

***NORTHROP GRUMMAN***

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**DEFINING THE FUTURE**

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# Annual Meeting of Shareholders

May 16, 2007

Satellite Technology  
Information Technology  
Nuclear Aircraft Carriers  
Unmanned Systems  
Missile Defense  
Space Systems  
Intelligence, Surveillance and Reconnaissance  
Navigation Systems  
Systems Integration  
Shipbuilding  
Electronic Systems  
Radar and Air Defense

# Operational Overview

May 16, 2007

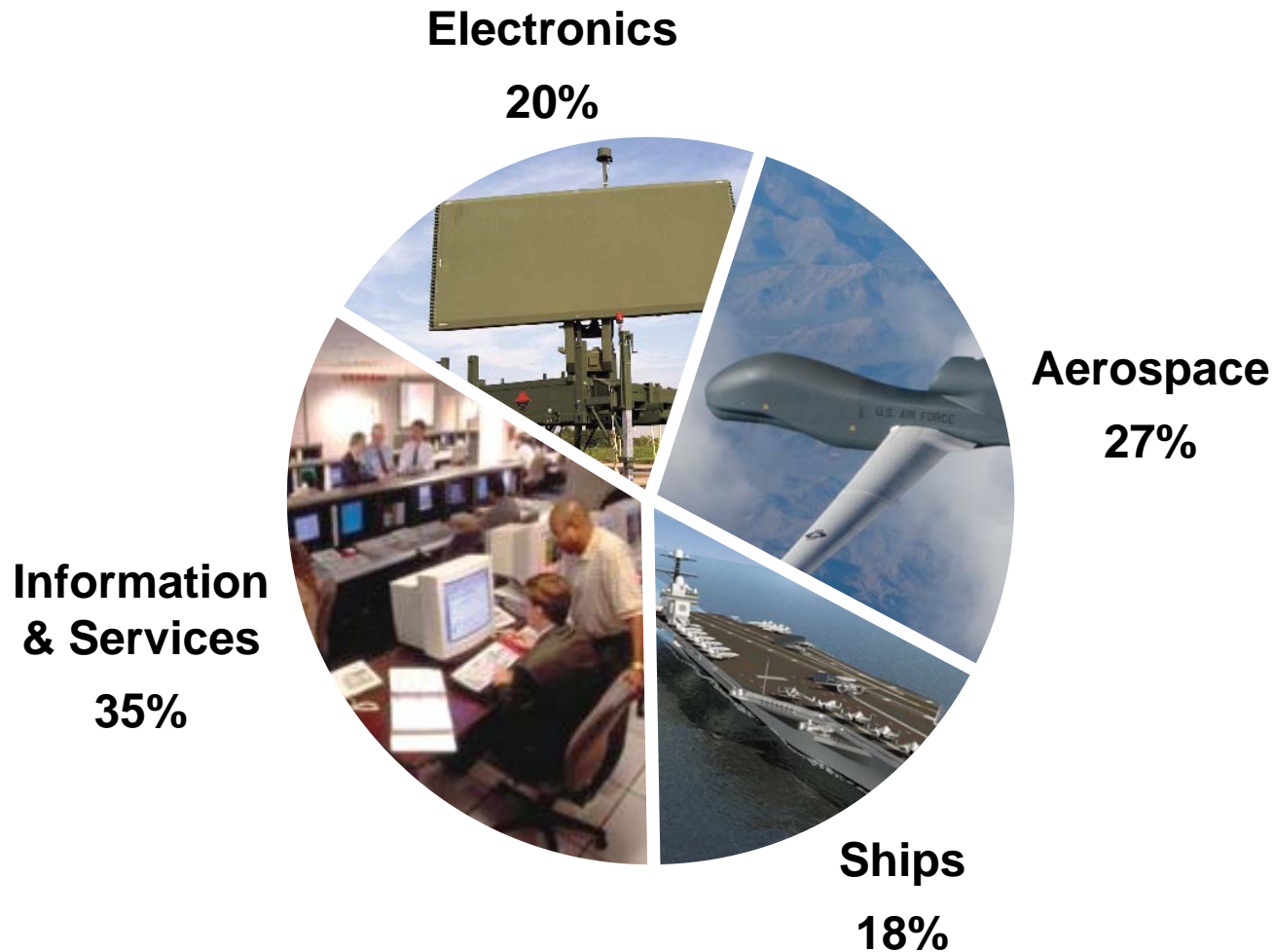
**Wes Bush**

President and Chief Operating Officer  
Northrop Grumman Corporation

# Safe Harbor Statement

Certain statements and assumptions in this presentation and materials contain or are based on “forward-looking” information. Such “forward-looking” information includes, among other things, projected deliveries, expected funding for various programs, future effective income tax rates, financial guidance and estimated amounts regarding sales, segment operating margin, pension expense, employer contributions under pension plans and medical and life benefits plans, cash flow and earnings per share, and is subject to numerous assumptions and uncertainties, many of which are outside Northrop Grumman’s control. These include Northrop Grumman’s assumptions with respect to future revenues, expected program performance and cash flows, returns on pension plan assets and variability of pension actuarial and related assumptions, the outcome of litigation, claims, appeals and investigations, hurricane-related insurance recoveries, environmental remediation, acquisitions and divestitures of businesses, successful reduction of debt, performance issues with key suppliers and subcontractors, product performance and the successful execution of internal plans, successful negotiation of contracts with labor unions, allowability and allocability of costs under U.S. Government contracts, effective tax rates and timing and amounts of tax payments, the results of any audit or appeal process with the Internal Revenue Service, and anticipated costs of capital investments, among other things. Northrop Grumman’s operations are subject to various additional risks and uncertainties resulting from its position as a supplier, either directly or as subcontractor or team member, to the U.S. Government and its agencies as well as to foreign governments and agencies; actual outcomes are dependent upon various factors, including, without limitation, Northrop Grumman’s successful performance of internal plans; government customers’ budgetary constraints; customer changes in short-range and long-range plans; domestic and international competition in both the defense and commercial areas; product performance; continued development and acceptance of new products and, in connection with any fixed price development programs, controlling cost growth in meeting production specifications and delivery rates; performance issues with key suppliers and subcontractors; government import and export policies; acquisition or termination of government contracts; the outcome of political and legal processes and of the assertion or prosecution of potential substantial claims by or on behalf of a U.S. government customer; natural disasters, and any associated amounts and timing of recoveries under insurance contracts, availability of materials and supplies, continuation of the supply chain, contractual performance relief and the application of cost sharing terms, impacts of timing of cash receipts and the availability of other mitigating elements; terrorist acts; legal, financial and governmental risks related to international transactions and global needs for military aircraft, military and civilian electronic systems and support, information technology, naval vessels, space systems, technical services and related technologies, as well as other economic, political and technological risks and uncertainties and other risk factors set out in Northrop Grumman’s filings from time to time with the Securities and Exchange Commission, including, without limitation, Northrop Grumman reports on Form 10-K and Form 10-Q.

# Positioned to Meet our Customers' Needs Today and into the Future



Percentage amounts reflect 2007 presentation format

*Strong Franchise Base . . . Substantial Growth Opportunities*

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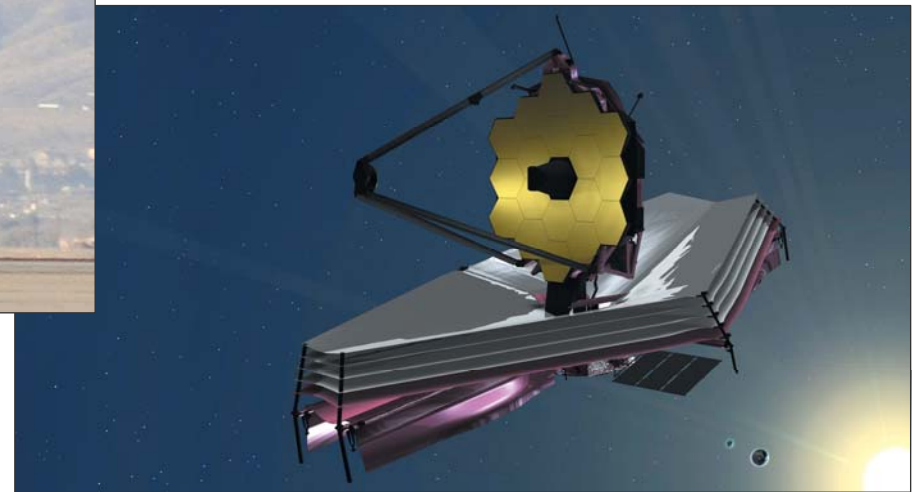
# Information & Services



*2006 Sales — \$11.3 Billion*  
*First Quarter 2007 Total Backlog — \$21.1 Billion*

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# Aerospace



*2006 Sales — \$8.4 Billion*  
*First Quarter 2007 Total Backlog — \$17.2 Billion*

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# Electronics



*2006 Sales — \$6.6 Billion*  
*First Quarter 2007 Total Backlog — \$9.2 Billion*

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# Ships



*2006 Sales — \$5.3 Billion*  
*First Quarter 2007 Total Backlog — \$12.8 Billion*

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# Q1 2007 Results

- **Sales up 4% to \$7.3 billion**
- **Operating income +13% and margin rate expands 80 bps**
  - Segment sales and income growth
  - Lower pension cost
- **Net Income up 8%**
- **EPS +7%**
- **Cash from operations +\$515 million to \$400 million**
- **Free cash flow +\$500 million to \$212 million\***
- **Funded acquisitions total \$9 billion**

*Growth, Performance &  
Value-Creating Cash Deployment*

\*Free Cash Flow is a non-GAAP financial measure defined as Cash from Operations of \$400 million less Capital Expenditures of \$158 million and Outsourcing Contract and Related Software Costs of \$30 million resulting in Q1 2007 Free Cash Flow of \$212 million

# Chairman's Overview

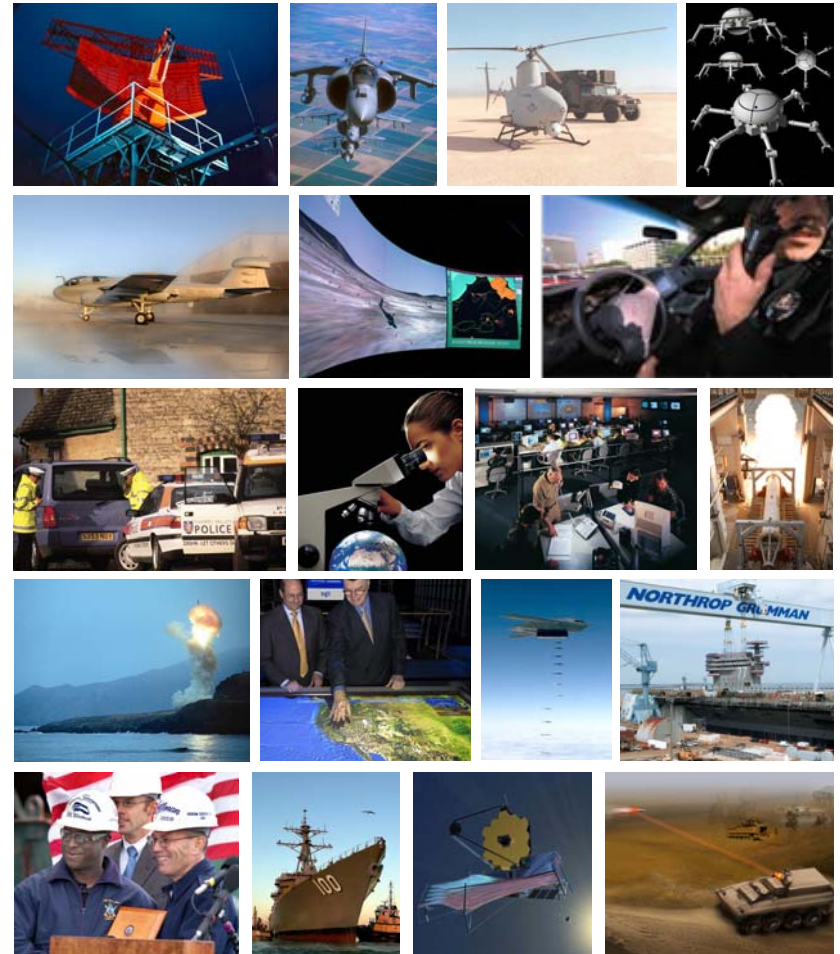
May 16, 2007

**Ron Sugar**

Chairman and Chief Executive Officer  
Northrop Grumman Corporation

# Northrop Grumman Vision

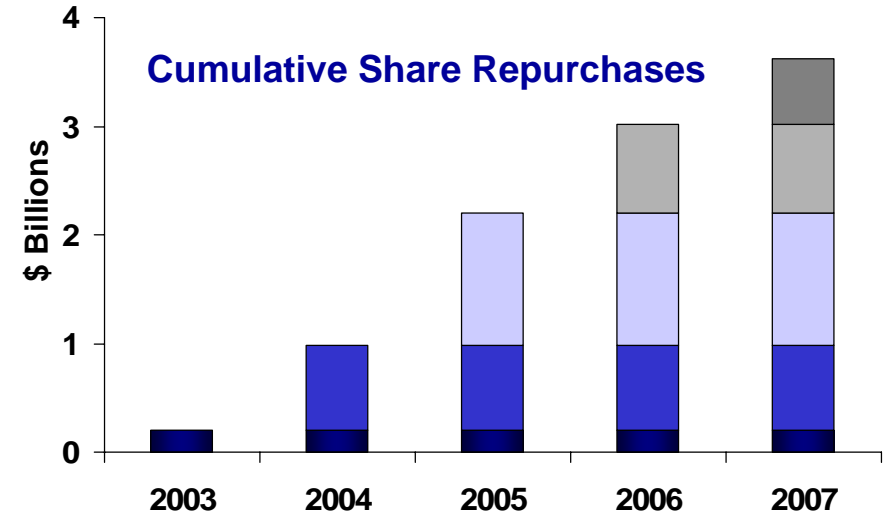
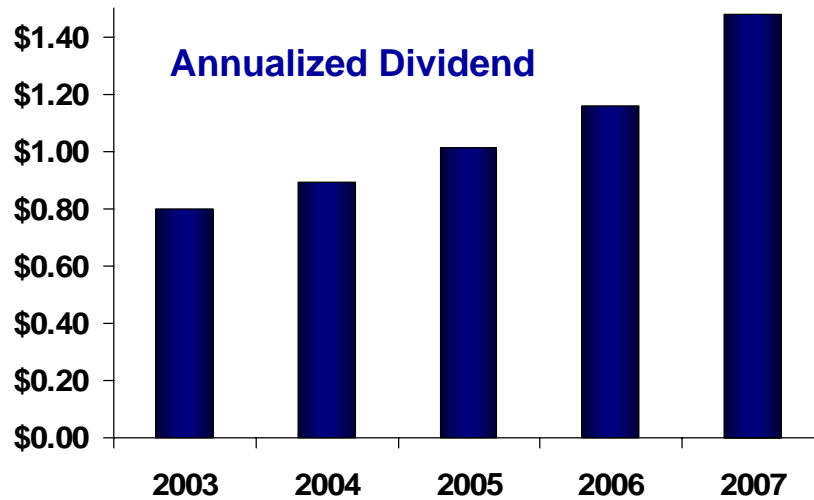
- Be the most trusted provider of systems and technologies for national security
  - Customers' provider of choice
  - Industry's employer of choice
  - Shareholders' investment of choice



*Creating Value Through People and Technology*

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# Substantial Cash Returned to Shareholders



## Dividends

- 4 years of double-digit increases
- 23% increase in Q1 2007
- 85% increase since 2003

## Share Repurchases

- \$4.2 billion authorized
- \$3.6 billion completed
- 61 million shares repurchased

# Future Business Opportunities

## Information & Services

- Intelligence Programs
- Information Operations / Information Assurance
- State & Local IT
- Technical SIGINT Information Factory
- Aerial Common Sensor Restart
- GPS Operational Control Segment
- Integrated Air & Missile Defense
- USCG Nationwide Automatic Identification System
- Tactical Air Control Party – Modernization
- Joint Tactical Radio Systems (AMF)
- Uni-Comm

## Ships

- CVN 78 & 79 Production
- Virginia-class Submarines (2/year)
- DDG 1000 Production
- CG(X)

## Electronics

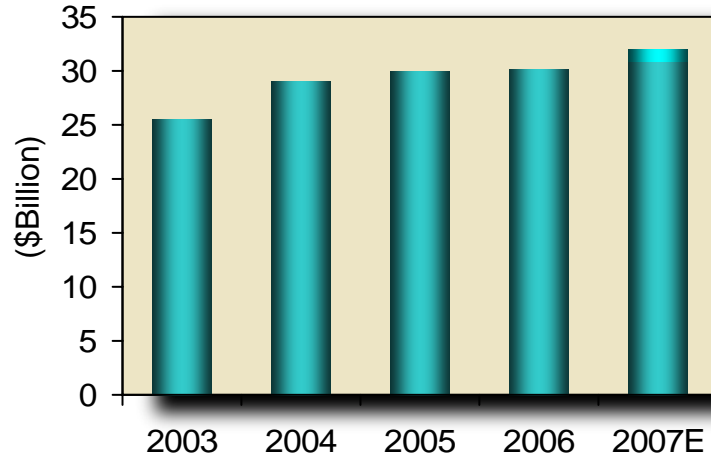
- Marine/Army Helo DIRCM
- Counter MANPADS production
- F-22 & F-35 production
- Counter-IED
- Jordan Air Defense System
- MESA Radar – Korea
- Dutch EW MLU

## Aerospace

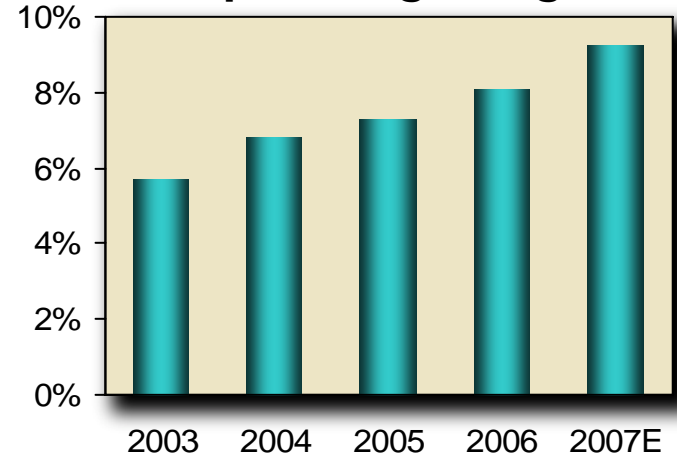
- Restricted
- F-35/E2D/EA-18G production
- Broad Area Maritime Surveillance
- KC-X Tanker/transport
- Naval UCAS
- E-2 International
- TSAT
- Space Radar
- STSS Follow-on
- Tracking and Data Relay Satellite

# Financial Performance

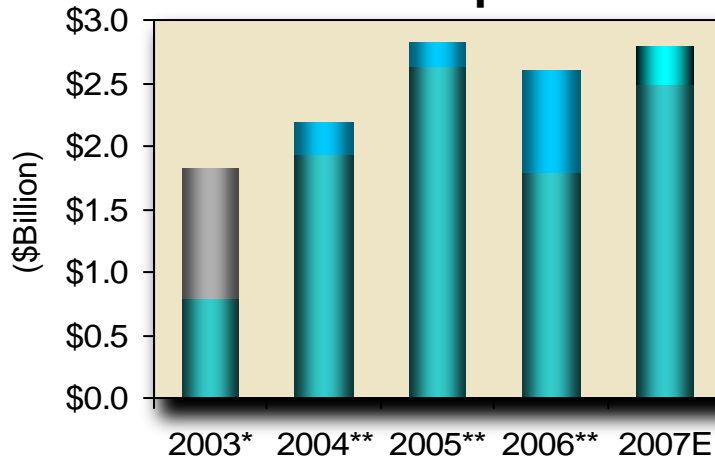
## Sales



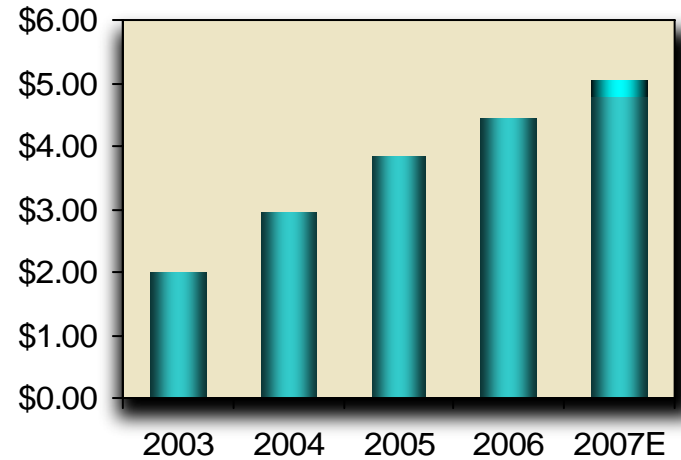
## Operating Margin



## Cash from Operations



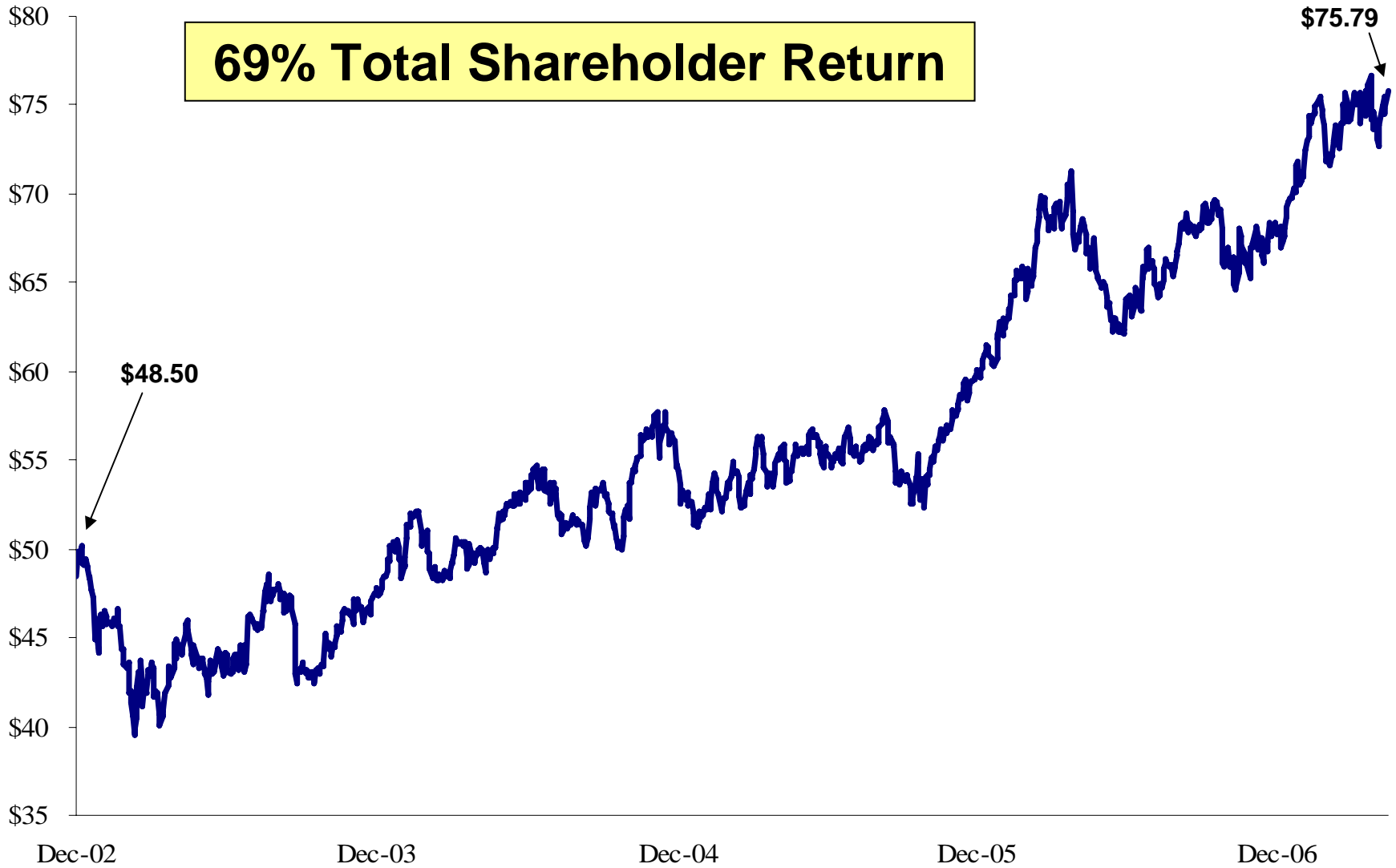
## EPS



Actual
  Range
  B-2 Tax Payment
  Pension

\* Non-GAAP: Adjusted for \$1B B-2 tax payment; \*\* Non-GAAP: Adjusted for pension pre-funding

# NOC Performance 2003 – 2007 YTD





# What You Should Expect From Northrop Grumman

- **Growth**

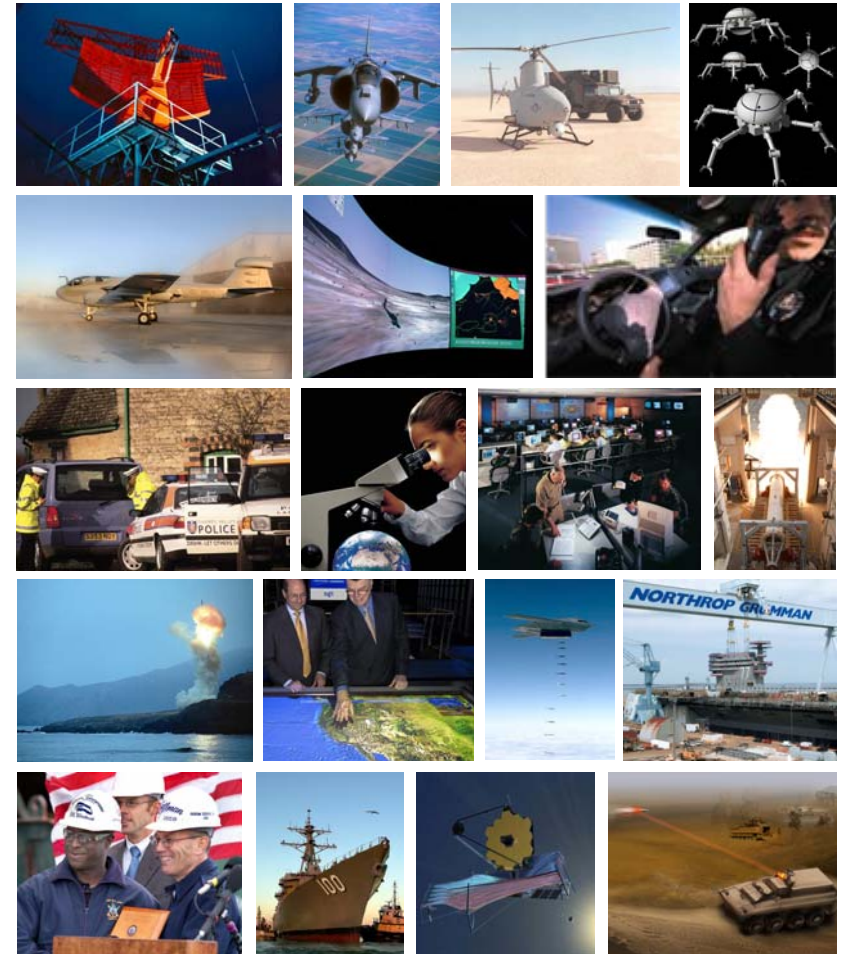
- Portfolio structured for growth
- Substantial near-term opportunities

- **Performance**

- Program
- Financial

- **Value-creating cash deployment**

- Returning cash to shareholders
- Investing for growth



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