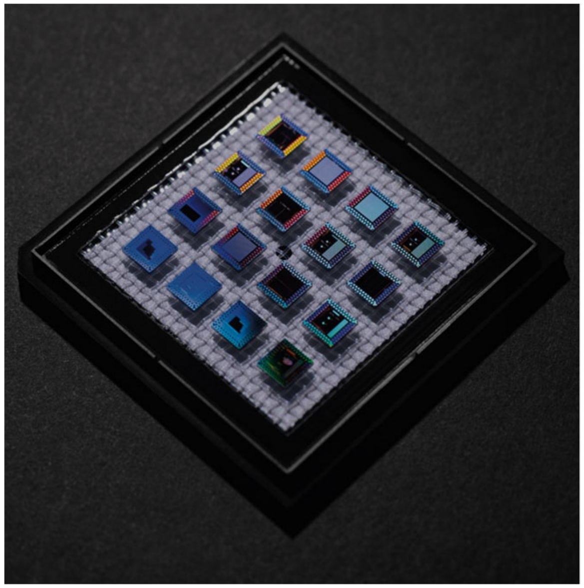
Northrop Grumman Third Quarter 2021 Conference Call

October 28, 2021



Kathy Warden
Chairman, Chief Executive Officer and President

Dave Keffer
Corporate Vice President and Chief Financial Officer

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, 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 and the related effects on the broader economic environment, which have caused and will continue to cause significant challenges, instability and uncertainty. They include:

- the impact of the COVID-19 pandemic (or future health epidemics, pandemics or similar outbreaks), and the related effects on the broader economic environment, on our business, including our ability to maintain a qualified workforce, the potential for worker absenteeism and leave taking, facility closures, work slowdowns or stoppages, labor shortages, supply chain challenges, evolving and varying government requirements, including related to a vaccine mandate, additional costs and liabilities for which we are not compensated, performance challenges, program delays, our ability to recover costs under contracts, changing government funding and acquisition priorities and processes, changing government payment rules and practices, insurance challenges, 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
- 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.

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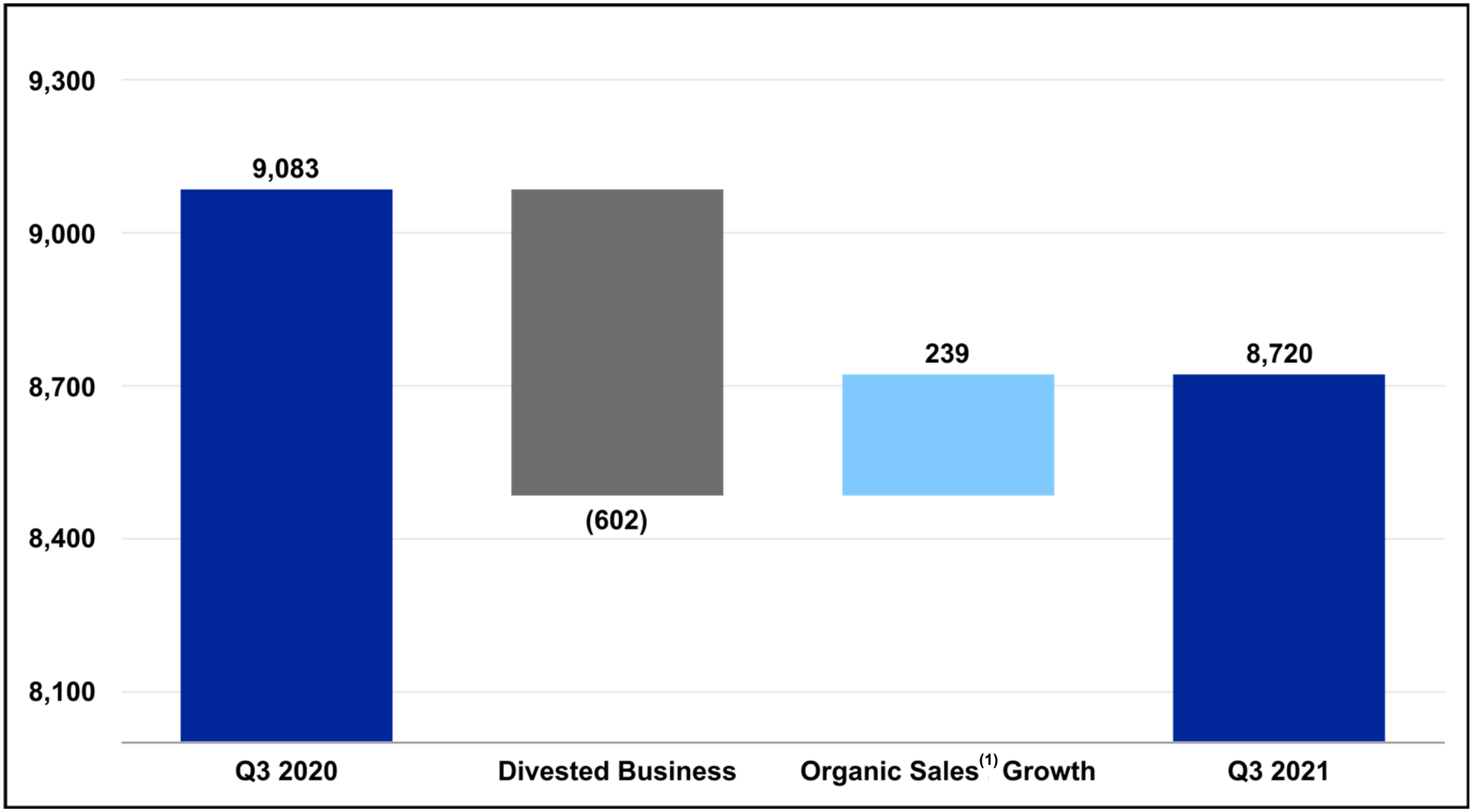
Q3 2021 Highlights

- Sales of $8.7 Billion; Organic sales[1] increase 3%
- Segment Operating Margin Rate[1] of 11.9%
- EPS increase of 13% to $6.63
- YTD Operating Cash Flow of $2.1B
- YTD Transaction-adjusted Free Cash Flow[1] increases 15% to $2.2 Billion
- Returned approximately $830M to shareholders via dividends & buybacks
- 2021 Earnings Guidance raised based on continued strong performance, with transaction-adjusted EPS[1] now at $25.20 to $25.60

1. Non-GAAP metric. See Appendix.

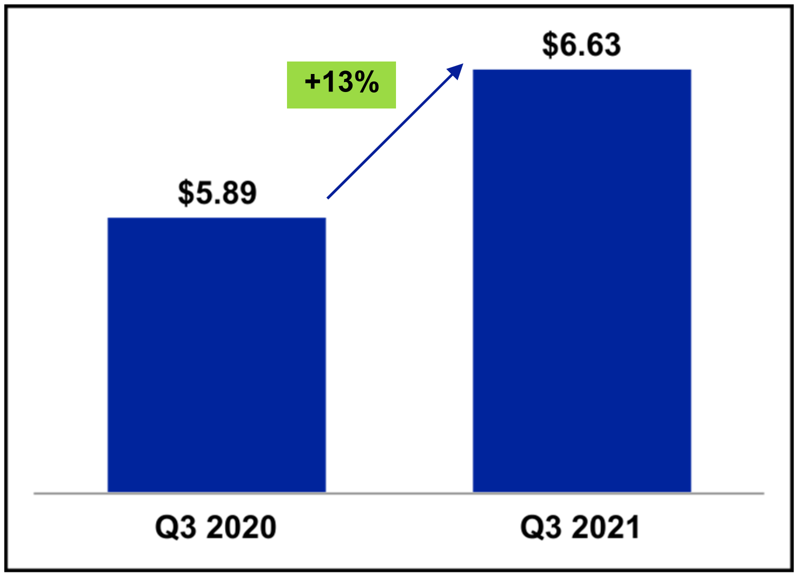
Q3 Sales Growth ($M)



Q3 Organic Sales[1] Growth of ~3%

1. *Non-GAAP metric. See Appendix.*

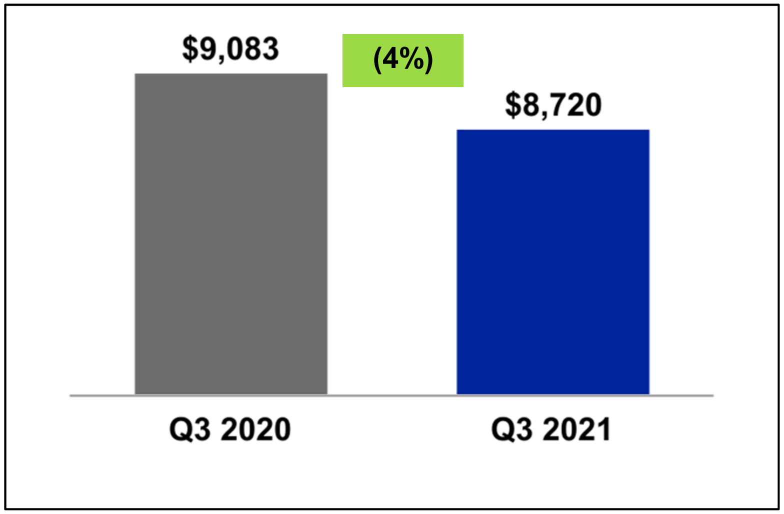
Q3 2021 EPS Bridge



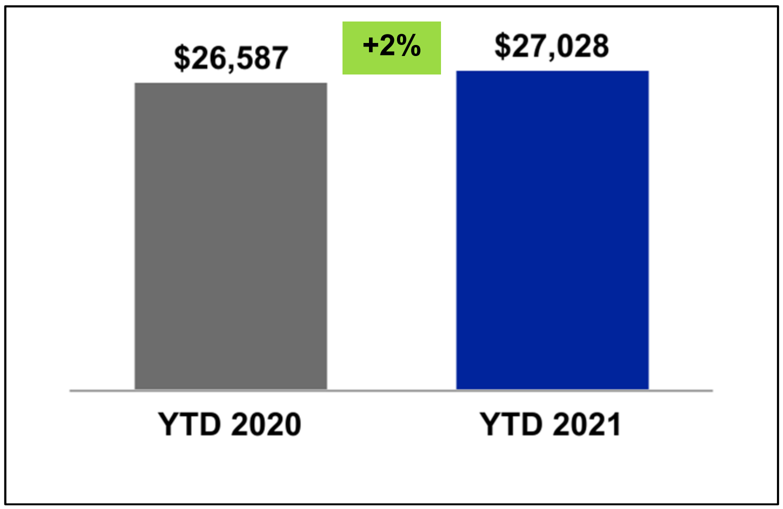
Note - Year over year benefit from share reduction embedded in individual items, tax effected at 21%

Q3 2020 EPS	$5.89
Segment Performance	0.14
Corporate Unallocated	0.55
Net Pension	0.17
Marketable Securities	(0.17)
Tax, Interest and Other	0.05
Q3 2021 EPS	$6.63

Sales

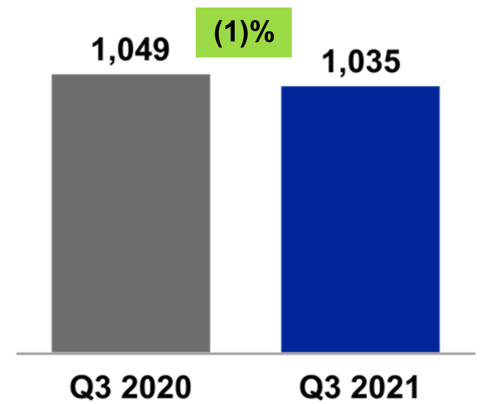


($M)	Three Months Ended September 30 Q3 2020	Q3 2021	▲%
Aeronautics Systems	$2,914	**$2,725**	**(6%)**
Defense Systems	1,859	**1,409**	**(24%)**
Mission Systems	2,551	**2,436**	**(5%)**
Space Systems	2,198	**2,681**	**22%**
Intersegment eliminations	(439)	**(531)**	
Total Sales	9,083	**8,720**	**(4%)**

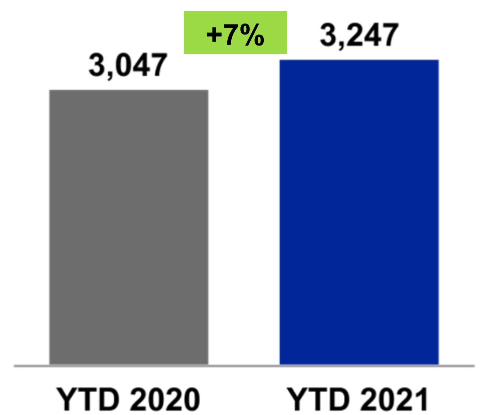


($M)	Nine Months Ended September 30 YTD 2020	YTD 2021	▲%
Aeronautics Systems	$8,682	**$8,628**	**(1%)**
Defense Systems	5,626	**4,398**	**(22%)**
Mission Systems	7,344	**7,613**	**4%**
Space Systems	6,194	**7,950**	**28%**
Intersegment eliminations	(1,259)	**(1,561)**	
Total Sales	26,587	**27,028**	**2%**

Segment Operating Income[1] and Margin Rate[1]



	Three Months Ended September 30					
	Segment Operating Income[1]			Segment Margin Rate[1]		
($M)	Q3 2020	Q3 2021	▲%	Q3 2020	Q3 2021	▲
Aeronautics Systems	294	**265**	**(10)%**	10.1%	**9.7%**	**(40) bps**
Defense Systems	217	**175**	**(19)%**	11.7%	**12.4%**	**70 bps**
Mission Systems	370	**372**	**1%**	14.5%	**15.3%**	**80 bps**
Space Systems	224	**288**	**29%**	10.2%	**10.7%**	**50 bps**
Intersegment Eliminations	(56)	**(65)**				
Total	1,049	**1,035**	**(1)%**	11.5%	**11.9%**	**40 bps**



	Nine Months Ended September 30					
	Segment Operating Income[1]			Segment Margin Rate[1]		
($M)	YTD 2020	YTD 2021	▲%	YTD 2020	YTD 2021	▲
Aeronautics Systems	867	**873**	**1%**	10.0%	**10.1%**	**10 bps**
Defense Systems	632	**529**	**(16)%**	11.2%	**12.0%**	**80 bps**
Mission Systems	1,070	**1,177**	**10%**	14.6%	**15.5%**	**90 bps**
Space Systems	635	**865**	**36%**	10.3%	**10.9%**	**60 bps**
Intersegment Eliminations	(157)	**(197)**				
Total	3,047	**3,247**	**7%**	11.5%	**12.0%**	**50 bps**

1. *Non-GAAP metric. See Appendix.*

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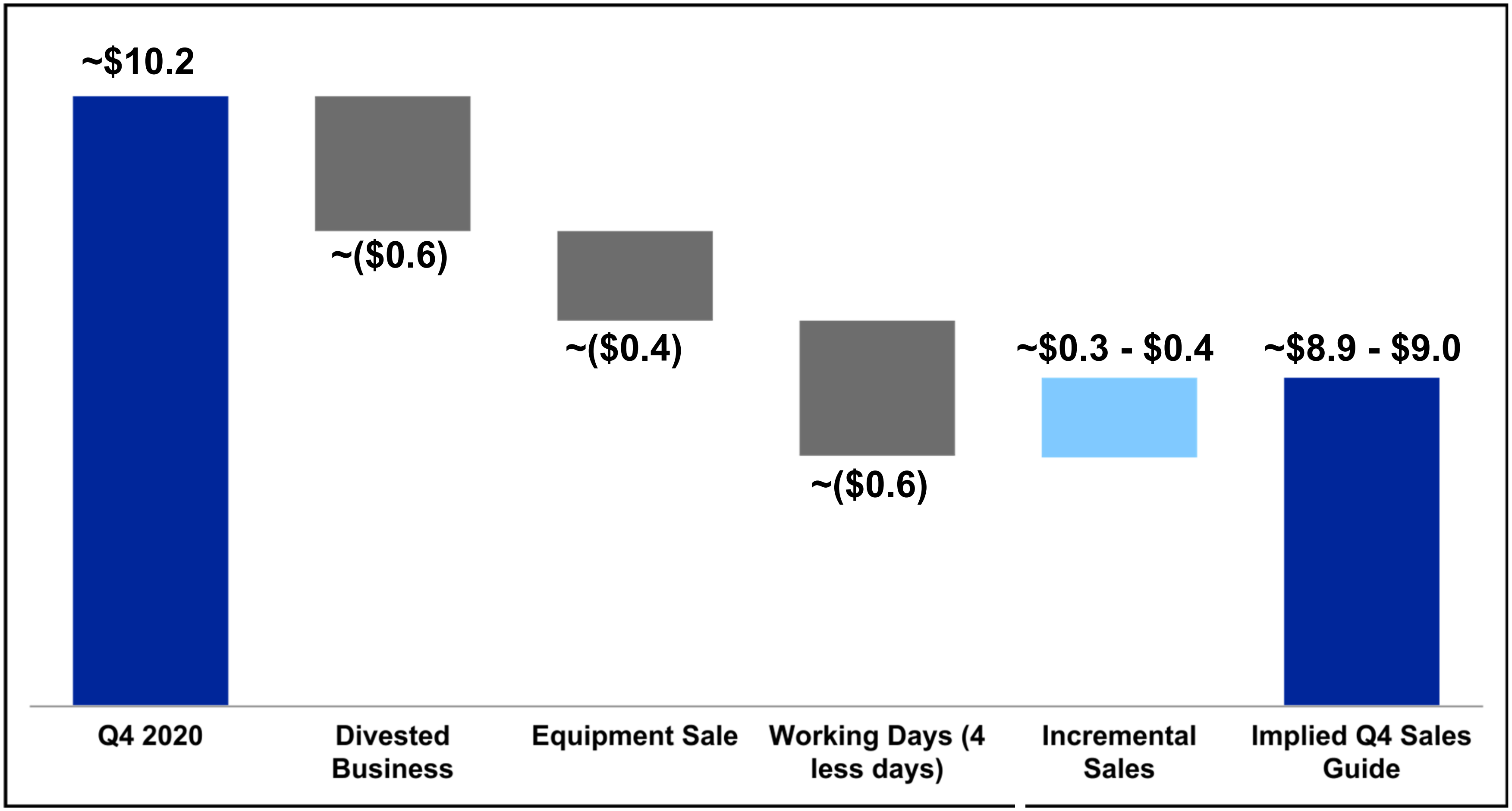
2021 Sector Guidance[1]

	As of 7/29/2021	As of 10/28/2021
Aeronautics Systems		
Sales $B	$11.5 — $11.7	**Mid $11**
OM Rate	10.1% — 10.3%	**10.1% — 10.3%**
Defense Systems		
Sales $B	$5.75 — $5.95	**High $5**
OM Rate	11.3% — 11.5%	**11.5% — 11.7%**
Mission Systems		
Sales $B	$10.1 — $10.3	**Low $10**
OM Rate	15.2% — 15.4%	**15.2% — 15.4%**
Space Systems		
Sales $B	$10.3 — $10.5	**Mid $10**
OM Rate	10.2% — 10.4%	**10.4% — 10.6%**
Eliminations		
Sales $B	$(2.0) — $(2.1)	**Low $(2)**
OM Rate	12.7% — 12.9%	**12.7% — 12.9%**

1. *Financial guidance, as well as outlook, trends, expectations and other forward looking statements provided by the company for 2021 and beyond, reflect the company's judgment based on the information available to the company at the time of this release. The company's 2021 financial guidance and outlook beyond 2021 reflect what the company currently anticipates will be the impacts on the company from the global COVID-19 pandemic (including related effects on the broader economic environment), based on what the company understands today and what the company has experienced to date. 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-K and in the recent Form 10-Q, and among other factors, disruptions to the company's operations or those of its customers, supply chain challenges, effects on the labor market and our workforce, vaccine mandates and other evolving government requirements, additional liabilities, disruptions in the financial markets and inflation, 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 priorities and processes can impact our customers, programs and financial results. These priorities and 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, extraordinary measures taken in connection with a breach, changes in support for our programs, or changes in federal corporate tax laws and regulations, can impact the company's ability to achieve guidance or meet expectations. Effective Jan. 30, 2021, Northrop Grumman completed the divestiture of its IT services business for approximately $3.4 billion in cash. The guidance in this presentation is updated for year-to-date operating performance and continues to reflect the divestiture.*

Walk to Implied Q4 Sales Guidance[1] ($B)



Guidance Indicates Continued Underlying Sales Growth in Q4

1. See footnote 1 on slide 8 regarding financial guidance

2021 Guidance[1]

$ in millions, except per share amounts	As of 7/29/2021	As of 10/28/2021
Sales	35,800 — 36,200	**~36,000**
Segment operating margin %[2]	11.6 — 11.8	**11.7 — 11.9**
Total Net FAS/CAS pension adjustment[3]	~1,540	**~1,600**
Unallocated corporate expense / (income)		
Intangible asset amortization and PP&E step-up depreciation	~260	**~260**
Divestiture related[4]	~(1,790)	**~(1,790)**
Other items	~190	**~120**
Operating margin %[5]	15.5 — 15.7	**16.0 — 16.2**
Interest expense	~560	**~560**
Effective tax rate %	~22.5	**~22.5**
Weighted average diluted shares outstanding	~161	**~161**
MTM-adjusted EPS[2]	31.30 — 31.70	**32.10 — 32.50**
Adjusted free cash flow[2]	~2,200 — ~2,500	**~2,200 — ~2,500**
Transaction-adjusted EPS[2]	24.40 — 24.80	**25.20 — 25.60**
Transaction-adjusted free cash flow[2]	~3,000 — ~3,300	**~3,000 — ~3,300**

1. *See footnote 1 on slide 8 regarding financial guidance*
2. *Non-GAAP metric. See Appendix.*
3. *Total Net FAS/CAS pension adjustment is presented as a single amount consistent with our historical presentation, and includes $545 million of expected CAS pension expense and $415 million of FAS pension service expense, both of which are reflected in operating income. Non-operating FAS pension benefit of $1,470 million is reflected below operating income, and the total net FAS/CAS pension adjustment is $1,600 million.*
4. *Divestiture related includes impacts related to the company's IT services divestiture, including (as applicable) the gain on sale of the business, associated federal and state income tax expense, transaction costs, the make-whole premium for early debt redemption and related tax impacts.*
5. *Divestiture related impact on operating margin was ~5%.*

2021E MTM-adjusted EPS[2] and Transaction-adjusted EPS[2] Guidance[1] Bridge

Transaction-adjusted EPS[2] Guidance as of 7/29/2021	$24.40 - $24.80
Segment	~0.15
Corporate Unallocated	~0.35
Pension	~0.30
Transaction-adjusted EPS[2] Guidance as of 10/28/2021	**$25.20 - $25.60**
Divestiture Related	~6.90
MTM-adjusted EPS[2] Guidance as of 10/28/2021	**$32.10 - $32.50**

1. *See footnote 1 on slide 8 regarding financial guidance*
2. *Non-GAAP metric. See Appendix.*

2022 Current Expectations - 10/28/2021[1]

- Continued Organic Sales[2] growth in 2022
  - Space remains fastest growing segment; MS, DS also grow
  - AS expected to decline at rate similar to 2021
- Continued strong operating margin rate with performance partially offsetting lower year over year pension related overhead benefit
- Lower CAS pension recoveries of ~$350M impacts earnings
- Stable operating cash flow before effect of lower CAS pension recoveries and higher cash taxes
- Continue to return the majority of adjusted free cash flow[2] to shareholders through dividends and share repurchases

1. *See footnote 1 on slide 8 regarding financial guidance*
2. *Non-GAAP metric. See Appendix.*

2021 - 2022 Pension Estimates ($M)

10/28/2021[1]	2021	2022
CAS Pension Expense	~545	~195
FAS Pension Service Expense	~(415)	~(390)
FAS/CAS Operating Adjustment	**~130**	**~(195)**
Non-operating FAS Pension Benefit	~1,470	~1,480
Total Net FAS/CAS Pension Adjustment	**~1,600**	**~1,285**
Required Funding	~(100)	~(100)

(1) Assumes a 2.68% discount rate and 7.5% long-term rate of return for all years presented

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 this Appendix, except that reconciliations of forward-looking non-GAAP measures are not provided because the company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market pension adjustment. 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 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.

Transaction-adjusted net earnings: Net earnings excluding impacts related to the company's IT services divestiture, including the gain on sale of the business, associated federal and state income tax expenses, transaction costs, and the make-whole premium for early debt redemption, as well as MTM expense 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 by presenting the company's operating results before the non-operational impact of divestiture activity and pension and OPB actuarial gains and losses. This measure is also consistent with how management views the underlying performance of the business as the impact of the IT services divestiture and MTM accounting is not considered in management's assessment of the company's operating performance or in its determination of incentive compensation awards. Transaction-adjusted net earnings is reconciled in the "Non-GAAP Reconciliations –Transaction-adjusted net earnings and Transaction-adjusted EPS" table within this Appendix.

Transaction-adjusted EPS: Diluted earnings per share excluding the per share impacts related to the company's IT services divestiture, including the gain on sale of the business, associated federal and state income tax expenses, transaction costs, and the make-whole premium for early debt redemption, as well as MTM expense 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 the IT services divestiture and pension and OPB actuarial gains and losses. Transaction-adjusted EPS is reconciled in the "Non-GAAP Reconciliations –Transaction-adjusted net earnings and Transaction-adjusted EPS" table within this Appendix.

Organic sales: Total sales excluding sales attributable to the company's IT services divestiture. 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 providing an understanding of our ongoing business and future sales trends by presenting the company's sales before the impact of divestiture activity. Organic sales is reconciled in the "Non-GAAP Reconciliations – Organic Sales" table within this Appendix.

Non-GAAP Definitions

Segment operating income and segment operating margin rate: Segment operating income, as reconciled in the "Non-GAAP Reconciliations – Segment Operating Income" table within this 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.

Adjusted free cash flow: 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 as such proceeds were generated in a customer sales transaction. It also includes the after-tax impact of discretionary pension contributions 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. Adjusted free cash flow is reconciled in the "Non-GAAP Reconciliations – Transaction-adjusted Free Cash Flow" table within this Appendix.

Transaction-adjusted free cash flow: 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), the after-tax impact of discretionary pension contributions and cash paid for federal and state taxes and transaction costs associated with the IT services divestiture. Transaction-adjusted free cash flow includes proceeds from the sale of equipment to a customer as such proceeds were generated in a customer sales transaction. It also includes the after-tax impact of discretionary pension contributions and cash paid for federal and state taxes and transaction costs associated with the IT services divestiture for consistency and comparability of financial performance. This measure may not be defined and calculated by other companies in the same manner. We use transaction-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. Transaction-adjusted free cash flow is reconciled in the Non-GAAP Reconciliations – Transaction-adjusted Free Cash Flow" table within this Appendix.

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Non-GAAP Reconciliations – Organic Sales

($M)	Three Months Ended September 30						
	Q3 2020			Q3 2021			
	Sales	IT Services Sales	Organic Sales	Sales	IT Services Sales	Organic Sales	Organic sales ▲%
Aeronautics Systems	$2,914	$—	$2,914	**$2,725**	**$—**	**$2,725**	**(6)%**
Defense Systems	1,859	(425)	1,434	**1,409**	**—**	**1,409**	**(2)%**
Mission Systems	2,551	(133)	2,418	**2,436**	**—**	**2,436**	**1%**
Space Systems	2,198	(48)	2,150	**2,681**	**—**	**2,681**	**25%**
Intersegment Eliminations	(439)	4	(435)	**(531)**	**—**	**(531)**	
Total	$9,083	$(602)	$8,481	**$8,720**	**$—**	**$8,720**	**3%**

($M)	Nine Months Ended September 30						
	YTD 2020			YTD 2021			
	Sales	IT Services Sales	Organic Sales	Sales	IT Services Sales	Organic Sales	Organic sales ▲%
Aeronautics Systems	$8,682	$—	$8,682	**$8,628**	**$—**	**$8,628**	**(1)%**
Defense Systems	5,626	(1,230)	4,396	**4,398**	**(106)**	**4,292**	**(2)%**
Mission Systems	7,344	(394)	6,950	**7,613**	**(42)**	**7,571**	**9%**
Space Systems	6,194	(135)	6,059	**7,950**	**(16)**	**7,934**	**31%**
Intersegment Eliminations	(1,259)	13	(1,246)	**(1,561)**	**2**	**(1,559)**	
Total	$26,587	$(1,746)	$24,841	**$27,028**	**$(162)**	**$26,866**	**8%**

Non-GAAP Reconciliations – Segment Operating Income

($M)	Three Months Ended September 30 Q3 2020	Three Months Ended September 30 Q3 2021	Nine Months Ended September 30 YTD 2020	Nine Months Ended September 30 YTD 2021
Sales	$9,083	**$8,720**	$26,587	**$27,028**
Segment operating income	1,049	**1,035**	3,047	**3,247**
Segment operating margin %	11.5%	**11.9%**	11.5%	**12.0%**
FAS/CAS operating adjustment	$108	**$61**	$316	**$98**
Unallocated corporate income (expense):				
Gain on sale of business	—	**—**	—	**1,980**
IT services divestiture - unallowable state taxes and transaction costs	—	**—**	—	**(192)**
Intangible asset amortization and PP&E step-up depreciation	(81)	**(62)**	(240)	**(191)**
Other unallocated corporate expense	(91)	**9**	(210)	**(33)**
Unallocated corporate income (expense)	(172)	**(53)**	(450)	**1,564**
Total operating income	$985	**$1,043**	$2,913	**$4,909**
Operating margin rate	10.8%	**12.0%**	11.0%	**18.2%**

Non-GAAP Reconciliations –Transaction-adjusted net earnings and Transaction-adjusted EPS

$ in millions, except per share amounts	Three Months Ended September 30		Nine Months Ended September 30	
	Q3 2020	Q3 2021	YTD 2020	YTD 2021
Transaction-adjusted net earnings				
Net earnings	$986	**$1,063**	$2,859	**$4,295**
Gain on sale of business	—	**—**	—	**(1,980)**
State tax impact(1)	—	**—**	—	**160**
Transaction costs	—	**—**	—	**32**
Make-Whole premium	—	**—**	—	**54**
Federal tax impact of items above(2)	—	**—**	—	**614**
Adjustments, net of tax	$—	**$—**	$—	**$(1,120)**
Transaction-adjusted net earnings	$986	**$1,063**	$2,859	**$3,175**
Transaction-adjusted per share data				
Diluted EPS	$5.89	**$6.63**	$17.05	**$26.55**
Gain on sale of business per share	—	**—**	—	**(12.24)**
State tax impact per share(1)	—	**—**	—	**0.99**
Transaction costs per share	—	**—**	—	**0.20**
Make-whole premium per share	—	**—**	—	**0.33**
Federal tax impact of line items above per share(2)	—	**—**	—	**3.79**
Adjustments, net of tax per share	$—	**$—**	$—	**$(6.93)**
Transaction-adjusted EPS	$5.89	**$6.63**	$17.05	**$19.62**

1. *The state tax impact includes $62 million of incremental tax expense related to $1.2 billion of nondeductible goodwill in the divested business.*
2. *The federal tax impact was calculated by applying the 21 percent federal statutory rate to the adjustment items and also includes $250 million of incremental tax expense related to $1.2 billion of nondeductible goodwill in the divested business.*

Non-GAAP Reconciliations – Transaction-adjusted Free Cash Flow

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($M)	Three Months Ended September 30 Q3 2020	Q3 2021	▲%	Nine Months Ended September 30 YTD 2020	YTD 2021	▲%
Net cash provided by operating activities	$1,359	**$1,163**	**(14)%**	$2,703	**$2,125**	**(21)%**
Capital expenditures	(287)	**(247)**	**(14)%**	(828)	**(682)**	**(18)%**
Proceeds from sale of equipment to a customer	—	**28**	**NM**	—	**84**	**NM**
Adjusted free cash flow	1,072	**944**	**(12)%**	1,875	**1,527**	**(19)%**
IT services divestiture transaction costs	—	**—**	**NM**	—	**39**	**NM**
IT services divestiture federal and state taxes	—	**198**	**NM**	—	**588**	**NM**
Transaction-adjusted free cash flow	$1,072	**$1,142**	**7%**	$1,875	**$2,154**	**15%**

NORTHROP
GRUMMAN