026 diluted earnings per share decreased $0.47, or 6 percent, reflecting a 7 percent decrease in net earnings and a 1 percent reduction in weighted-average diluted shares outstanding.

Year to Date

Year to date 2026 diluted earnings per share increased $2.38, or 21 percent, reflecting a 19 percent increase in net earnings and a 1 percent reduction in weighted-average diluted shares outstanding.

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.

For purposes of the operating results discussion below, we assess our performance using certain financial measures that are not calculated in accordance with GAAP.

Organic Sales

In the operating results discussion below, we present the performance of our Defense Systems sector using organic sales, a financial measure that is not calculated in accordance with GAAP. Organic sales is defined as total sales excluding sales attributable to the company's former training services business. This measure may be useful to investors and other users of our financial statements as a supplemental measure in evaluating the company's underlying sales growth as well as in understanding our ongoing business and future sales trends by presenting the company's sales adjusted for the impact of the divestiture. We reconcile this non-GAAP financial measure to its most directly comparable GAAP financial measure below. This non-GAAP measure may not be defined and calculated by other companies in the same manner and should not be considered in isolation or as an alternative to operating results presented in accordance with GAAP.

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	**2026**	2025	**Change**	**2026**	2025	**Change**
Operating income	**$ 1,096**	$ 1,425	**(23)%**	**$ 2,085**	$ 1,998	**4 %**
Operating margin rate	***10.1 %***	*13.8 %*		***10.0 %***	*10.1 %*	
Reconciliation to segment operating income:						
CAS pension expense	**(60)**	(117)	**(49)%**	**(120)**	(234)	**(49)%**
FAS pension service expense	**53**	54	**(2)%**	**106**	108	**(2)%**
FAS/CAS operating adjustment	**(7)**	(63)	**(89)%**	**(14)**	(126)	**(89)%**
Gain on sale of business	**—**	(231)	**NM**	**—**	(231)	**NM**
Training services divestiture – unallowable state taxes and transaction costs	**—**	19	**NM**	**—**	20	**NM**
Intangible asset amortization and PP&E step-up depreciation	**17**	21	**(19)%**	**38**	42	**(10)%**
Other unallocated corporate expense	**52**	48	**8 %**	**121**	84	**44 %**
Unallocated corporate expense (income)	**69**	(143)	**NM**	**159**	(85)	**NM**
Segment operating income	**$ 1,158**	$ 1,219	**(5)%**	**$ 2,230**	$ 1,787	**25 %**
Segment operating margin rate	***10.6 %***	*11.8 %*		***10.7 %***	*9.0 %*	

Current Quarter
Second quarter 2026 segment operating income decreased $61 million, or 5 percent, primarily due to $97 million of lower operating income at Defense Systems and $44 million of lower operating income at Space Systems, partially offset by $60 million of higher operating income at Mission Systems and $41 million of higher operating income at Aeronautics Systems. Segment operating margin rate decreased to 10.6 percent from 11.8 percent primarily due to a lower operating margin rate at Defense Systems and Space Systems, partially offset by a higher operating margin rate at Mission Systems.

Year to Date
Year to date 2026 segment operating income increased $443 million, or 25 percent, primarily due to $529 million of higher operating income at Aeronautics Systems and $132 million of higher operating income at Mission Systems, partially offset by $92 million of lower operating income at both Defense Systems and Space Systems. Segment operating margin rate increased to 10.7 percent from 9.0 percent primarily due to a higher operating margin rate at Aeronautics Systems and Mission Systems, partially offset by a lower operating margin rate at Defense Systems and Space Systems.

FAS/CAS Operating Adjustment
The second quarter 2026 and year to date 2026 FAS/CAS operating adjustment reflects lower CAS pension expense largely driven by favorable plan asset returns in prior years.

Unallocated Corporate Expense (Income)
Current Quarter
The change in second quarter 2026 unallocated corporate expense (income) is primarily driven by the prior year $231 million gain on the training services divestiture and $19 million of unallowable state taxes and transaction costs associated with the divestiture.

Year to Date
The change in year to date 2026 unallocated corporate expense (income) is primarily due to the prior year $231 million gain on the training services divestiture and $20 million of unallowable state taxes and transaction costs associated with the divestiture.

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	**2026**	2025	**2026**	2025
Favorable EAC adjustments	**$ 565**	$ 404	**$ 1,225**	$ 728
Unfavorable EAC adjustments	**(471)**	(278)	**(1,211)**	(702)
Net EAC adjustments	**$ 94**	$ 126	**$ 14**	$ 26

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

	Three Months Ended June 30		Six Months Ended June 30	
$ in millions	**2026**	2025	**2026**	2025
Aeronautics Systems	**$ 157**	$ 30	**$ 50**	$ (159)
Defense Systems	**(40)**	83	**(25)**	106
Mission Systems	**69**	5	**120**	42
Space Systems	**(91)**	13	**(129)**	42
Eliminations	**(1)**	(5)	**(2)**	(5)
Net EAC adjustments	**$ 94**	$ 126	**$ 14**	$ 26

AERONAUTICS SYSTEMS	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions	**2026**	2025	**Change**	**2026**	2025	**Change**
Sales	**$ 3,519**	$ 3,114	**13 %**	**$ 6,802**	$ 5,928	**15 %**
Operating income	**362**	321	**13 %**	**667**	138	**383 %**
Operating margin rate	***10.3 %***	*10.3 %*		***9.8 %***	*2.3 %*	

Sales

Current Quarter

Second quarter 2026 sales increased $405 million, or 13 percent, primarily due to higher volume on B-21 and other restricted programs, a $106 million increase on the E-130J TACAMO (“TACAMO”) program as it ramps up, and higher volume on the B-2, F-35 and E-2 programs. These increases were partially offset by a decrease on F/A-18 as final production deliveries have completed.

Year to Date

Year to date 2026 sales increased $874 million, or 15 percent, primarily due to higher sales on B-21 and other restricted programs, a $193 million increase on the TACAMO program as it ramps up, as well as higher volume on the B-2 and F-35 programs. The higher B-21 sales reflect the company’s first quarter 2026 agreement with the U.S. Air Force to expand production capacity and increase the aircraft production rate, including the sale of a company-owned test asset. The sales increases were partially offset by a decrease on F/A-18 as final production deliveries have completed.

Operating Income

Current Quarter

Second quarter 2026 operating income increased $41 million, or 13 percent, due to higher sales. Operating margin rate of 10.3 percent was comparable with the prior year period.

Year to Date

Year to date 2026 operating income increased $529 million, or 383 percent, primarily due to a higher operating margin rate. Operating margin rate increased to 9.8 percent primarily due to the absence of the prior year B-21 loss provision.

DEFENSE SYSTEMS	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions	**2026**	2025	**Change**	**2026**	2025	**Change**
Sales	**$ 2,093**	$ 1,991	**5 %**	**$ 3,992**	$ 3,796	**5 %**
Less: Training services sales	**—**	(40)		**—**	(112)	
Organic sales	**$ 2,093**	$ 1,951	**7 %**	**$ 3,992**	$ 3,684	**8 %**
Operating income	**$ 156**	$ 253	**(38)%**	**$ 340**	$ 432	**(21)%**
Operating margin rate	***7.5 %***	*12.7 %*		***8.5 %***	*11.4 %*	

Sales

Current Quarter

Second quarter 2026 sales increased $102 million, or 5 percent, primarily due to higher volume on Sentinel as the program continues to ramp and higher volume across the Integrated Battle Command System (IBCS) portfolio. These increases were partially offset by a $40 million reduction in sales related to the divested training services business.

Year to Date

Year to date 2026 sales increased $196 million, or 5 percent, primarily due to a $176 million increase on Sentinel as the program continues to ramp, as well as higher volume on tactical solid rocket motor programs and across the IBCS portfolio. These increases were partially offset by a $112 million reduction in sales related to the divested training services business as well as lower volume on armament programs, including certain military ammunition programs.

Operating Income

Current Quarter

Second quarter 2026 operating income decreased $97 million, or 38 percent, primarily due to a lower operating margin rate, partially offset by higher sales. Operating margin rate decreased to 7.5 percent from 12.7 percent primarily due to lower net EAC adjustments, including the absence of a prior year $76 million favorable adjustment on Sentinel. In the current quarter, we continued to invest in our missile prime business. We are projecting higher costs to mature production on the Extended Range version of the Advanced Anti-Radiation Guided Missile (AARGM-ER) and to develop and qualify the Stand-in Attack Weapon (SiAW), which resulted in a $68 million unfavorable EAC adjustment on SiAW. These investments were partially offset by a favorable EAC adjustment on Sentinel related to our recent achievement of certain contract incentives.

Year to Date

Year to date 2026 operating income decreased $92 million, or 21 percent, primarily due to a lower operating margin rate, partially offset by higher sales. Operating margin rate decreased to 8.5 percent from 11.4 percent principally due to lower net EAC adjustments, reflecting the SiAW and prior year Sentinel adjustments described above.

MISSION SYSTEMS	Three Months Ended June 30		**%**	Six Months Ended June 30		**%**
$ in millions	**2026**	2025	**Change**	**2026**	2025	**Change**
Sales	**$ 3,250**	$ 3,157	**3 %**	**$ 6,111**	$ 5,964	**2 %**
Operating income	**501**	441	**14 %**	**934**	802	**16 %**
Operating margin rate	***15.4 %***	*14.0 %*		***15.3 %***	*13.4 %*	

Sales

Current Quarter

Second quarter 2026 sales increased $93 million, or 3 percent, primarily due to a $130 million increase on marine systems programs, the timing of materials on F-35 and ramp-up on restricted airborne radar programs. These increases were partially offset by lower volume on restricted advanced microelectronics programs.

Year to Date

Year to date 2026 sales increased $147 million, or 2 percent, primarily due to ramp-up on restricted airborne radar programs, higher sales of $163 million on marine systems programs, and the timing of materials on F-35. These increases were partially offset by a $106 million decrease on the Scalable Agile Beam Radar program and lower volume on restricted advanced microelectronics programs.

Operating Income

Current Quarter

Second quarter 2026 operating income increased $60 million, or 14 percent, due to a higher operating margin rate and higher sales. Operating margin rate increased to 15.4 percent from 14.0 percent, primarily due to higher net EAC adjustments driven by improved performance.

Year to Date

Year to date 2026 operating income increased $132 million, or 16 percent, due to a higher operating margin rate and higher sales. Operating margin rate increased to 15.3 percent from 13.4 percent, primarily due to higher net EAC adjustments driven by improved performance, as well as prior year investments made by the sector in connection with restricted business opportunities.

SPACE SYSTEMS	Three Months Ended June 30		%	Six Months Ended June 30		%
$ in millions	**2026**	2025	**Change**	**2026**	2025	**Change**
Sales	**$ 2,753**	$ 2,646	**4 %**	**$ 5,233**	$ 5,214	**— %**
Operating income	**236**	280	**(16)%**	**471**	563	**(16)%**
Operating margin rate	***8.6 %***	*10.6 %*		***9.0 %***	*10.8 %*	

Sales

Current Quarter

Second quarter 2026 sales increased $107 million, or 4 percent, primarily due to a $139 million increase for Commercial Resupply Service (CRS) missions as well as higher volume on the Glide Phase Interceptor (GPI) and Ground-based Midcourse Defense Weapon System (GMD WS) programs. These increases were partially offset by lower sales on the Graphite Epoxy Motor (GEM) 63XL program related to the unfavorable EAC adjustment described below and lower volume on the Habitation and Logistics Outpost (HALO) program.

Year to Date

Year to date 2026 sales were comparable to the prior period and reflect a $141 million increase for CRS missions offset by a $139 million decrease on the GEM 63XL program largely related to the unfavorable EAC adjustments described below.

Operating Income

Current Quarter

Second quarter 2026 operating income decreased $44 million, or 16 percent, primarily due to a lower operating margin rate, partially offset by higher sales. Operating margin rate decreased to 8.6 percent from 10.6 percent, primarily due to lower net EAC adjustments, including a $91 million unfavorable adjustment on GEM 63XL largely related to increases in the projected cost to complete the program, partially offset by favorable changes in contract mix.

Year to Date

Year to date 2026 operating income decreased $92 million, or 16 percent, due to a lower operating margin rate. Operating margin rate decreased to 9.0 percent from 10.8 percent, largely due to lower net EAC adjustments, including $162 million of unfavorable adjustments on GEM 63XL, partially offset by favorable changes in contract mix.

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	**2026**		2025		**2026**		2025	
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	**$ 2,640**	**$ 2,423**	$ 2,328	$ 2,109	**$ 5,134**	**$ 4,717**	$ 4,419	$ 4,467
Service	**838**	**697**	748	649	**1,593**	**1,350**	1,430	1,250
Intersegment eliminations	**41**	**37**	38	35	**75**	**68**	79	73
Total Aeronautics Systems	**3,519**	**3,157**	3,114	2,793	**6,802**	**6,135**	5,928	5,790
Defense Systems								
Product	**1,692**	**1,576**	1,577	1,372	**3,209**	**2,951**	2,982	2,634
Service	**346**	**312**	361	319	**676**	**606**	716	643
Intersegment eliminations	**55**	**49**	53	47	**107**	**95**	98	87
Total Defense Systems	**2,093**	**1,937**	1,991	1,738	**3,992**	**3,652**	3,796	3,364
Mission Systems								
Product	**2,250**	**1,900**	2,234	1,945	**4,216**	**3,582**	4,195	3,675
Service	**536**	**453**	582	483	**1,046**	**872**	1,093	917
Intersegment eliminations	**464**	**396**	341	288	**849**	**723**	676	570
Total Mission Systems	**3,250**	**2,749**	3,157	2,716	**6,111**	**5,177**	5,964	5,162
Space Systems								
Product	**2,226**	**2,050**	2,119	1,893	**4,207**	**3,861**	4,183	3,722
Service	**348**	**307**	402	362	**676**	**588**	801	724
Intersegment eliminations	**179**	**160**	125	111	**350**	**313**	230	205
Total Space Systems	**2,753**	**2,517**	2,646	2,366	**5,233**	**4,762**	5,214	4,651
Segment Totals								
Total Product	**$ 8,808**	**$ 7,949**	$ 8,258	$ 7,319	**$ 16,766**	**$ 15,111**	$ 15,779	$ 14,498
Total Service	**2,068**	**1,769**	2,093	1,813	**3,991**	**3,416**	4,040	3,534
Total Segment[(1)]	**$ 10,876**	**$ 9,718**	$ 10,351	$ 9,132	**$ 20,757**	**$ 18,527**	$ 19,819	$ 18,032

(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 2026 product sales increased $550 million, or 7 percent, primarily due to higher sales on B-21 and TACAMO at Aeronautics Systems, higher volume on Sentinel and across the IBCS portfolio at Defense Systems, and increased sales for CRS missions, GPI and GMD WS at Space Systems.

Second quarter 2026 product costs increased $630 million, or 9 percent, reflecting a lower operating margin rate primarily due to lower net EAC adjustments on product programs at Defense Systems and Space Systems.

Year to Date

Year to date 2026 product sales increased $987 million, or 6 percent, primarily due to higher sales on B-21 and TACAMO at Aeronautics Systems, as well as higher volume on Sentinel, tactical solid rocket motor programs and across the IBCS portfolio at Defense Systems.

Year to date 2026 product costs increased $613 million, or 4 percent, reflecting a higher operating margin rate principally due to the absence of the prior year B-21 loss provision at Aeronautics Systems, partially offset by lower net EAC adjustments on product programs at Defense Systems and Space Systems.

Service Sales and Costs
Current Quarter
Second quarter 2026 service sales decreased $25 million, or 1 percent, primarily due to lower restricted sales at Space Systems and lower volume on airborne electronic warfare programs at Mission Systems, partially offset by higher restricted sales at Aeronautics Systems.

Second quarter 2026 service costs decreased $44 million, or 2 percent, reflecting a higher operating margin rate principally driven by higher net EAC adjustments on service programs at Aeronautics Systems and higher service margins in our commercial space business at Space Systems.

Year to Date
Year to date 2026 service sales decreased $49 million, or 1 percent, primarily due to lower restricted sales at Space Systems and lower service volume at Defense Systems due to the training services divestiture, partially offset by higher restricted sales at Aeronautics Systems.

Year to date 2026 service costs decreased $118 million, or 3 percent, reflecting a higher operating margin rate principally driven by higher net EAC adjustments on service programs at Aeronautics Systems and Space Systems.

BACKLOG

Backlog consisted of the following as of June 30, 2026 and December 31, 2025:

	June 30, 2026			December 31, 2025	
$ in millions	**Funded**	**Unfunded**	**Total Backlog**	Total Backlog	% Change in 2026
Aeronautics Systems	**$ 13,394**	**$ 11,174**	**$ 24,568**	$ 23,052	**7 %**
Defense Systems	**9,392**	**25,286**	**34,678**	27,796	**25 %**
Mission Systems	**12,878**	**5,587**	**18,465**	18,632	**(1)%**
Space Systems	**10,281**	**16,700**	**26,981**	26,201	**3 %**
Total backlog	**$ 45,945**	**$ 58,747**	**$ 104,692**	$ 95,681	**9 %**

Second quarter and year to date 2026 net awards totaled $20.0 billion and $29.8 billion, respectively. Backlog totaled $104.7 billion. Significant second quarter new awards include $7.6 billion for Sentinel, $4.3 billion for restricted programs (primarily at Aeronautics Systems and Space Systems), $1.0 billion for F-35 (at Aeronautics Systems and Mission Systems), $0.8 billion for Glide Phase Interceptor (GPI), and $0.7 billion for Multi-role Electronically Scanned Array (MESA).

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 returns.

At June 30, 2026, we had $2.3 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, 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 revolving credit facility in an aggregate principal amount of $3.0 billion, and in April 2026, we renewed our one-year $500 million uncommitted credit facility. At June 30, 2026, there were no borrowings outstanding under these credit facilities.

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 adjusted free cash flow, a non-GAAP measure described in more detail below.

Operating Cash Flow
The table below summarizes key components of cash used in operating activities:

	Six Months Ended June 30		%
$ in millions	**2026**	2025	**Change**
Net earnings	**$ 1,969**	$ 1,655	**19 %**
Changes in trade working capital[1]	**(2,522)**	(2,446)	**3 %**
Other, net	**177**	94	**88 %**
Net cash used in operating activities	**$ (376)**	$ (697)	**46 %**

[1] Beginning in the fourth quarter of 2025, the company redefined trade working capital presented in this table to include accounts receivable, unbilled receivables, inventoried costs, trade accounts payable and advance payments and billings in excess of costs incurred. Prior period amounts and disclosures have been recast to conform to the current period presentation.

Year to date 2026 net cash used in operating activities decreased $321 million as compared with the same period in 2025, primarily due to lower net cash tax payments.

Adjusted Free Cash Flow
Adjusted 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, plus proceeds from the sale of equipment to a customer (not otherwise included in net cash provided by or used in operating activities) and the after-tax impact of discretionary pension contributions. Adjusted free cash flow includes proceeds from the sale of equipment to a customer, if any, as such proceeds were generated in a customer sales transaction. It also includes the after-tax impact of discretionary pension contributions, if any, for consistency and comparability of financial performance. This measure may not be defined and calculated by other companies in the same manner. We use adjusted 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. During the six months ended June 30, 2026 and 2025, the company received no proceeds from the sale of equipment to a customer and made no discretionary pension contributions.

The table below reconciles net cash used in operating activities to adjusted free cash flow:

	Six Months Ended June 30		%
$ in millions	**2026**	2025	**Change**
Net cash used in operating activities	**$ (376)**	$ (697)	**46 %**
Capital expenditures	**(469)**	(487)	**(4)%**
Adjusted free cash flow	**$ (845)**	$ (1,184)	**29 %**

Year to date 2026 adjusted free cash flow increased $339 million, or 29 percent, as compared with the same period in 2025, primarily due to an increase in net cash from operating activities.

Investing Cash Flow
Year to date 2026 net cash used in investing activities increased $173 million, or 91 percent, as compared with the same period in 2025, principally due to $333 million of proceeds from the training services divestiture in the prior year, partially offset by $107 million of proceeds from the sale of an investment in the current year.

Financing Cash Flow
Year to date 2026 net cash used in financing activities decreased $210 million, or 13 percent, as compared with the same period in 2025, primarily due to an $823 million decrease in share repurchases, partially offset by $566 million in net borrowings on commercial paper in the prior year.

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 2025 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 2025 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 or a prolonged government shutdown
- 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, changes in trade policies 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
- increased competition within our markets and bid protests
- continued pressures from macroeconomic trends, including on costs, schedules, performance and ability to meet expectations

Legal and Regulatory Risks

- investigations, claims, disputes, enforcement actions, litigation (including criminal, civil and administrative) and/or other legal proceedings
- changes in procurement and other laws, SEC, DoW and other rules and regulations, including changes through executive orders, 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 and preferences globally
- 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
- environmental matters, 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
- the performance and viability of our subcontractors and suppliers and the availability and pricing of raw materials, critical minerals and metals, chemicals, parts and components, particularly with inflationary pressures, increased costs, pricing changes, shortages in labor and financial resources, supply chain disruptions, and extended material lead times
- our ability to attract and retain a qualified and talented workforce with the necessary security clearances to meet our performance obligations
- our exposure to additional risks as a result of our international business, including risks related to global security and strategic alliances, 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, epidemics, pandemics and similar outbreaks and other significant disruptions
- 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 protect and exploit 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

You are urged 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 2025 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, 2026, 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, 2026, 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; 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 2025 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 2025 Annual Report on Form 10-K.

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

We had no repurchases of common stock during the three months ended June 30, 2026. The approximate dollar value of shares that may yet be purchased under the company's share repurchase authorization is $2.5 billion as of June 30, 2026.

Share repurchases take place from time to time, subject to market and regulatory conditions and management's discretion, in the open market or in privately negotiated transactions. The company retires its common stock upon repurchase.

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

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, 2026.

Name (Title)	Type of Trading Arrangement	Date of Adoption	Expiration Date of Trading Arrangement	Aggregate Number of Securities to Be Purchased or Sold
Kathryn G. Simpson (Corporate Vice President and General Counsel)	Rule 10b5-1 Trading Arrangement	April 27, 2026	March 31, 2027 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 shares to be received upon payout of 2024 RSRs and RPSRs[1]

[1] The aggregate number of shares to be sold will depend, in part, on future company performance.

Item 6. Exhibits

*+10.1	Non-Employee Director Compensation Term Sheet, effective May 20, 2026
*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 John T. Greene 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 John T. Greene 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, 2026, 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, (vi) Notes to Condensed Consolidated Financial Statements, and (vii) Other Information. 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)

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

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 20, 2026

Exhibit 10.1

<u>Fees and Expenses</u>

(effective as of May 20, 2026)

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 Corporate Governance Committee chair:	$25,000
	Policy Committee chair:	$25,000
Equity Grant:	Directors are awarded an annual equity grant of $192,500 in deferred stock units ("Automatic Stock Units"), awarded annually on the day of the Company's Annual Meeting of Shareholders. The Automatic Stock Units will vest on the one year anniversary of the grant date. 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 20, 2026

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 20, 2026, 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, 2026, 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, 333-273482, and 333-281008 on Form S-8, 333-295222 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 20, 2026

/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, John T. Greene, 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 20, 2026

/s/ John T. Greene

John T. Greene

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, 2026, 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 20, 2026

/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, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John T. Greene, 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 20, 2026

/s/ John T. Greene
John T. Greene
Corporate Vice President and Chief Financial Officer