Northrop Grumman Third Quarter 2020 Conference Call

October 22, 2020

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Forward-Looking Statements

This presentation and the information we are incorporating by reference, and statements to be made on the earnings conference call, contain or may 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 the Form 10-K for the year ended December 31, 2019, the section entitled "Risk Factors" in the Form 10-Q for the quarter ended March 31, 2020 and from time to time in our other filings with the Securities and Exchange Commission (SEC). These risks and uncertainties are amplified by the global COVID-19 pandemic, which has caused and will continue to cause significant challenges, instability and uncertainty. They include:

- the impact of the COVID-19 outbreak or future epidemics on our business, including the potential for worker absenteeism, facility closures, work slowdowns or stoppages, supply chain disruptions, program delays, our ability to recover costs under contracts, changing government funding and acquisition priorities and processes, changing government payment rules and practices, and potential impacts on access to capital, the markets and the fair value of our assets
- our dependence on the U.S. government for a substantial portion of our business
- significant delays or reductions in appropriations for our programs, and U.S. government funding and program support more broadly
- investigations, claims, disputes, enforcement actions, litigation and/or other legal proceedings
- the use of estimates when accounting for our contracts and the effect of contract cost growth and/or changes in estimated contract revenues and costs
- our exposure to additional risks as a result of our international business, including risks related to geopolitical and economic factors, suppliers, laws and regulations
- the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate and the impact on our reputation and our ability to do business
- cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners
- the performance and financial viability of our subcontractors and suppliers and the availability and pricing of raw materials and components
- changes in procurement and other laws, regulations, contract terms and practices applicable to our industry, findings by the U.S. government as to our compliance with such requirements, and changes in our customers' business practices globally
- increased competition within our markets and bid protests
- the ability to maintain a qualified workforce with the required security clearances and requisite skills
- our ability to meet performance obligations under our contracts, including obligations that require innovative design capabilities, are technologically complex, require certain manufacturing expertise or are dependent on factors not wholly within our control
- environmental matters, including unforeseen environmental costs and government and third party claims
- natural disasters
- health epidemics, pandemics and similar outbreaks, including the global COVID-19 pandemic
- the adequacy and availability of our insurance coverage, customer indemnifications or other liability protections
- 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
- the future investment performance of plan assets, 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
- our ability appropriately to exploit and/or protect intellectual property rights
- our ability to develop new products and technologies and maintain technologies, facilities, and equipment to win new competitions and meet the needs of our customers
- unanticipated changes in our tax provisions or exposure to additional tax liabilities
- changes in business conditions that could impact business investments and/or recorded goodwill or the value of other long-lived assets

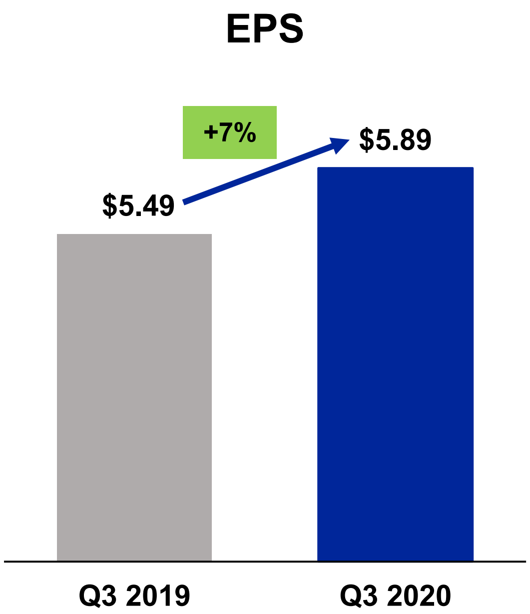
You are urged to consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of forward-looking statements. These forward-looking statements speak only as of the date this presentation is first issued or, in the case of any document incorporated 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.
This presentation and the attachments also contain non-GAAP financial measures. A reconciliation to the nearest GAAP measure and a discussion of the company's use of these measures are included in this presentation.

Q3 2020 Highlights

- $20.3B Net Awards; backlog increases to record $81.3B
- Book to Bill 2.2x
- Sales increase 7% to $9.1B
- 11.5% Segment OM%(1)
- EPS increase 7% to $5.89
- Cash flow from Operations increases 19% to $1.4B
- Free Cash Flow(1) 22% higher to $1.1B
- Sales, MTM-adjusted EPS(1), and Free Cash Flow(1) guidance increased for year-to-date performance

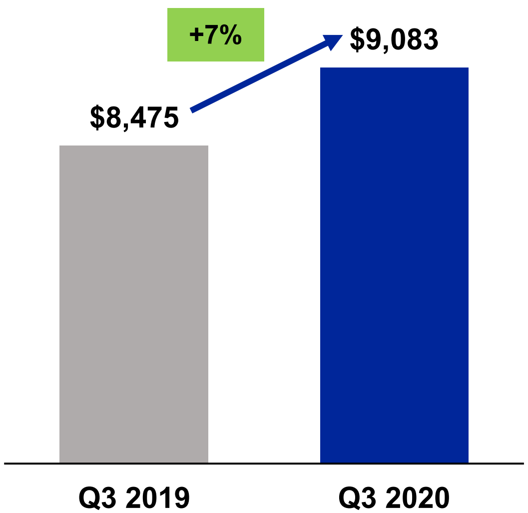
(1) Non-GAAP metric. See Appendix.

Q3 2020 EPS Bridge



EPS	
Q3 2019	$ 5.49
Segment Performance	0.51
Corporate Unallocated	(0.18)
Net Pension	0.40
Net Interest	(0.17)
Taxes and Other Items	(0.16)
Q3 2020	$5.89

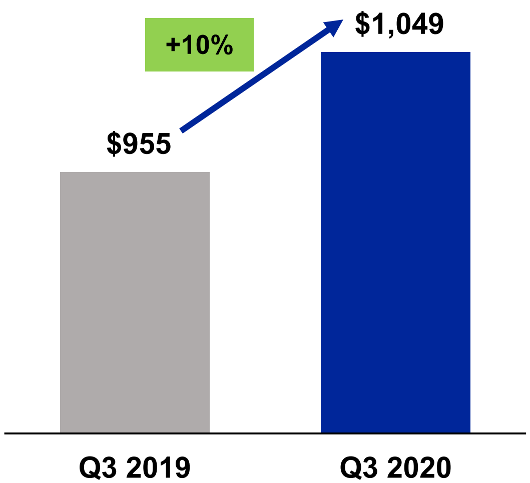
Sales



	Three Months Ended September 30			Nine Months Ended September 30		
	Q3 2019	Q3 2020	▲ %	YTD 2019	YTD 2020	▲ %
Aeronautics Systems	2,770	**2,914**	**5%**	8,309	**8,682**	**4%**
Defense Systems	1,931	**1,859**	**(4%)**	5,615	**5,626**	**-**
Mission Systems	2,310	**2,551**	**10%**	6,924	**7,344**	**6%**
Space Systems	1,885	**2,198**	**17%**	5,474	**6,194**	**13%**
Intersegment Eliminations	(421)	**(439)**		(1,202)	**(1,259)**	
Total Sales	$ 8,475	**$ 9,083**	**7%**	$ 25,120	**$ 26,587**	**6%**

Segment Operating Income(1)

Segment Operating Income(1) (millions)



	Three Months Ended September 30			Nine Months Ended September 30		
	Q3 2019	Q3 2020	▲ %	YTD 2019	YTD 2020	▲ %
Aeronautics Systems	269	**294**	**9%**	879	**867**	**(1%)**
Defense Systems	201	**217**	**8%**	617	**632**	**2%**
Mission Systems	351	**370**	**5%**	1,012	**1,070**	**6%**
Space Systems	191	**224**	**17%**	574	**635**	**11%**
Intersegment Eliminations	(57)	**(56)**		(156)	**(157)**	
Segment Operating Income(1)	$ 955	**$ 1,049**	**10%**	$ 2,926	**$ 3,047**	**4%**

	Three Months Ended September 30			Nine Months Ended September 30		
	Q3 2019	Q3 2020	▲	YTD 2019	YTD 2020	▲
Aeronautics Systems	9.7%	**10.1%**	**40 bps**	10.6%	**10.0%**	**(60) bps**
Defense Systems	10.4.%	**11.7%**	**130 bps**	11.0%	**11.2%**	**20 bps**
Mission Systems	15.2%	**14.5%**	**(70) bps**	14.6%	**14.6%**	**-**
Space Systems	10.1%	**10.2%**	**10 bps**	10.5%	**10.3%**	**(20) bps**
Segment Operating Margin(1)	11.3%	**11.5%**	**20 bps**	11.6%	**11.5%**	**(10) bps**

(1) Non-GAAP metric. See Appendix.

2020 Sector Guidance[(1)]

	As of 7/30/2020[(1)]	As of 10/22/2020[(1)]
Aeronautics Systems		
Sales $B	Low to Mid 11	**Mid 11**
OM Rate	~10%	**~10%**
Defense Systems		
Sales $B	Mid 7	**Mid 7**
OM Rate	Mid 10%	**~11%**
Mission Systems		
Sales $B	High 9	**High 9**
OM Rate	Low to Mid 14%	**Mid 14%**
Space Systems		
Sales $B	Low 8	**Mid 8**
OM Rate	Low to Mid 10%	**Low 10%**

(1) Financial guidance, as well as outlook, trends, expectations and other forward looking statements provided by the company for 2020, 2021 and beyond, reflect the company's judgment based on the information available to the company at the time of this release. The company is increasing its 2020 financial guidance based on year-to-date performance and its most current outlook for the remainder of the year. The company's 2020 financial guidance and outlook for 2021 and beyond reflect the impacts experienced to date from the global COVID-19 pandemic (discussed in the company's Form 10-Qs), and what the company currently anticipates, based on what the company understands today, to be the impacts on the company for the remainder of the year and beyond. The company's updated financial guidance and outlook assume generally that the most significant adverse impacts from the pandemic on the company's business, financial position, results of operations or cash flows occurred in the second quarter of 2020. However, the company cannot predict how the pandemic will evolve or what impact it will continue to have, and there can be no assurance that the company's underlying assumptions are correct. As discussed more fully in the company's Form 10-Qs (for Q1, Q2 and Q3), and among other factors, disruptions to the company's operations (or those of its customers or supply chain), additional costs, disruptions in the market, and impacts on programs or payments relating to the global COVID-19 pandemic, today and as it may evolve, can be expected to affect the company's ability to achieve guidance or meet expectations. In addition, the government budget, appropriations and procurement processes can impact our customers, programs and financial results. These processes, including the timing of appropriations and the occurrence of an extended continuing resolution and/or prolonged government shutdown, as well as a breach of the debt ceiling, or changes in support for our programs or in federal corporate tax rates, can impact the company's ability to achieve guidance or meet expectations.

2020 Guidance[1]

2020 (millions, except per share amounts)	As of 7/30/2020[1]	As of 10/22/2020[1]
Sales	35,300 – 35,600	**35,700 – 36,000**
Segment operating margin %[2][3]	11.3 – 11.5%	**11.3 – 11.5%**
Total Net FAS/CAS pension adjustment[4]	~1,600	**~1,625**
Unallocated corporate expense		
Intangible asset amortization and PP&E step-up depreciation	~315	**~315**
Other items	~250	**~250**
Operating margin %	10.8 – 11.0%	**10.8 – 11.0%**
Interest expense	~590	**~590**
Effective tax rate %	~16.5%	**~16.5%**
Weighted average diluted shares outstanding	~168	**~168**
MTM-adjusted EPS[2]	22.00 – 22.40	**22.25 – 22.65**
Capital expenditures	~1,350	**~1,350**
Free cash flow[2]	3,150 – 3,550	**3,300 – 3,600**

(1) *Financial guidance, as well as outlook, trends, expectations and other forward looking statements provided by the company for 2020, 2021 and beyond, reflect the company's judgment based on the information available to the company at the time of this release. The company is increasing its 2020 financial guidance based on year-to-date performance and its most current outlook for the remainder of the year. The company's 2020 financial guidance and outlook for 2021 and beyond reflect the impacts experienced to date from the global COVID-19 pandemic (discussed in the company's Form 10-Qs), and what the company currently anticipates, based on what the company understands today, to be the impacts on the company for the remainder of the year and beyond. The company's updated financial guidance and outlook assume generally that the most significant adverse impacts from the pandemic on the company's business, financial position, results of operations or cash flows occurred in the second quarter of 2020. However, the company cannot predict how the pandemic will evolve or what impact it will continue to have, and there can be no assurance that the company's underlying assumptions are correct. As discussed more fully in the company's Form 10-Qs (for Q1, Q2 and Q3), and among other factors, disruptions to the company's operations (or those of its customers or supply chain), additional costs, disruptions in the market, and impacts on programs or payments relating to the global COVID-19 pandemic, today and as it may evolve, can be expected to affect the company's ability to achieve guidance or meet expectations. In addition, the government budget, appropriations and procurement processes can impact our customers, programs and financial results. These processes, including the timing of appropriations and the occurrence of an extended continuing resolution and/or prolonged government shutdown, as well as a breach of the debt ceiling, or changes in support for our programs or in federal corporate tax rates, can impact the company's ability to achieve guidance or meet expectations.*

(2) *Non-GAAP metric. See Appendix.*

(3) *Effective April 1, 2020, certain unallowable costs previously included in segment operating results are now reported in Unallocated corporate expense within operating income.*

(4) *Total Net FAS/CAS pension adjustment is presented as a single amount consistent with our historical presentation, and includes $825 million of expected CAS pension cost and $800 million of expected FAS pension benefit. $410 million of FAS (service-related) pension cost is reflected in operating income and $1,210 million of FAS (non-service) pension benefit is reflected below operating income. CAS pension cost continues to be recorded in operating income.*

2020E MTM-adjusted EPS[1] Bridge

EPS	
2020 EPS Guidance as of 7/30/2020[1]	$22.00 - $22.40
Segment Operations	~.25
2020 EPS Guidance as of 10/22/2020[1]	$22.25 - $22.65

(1) Non-GAAP metric. See Appendix.

2021 Outlook - 10/22/2020[1]

- Expect 2021 sales in the low to mid $37 billion range
- Expect 2021 Segment OM[2] rate near lower end of 2020 guidance of 11.3% to 11.5%
- Continued strong free cash flow[2]
- Net FAS/CAS pension adjustment likely $150 - $250 million lower than 1/30/20 estimate due to potential changes in pension assumptions

(1) *Financial guidance, as well as outlook, trends, expectations and other forward looking statements provided by the company for 2020, 2021 and beyond, reflect the company's judgment based on the information available to the company at the time of this release. The company is increasing its 2020 financial guidance based on year-to-date performance and its most current outlook for the remainder of the year. The company's 2020 financial guidance and outlook for 2021 and beyond reflect the impacts experienced to date from the global COVID-19 pandemic (discussed in the company's Form 10-Qs), and what the company currently anticipates, based on what the company understands today, to be the impacts on the company for the remainder of the year and beyond. The company's updated financial guidance and outlook assume generally that the most significant adverse impacts from the pandemic on the company's business, financial position, results of operations or cash flows occurred in the second quarter of 2020. However, the company cannot predict how the pandemic will evolve or what impact it will continue to have, and there can be no assurance that the company's underlying assumptions are correct. As discussed more fully in the company's Form 10-Qs (for Q1, Q2 and Q3), and among other factors, disruptions to the company's operations (or those of its customers or supply chain), additional costs, disruptions in the market, and impacts on programs or payments relating to the global COVID-19 pandemic, today and as it may evolve, can be expected to affect the company's ability to achieve guidance or meet expectations. In addition, the government budget, appropriations and procurement processes can impact our customers, programs and financial results. These processes, including the timing of appropriations and the occurrence of an extended continuing resolution and/or prolonged government shutdown, as well as a breach of the debt ceiling, or changes in support for our programs or in federal corporate tax rates, can impact the company's ability to achieve guidance or meet expectations.*

(2) *Non-GAAP metric. See Appendix.*

Appendix

Non-GAAP Definitions

Non-GAAP Financial Measures Disclosure: This presentation contains non-GAAP (accounting principles generally accepted in the United States of America) financial measures, as defined by SEC Regulation G and indicated by a footnote in the text of the presentation. Definitions for the non-GAAP measures are provided below and reconciliations are provided in the body of the presentation. Other companies may define these measures differently or may utilize different non-GAAP measures.

MTM-adjusted diluted EPS: Diluted earnings per share excluding the per share impact of MTM (expense) benefit and related tax impacts. This measure may be useful to investors and other users of our financial statements as a supplemental measure in evaluating the company's underlying financial performance per share by presenting the company's diluted earnings per share results before the non-operational impact of pension and OPB actuarial gains and losses.

Segment operating income and segment operating margin rate: Segment operating income, as reconciled in the "Non-GAAP Reconciliations – Segment Operating Income" table in the Appendix, and segment operating margin rate (segment operating income divided by sales) reflect total earnings from our four segments, including allocated pension expense we have recognized under CAS, and excluding unallocated corporate items and FAS pension expense. These 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 should not be considered in isolation or as alternatives to operating results presented in accordance with GAAP.

Free cash flow: Net cash provided by operating activities less capital expenditures. We use free cash flow as a key factor in our planning for, and consideration of, acquisitions, stock repurchases and the payment of dividends. This 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. Free cash flow is reconciled in the "Non-GAAP Reconciliations – Free Cash Flow" table in the Appendix.

Non-GAAP Reconciliations – Free Cash Flow[1]

	Three Months Ended September 30			Nine Months Ended September 30		
	Q3 2019	Q3 2020	▲%	YTD 2019	YTD 2020	▲%
Net cash provided by operating activities	$ 1,139	**$ 1,359**	**19%**	$ 1,833	**$ 2,073**	**47%**
Less: capital expenditures	(257)	**(287)**	**12%**	(793)	**(828)**	**4%**
Free cash flow[1]	$ 882	**$ 1,072**	**22%**	$ 1,040	**$ 1,875**	**80%**

(1) Non-GAAP metric.

Non-GAAP Reconciliations – Segment Operating Income[1]

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Millions	Three Months Ended September 30 Q3 2019	Q3 2020
Sales	$ 8,475	**$ 9,083**
Segment operating income[1]	955	**1,049**
Segment operating margin %[1]	11.3%	**11.5%**
Reconciliation to operating income		
Net FAS (Service)/CAS pension adjustment	$ 131	**$ 108**
Unallocated corporate expense:		
Intangible asset amortization and PP&E step-up depreciation	(98)	**(81)**
Other unallocated corporate expense	(37)	**(91)**
Unallocated corporate expense:	(135)	**(172)**
Operating income	$ 951	**$ 985**
Operating margin %	11.2%	**10.8%**

(1) Non-GAAP metric.

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