

A large blue parallelogram graphic on the left side of the slide, containing the Northrop Grumman logo.

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# Northrop Grumman First Quarter 2012 Conference Call

April 25, 2012

Wes Bush  
Chairman, Chief Executive Officer and President

Jim Palmer  
Corporate Vice President and Chief Financial Officer

# Forward Looking Statement



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

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

# CEO Highlights

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- Strong operational performance
- 17% increase in EPS from continuing operations
- 31% increase in pension-adjusted EPS from continuing operations
- Segment OM% expands 200 basis points to 12.7%<sup>(1)</sup>
- 4.4M shares repurchased
- 2012 EPS guidance increased to \$6.70 - \$6.95

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

# 2012 Guidance



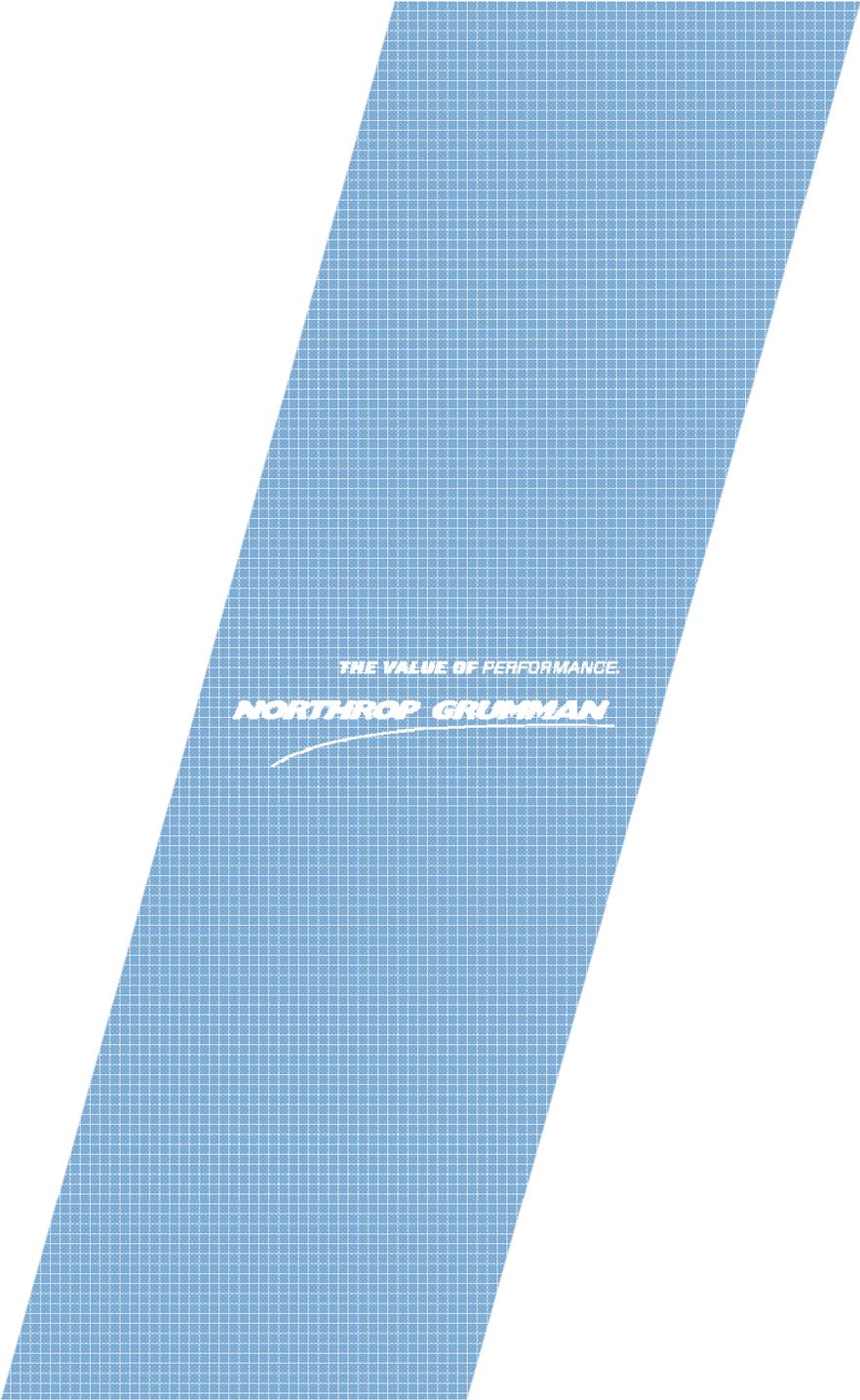
	Prior	Current
Sales (\$B)	24.7 – 25.4	24.7 – 25.4
Segment operating margin rate <sup>(1)</sup>	~11%	Mid 11%
Operating margin rate	Mid to High 10%	Low 11%
EPS from continuing operations	\$6.40 - \$6.70	\$6.70 - \$6.95
Cash provided by operations (\$B)	2.3 – 2.6	2.3 – 2.6
Free cash flow <sup>(1)</sup> (\$B)	1.8 – 2.1	1.8 – 2.1

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

# 2012 Sector Guidance Summary



Sector	Sales (\$B)		OM Rate %	
	Prior	Current	Prior	Current
Aerospace Systems	9.7 – 10.0	9.7 – 10.0	Low to Mid 11%	Mid 11%
Electronic Systems	6.9 – 7.2	6.9 – 7.2	Mid to High 13%	Mid 14%
Information Systems	7.4 – 7.6	7.4 – 7.6	Mid 9%	Mid 9%
Technical Services	2.6 – 2.7	2.6 – 2.7	Mid 8%	Mid 8%



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# Appendix

# Non-GAAP Definitions



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

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

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

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

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

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

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

# Non-GAAP Reconciliations



(\$ in millions, except per share amounts)	First Quarter	
	2012	2011
<b>Pension-adjusted Operating Highlights</b>		
Operating income	\$ 796	\$ 811
Net pension adjustment	(32)	(103)
Pension-adjusted operating income	\$ 764	\$ 708
as % of sales	12.3%	10.5%
<b>Pension-adjusted Per Share Data</b>		
Diluted EPS from continuing operations	\$ 1.96	\$ 1.67
After-tax net pension adjustment per share	(0.08)	(0.23)
Adjusted diluted EPS from continuing operations	\$ 1.88	\$ 1.44
Weighted average shares outstanding - Basic	253.1	291.8
Dilutive effect of stock options and stock awards	4.9	5.1
Weighted average shares outstanding - Diluted	258.0	296.9

# Non-GAAP Reconciliations



(\$ millions)	First Quarter	
	2012	2011
Sales	\$ 6,198	\$ 6,734
Segment operating income as a % of sales	\$ 789 12.7%	\$ 721 10.7%
<b>Reconciliation to operating income</b>		
Unallocated corporate expenses	\$ (23)	\$ (10)
Net pension adjustment	32	103
Reversal of royalty income included above	(2)	(3)
Operating income as a % of sales	796 12.8%	811 12.0%

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