



NORTHROP GRUMMAN

DEFINING THE FUTURE



Northrop Grumman 2008 Shareholder Meeting

May 21, 2008

Ron Sugar

Chairman & Chief Executive Officer

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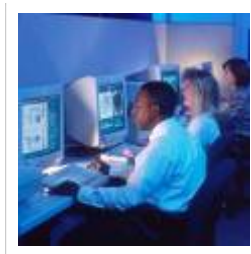
Be the most trusted provider
of systems and technologies
that ensure the
security
of our nation and its allies



The Demand for Security Solutions is Expanding

Highlights

- Record 2007 results . . . track record of improving performance . . . more to come
- Solid marketplace . . . solid market position . . . opportunities to accelerate growth
- Excellent cash generation . . . balanced cash deployment strategy
- Focused management team . . . record backlog



New Business Awards



Broad Area Maritime Surveillance



KC-45 Tanker



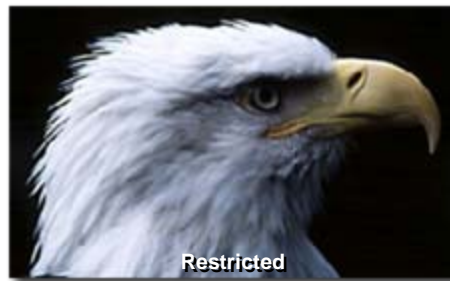
Unmanned Combat Air System
Carrier Demonstration



Zumwalt-Class Destroyer DDG 1000



Global Positioning System
Next Generation
Control Segment



Restricted



Ground Air Task Order Radar

2007 Community Involvement Highlights

- Community financial support totaled \$24 million
- New Freedom Initiative Award
- Ron Brown Award for Corporate Leadership
- Weightless Flights of Discovery Program



Record 2007 Results

Sales



6%

Operating margin



22%

EPS from continuing operations



16%

Free cash flow



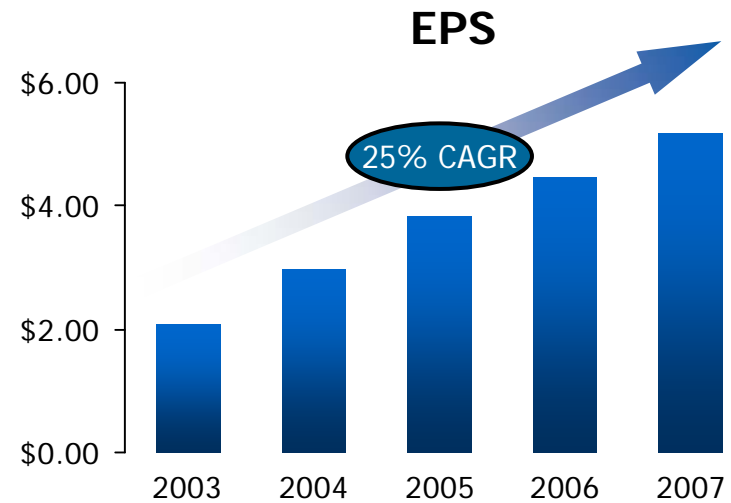
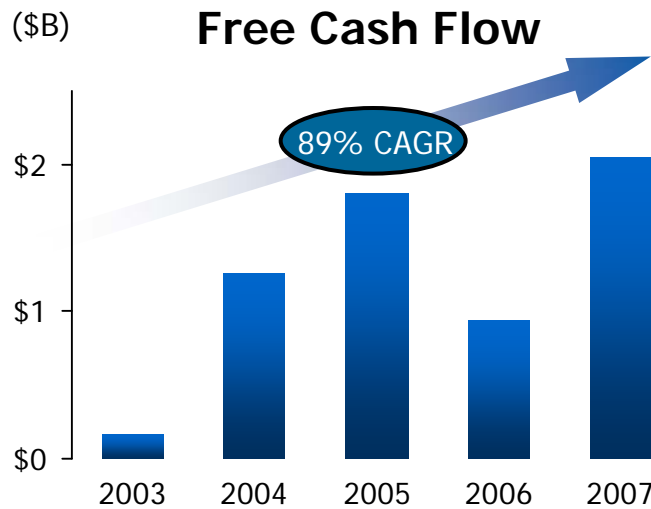
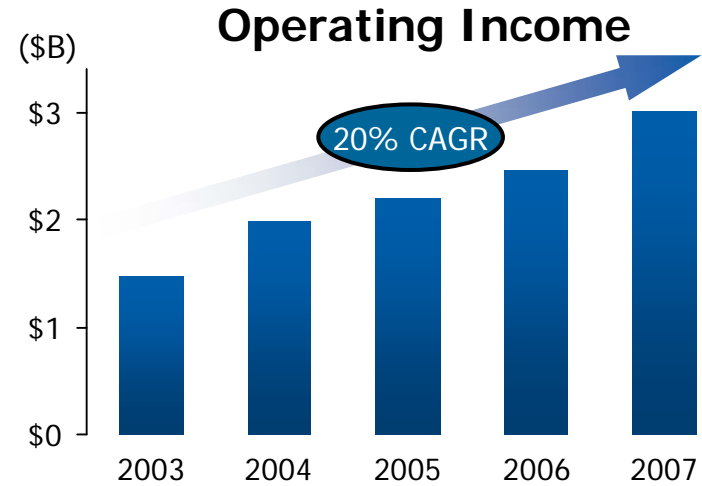
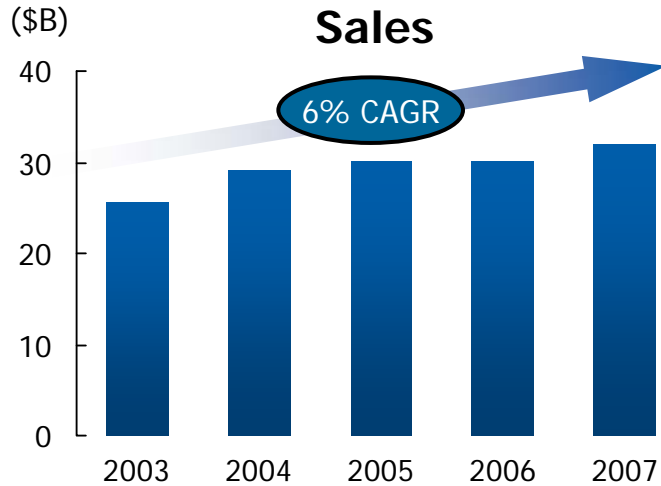
120%

Total shareholder return



18.5%

Building Momentum



Long-Term Targets

	2007	2012 Targets	
Sales	\$32B	\$42B	↑
Operating Margin	9.4%	10%	↑
EPS	\$5.16	\$8.00	↑
Free Cash Flow ¹	\$2.1B	100% Net income conversion	↑

Growth and Performance

9 ¹ Non-GAAP measure free cash flow equals cash from operations less capital expenditures and outsourcing contract & related software costs

Clear Growth Strategy

4. Selective M&A to support growth objectives

3. Pursue "asset light" strategic partnerships

2. Leverage core capabilities for growth in "Securing the Commons"

1. Capture increasing share in core markets



Effective Cash Deployment 2003 – 2007

\$18 Billion

**Cash from Operations, Divestitures &
Monetization of Non-core Assets,
Stock Options Exercise**

**Share
Repurchases
& Dividends**

\$6.1 Billion

- Share count reduction
- Top-tier payout ratio

**Debt Reduction
& Pension
Pre-funding**

\$7.1 Billion

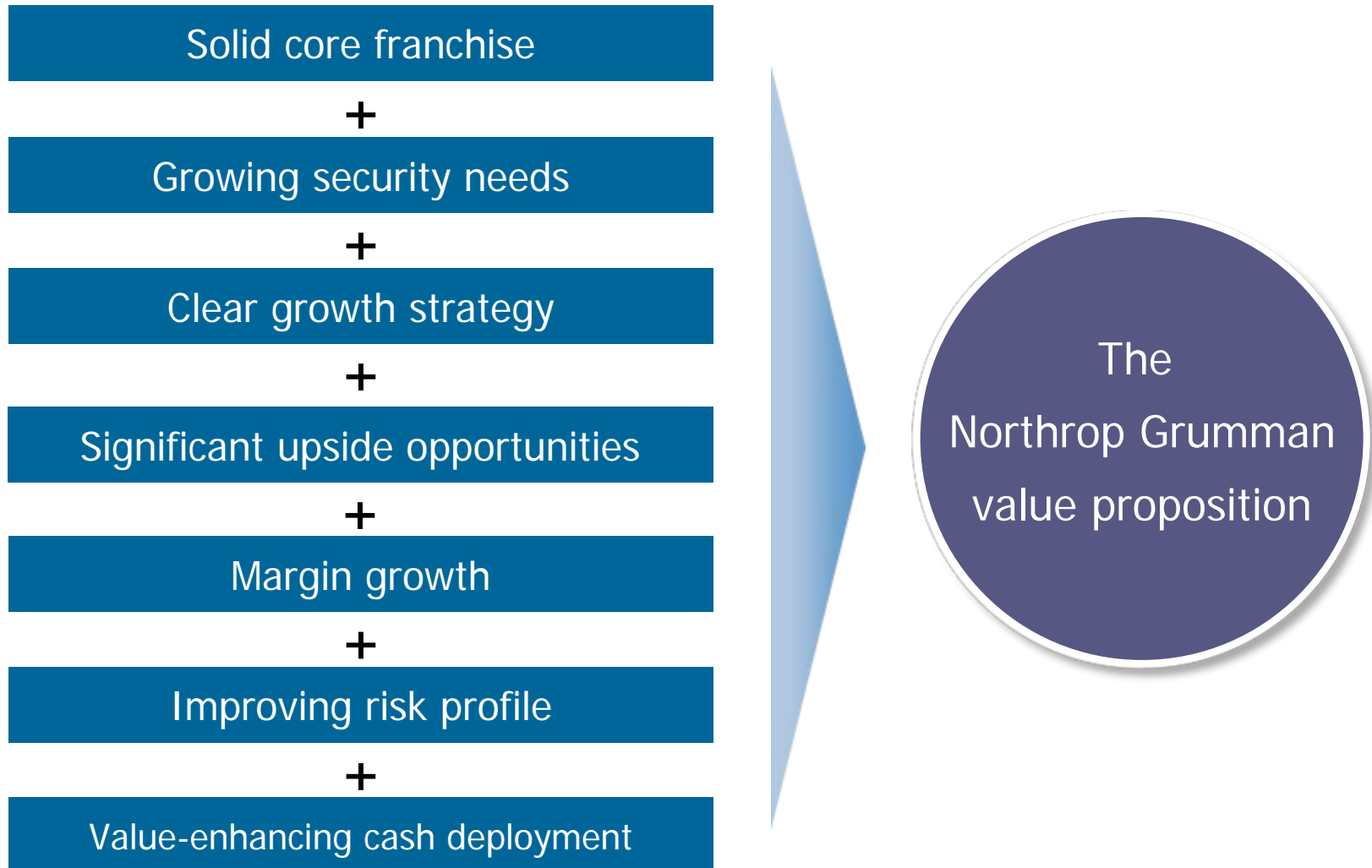
- Balance sheet strengthened – more financial flexibility

**Acquisitions
& Capital
Investment**

\$4.7 Billion

- Investments for productivity & growth

The Northrop Grumman Value Proposition



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