

***NORTHROP GRUMMAN***

A blue curved line underlining the company name.A 3D rendering of a globe on the left side of the slide. The globe is semi-transparent and shows a world map. Overlaid on the globe are several industry-related terms in a light blue, sans-serif font: 'AEROSPACE', 'ELECTRONICS', 'INFORMATION', 'SHIPBUILDING', 'TECHNICAL', and 'SERVICES'. The globe is partially cut off on the left edge.

# **Northrop Grumman 2009 Shareholder Meeting**

May 20, 2009

Ron Sugar  
Chairman & Chief Executive Officer

Certain statements and assumptions in this presentation, other than those of historical fact, contain or are based on "forward-looking" information that Northrop Grumman Corporation (the "Company") believes to be within the definition in the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties, and include, among others, statements in the future tense and all statements accompanied by terms such as "project," "expect," "estimate," "assume," "believe," "plan," "forecast," "guidance," "outlook," "trends," "target," "objective," "longer-term opportunities" or variations thereof.

This information reflects the Company's best estimates when made, but the Company expressly disclaims any duty to update this information if new data become available or estimates change after the date of this presentation. Risks and uncertainties are discussed in more detail in the Company's earnings release dated April 22, 2009, and in the Company's filings from time to time with the Securities and Exchange Commission, including, without limitation, Company reports on Form 10-K and Form 10-Q. This presentation also contains non-GAAP measures and includes a GAAP reconciliation of the Company's use of these financial measures.

# Northrop Grumman Today



- Leader in global security
- ~\$34.5 billion 2009E sales
- \$77 billion total backlog
- 120,000 people, 50 states, 25 countries
- Five operating sectors
  - Aerospace Systems
  - Electronic Systems
  - Information Systems
  - Shipbuilding
  - Technical Services

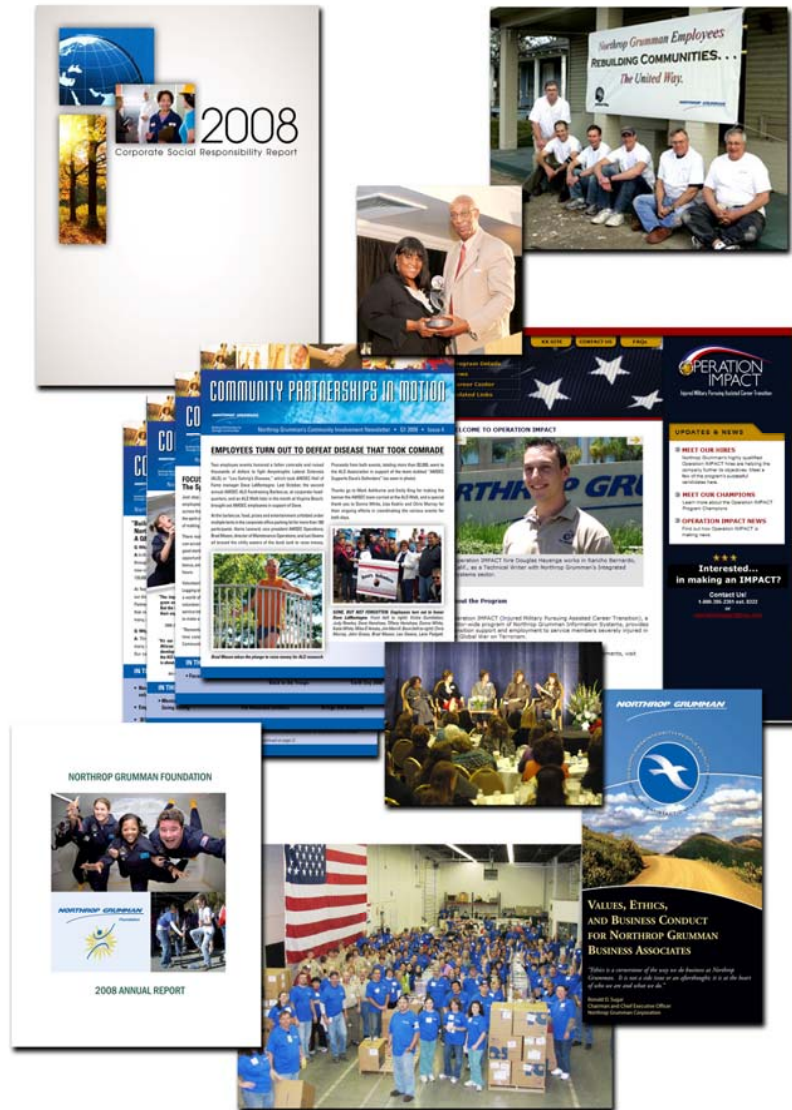


Focused on performance

- Financial performance
  - Record sales – became 2<sup>nd</sup> largest defense company
  - Record new business awards and backlog
  - Record cash from operations and free cash flow
  - EPS of \$5.21 adjusted for goodwill impairment
- 8 percent dividend increase and \$1.55 billion in share repurchases
- Maintained strong balance sheet & highest credit rating in company history
- Well positioned for the future

# Community-minded Corporate Citizen

- 2008 philanthropy totaled ~\$25 million
- Employees contributed additional \$8 million
- United Way Spirit Award
- Operation Impact – Employing disabled returning veterans
- Outstanding Corporate Leadership Award – National Coalition for Homeless Veterans
- Corporate Achievement Award – US Dept. of Veteran Affairs
- Supreme Excellence in Education Corporate Award - National Alliance of Black School Educators
- Community Service Award – Nat'l Assn. of Black Engineers
- Weightless Flights of Discovery
- Corporate Responsibility Report



# Global Security Threats are Growing

## Assure U.S. Military Dominance

- Enhance U.S. global freedom of action against any adversary



## Confront Irregular Challenges

- Defeat terrorism
- Ensure post-conflict stability



## Secure the Commons

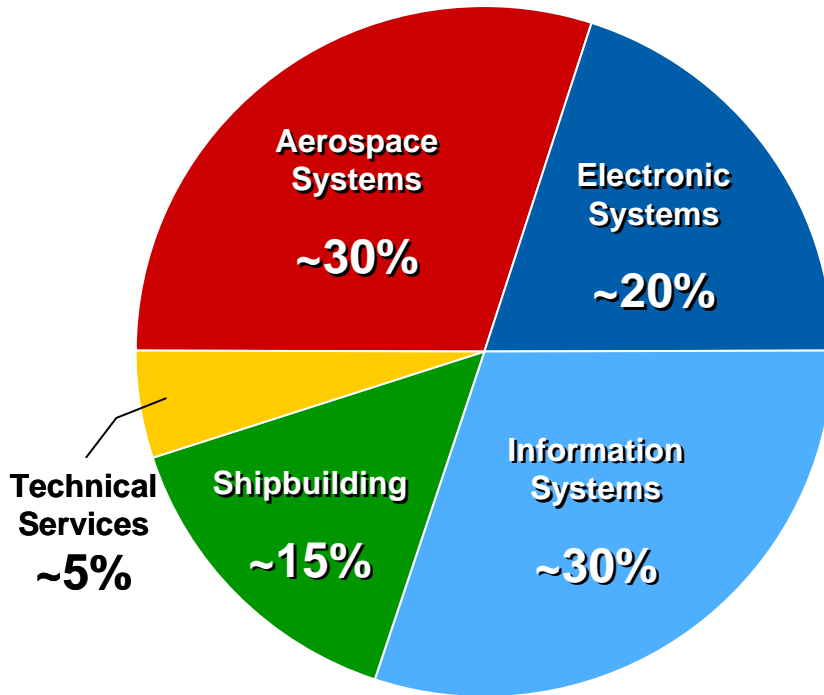
- Safeguard populations, critical infrastructures, lines of communication, and the environment



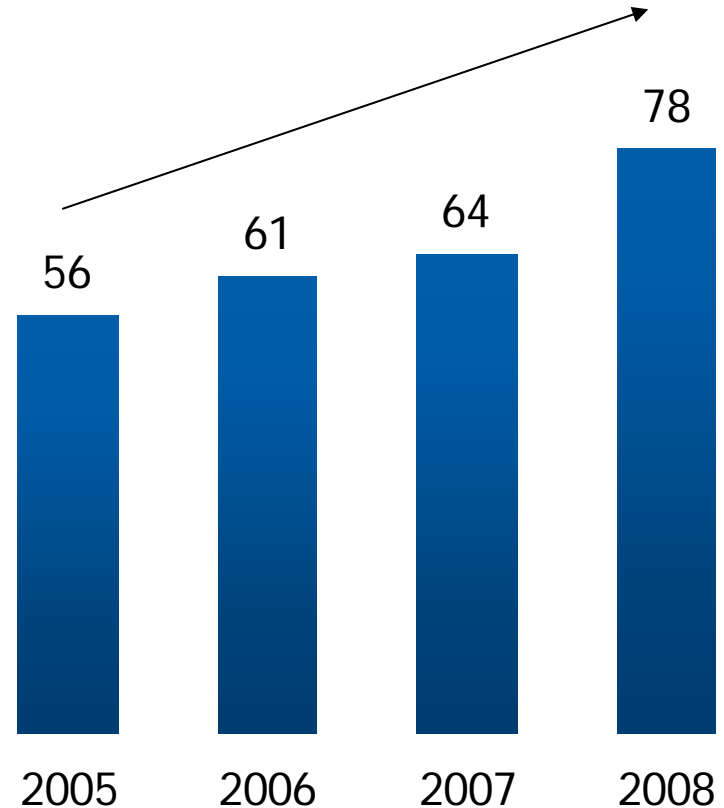
Northrop Grumman is well positioned for the challenge

# A Robust, Diverse Portfolio

2009E ~\$34.5B Sales



Total Backlog (\$B)



No single program is more than 3% of 2009 sales

# Key Northrop Grumman Capabilities



## Integrated ISR Systems



## Cybersecurity



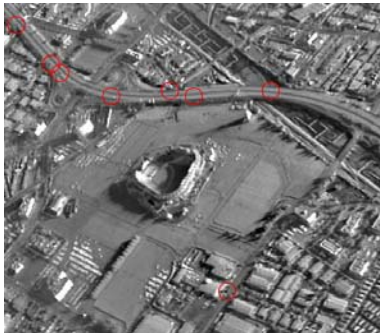
## Unmanned Systems



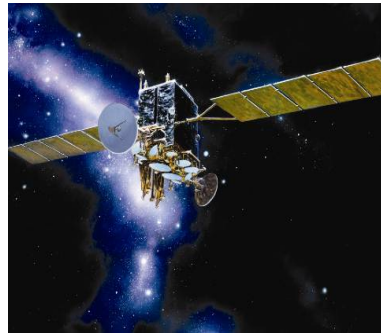
## Manned Aircraft



## Sensor Systems



## Secure Communications



## Services and Logistics



## Naval Systems



Our capabilities are focused on the future



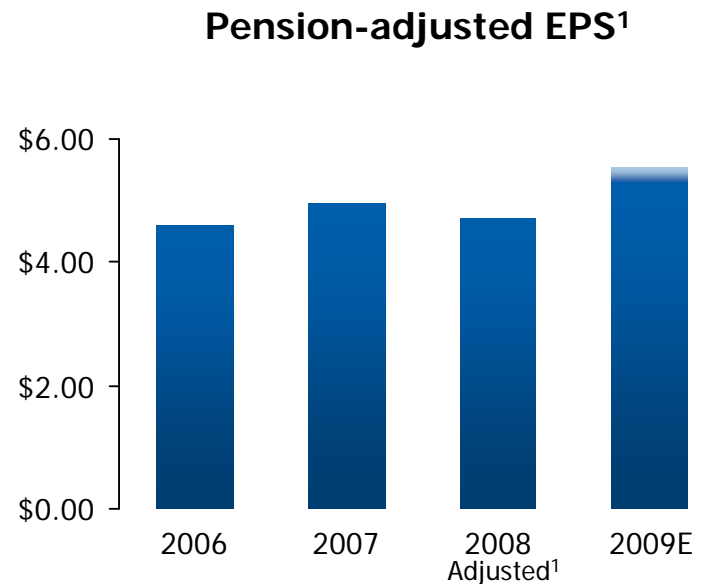
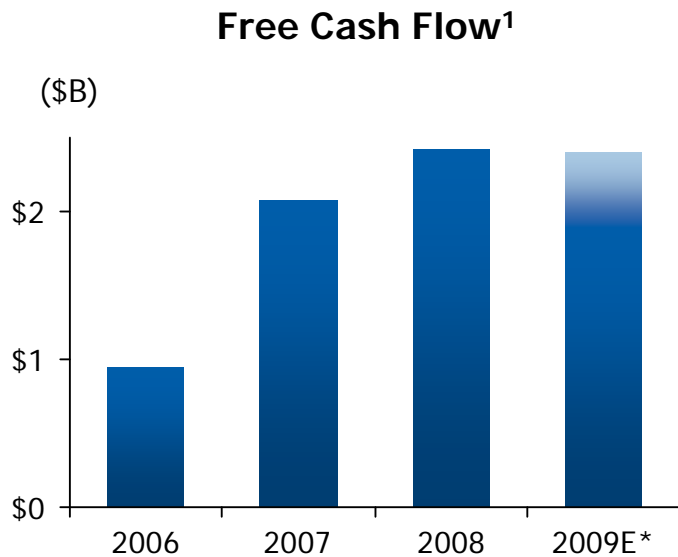
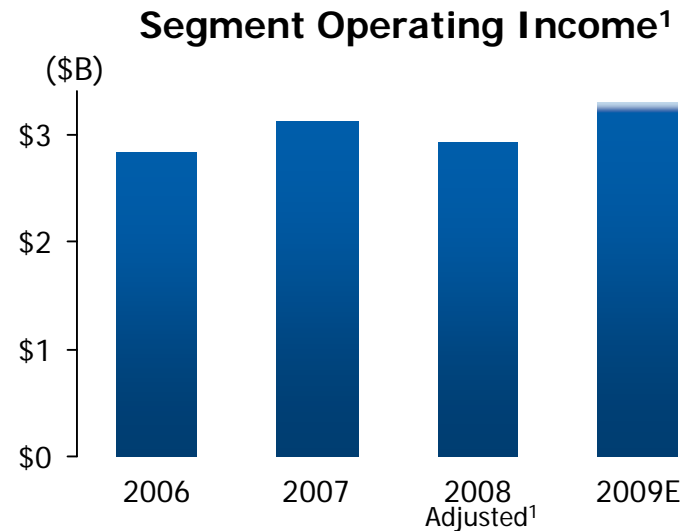
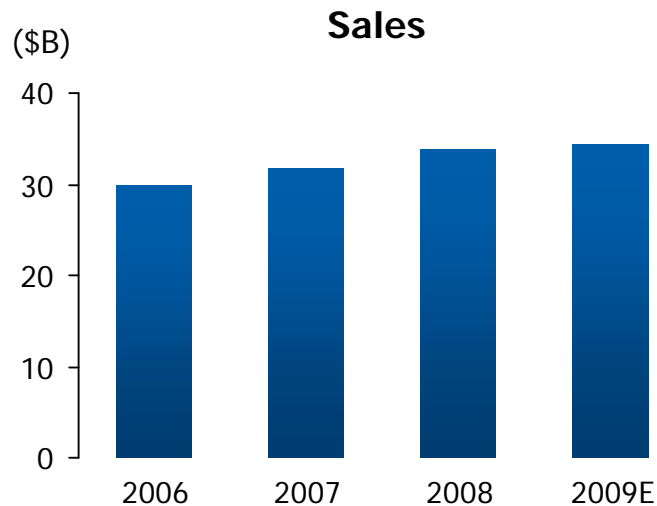
# Management Priority – Improve Execution

- **Manage Risk**
- **Improve Performance**
- **Drive Growth**



Relentless management focus on all three

# Building Momentum



**\$22 Billion**

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

**\$8.4 Billion**

Share  
Repurchases  
& Dividends

- Share count reduction
- Top-tier payout ratio

**\$7.8 Billion**

Debt Reduction  
& Pension  
Pre-funding

- Balance sheet strengthened – more financial flexibility

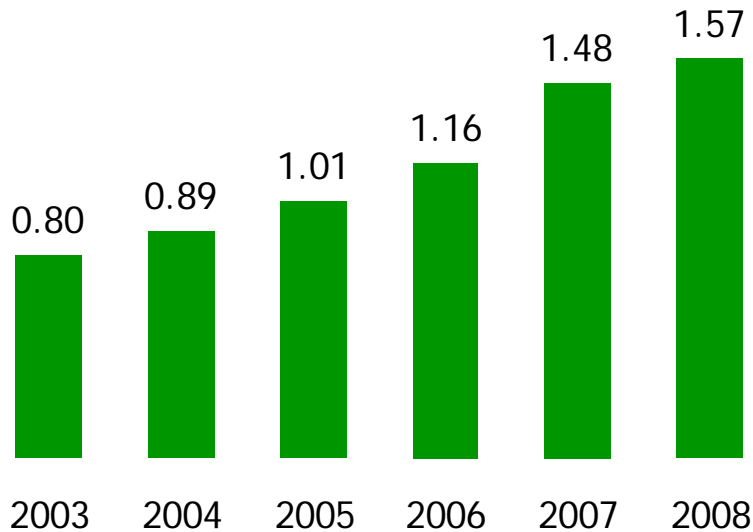
**\$5.6 Billion**

Acquisitions  
& Capital  
Investment

- Investments for productivity & growth

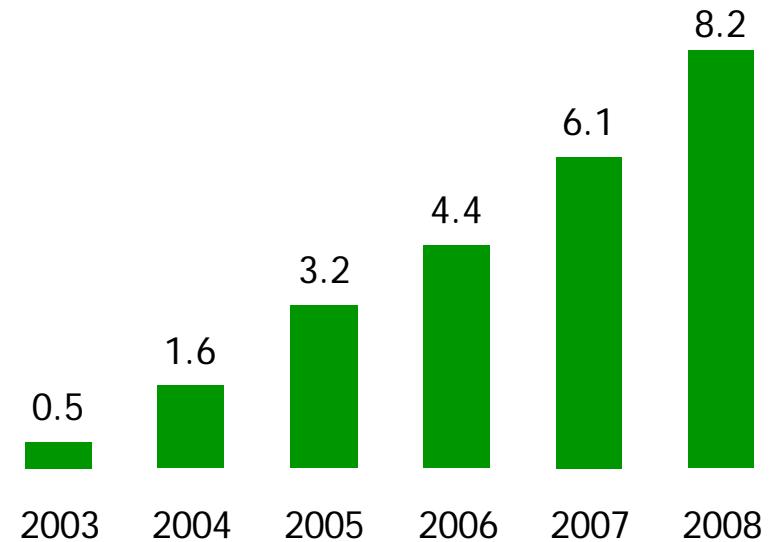
# Substantial Cash Returned to Shareholders

**Dividends  
(\$ per share)**



- Dividend growth – 14% CAGR
- Dividend has doubled

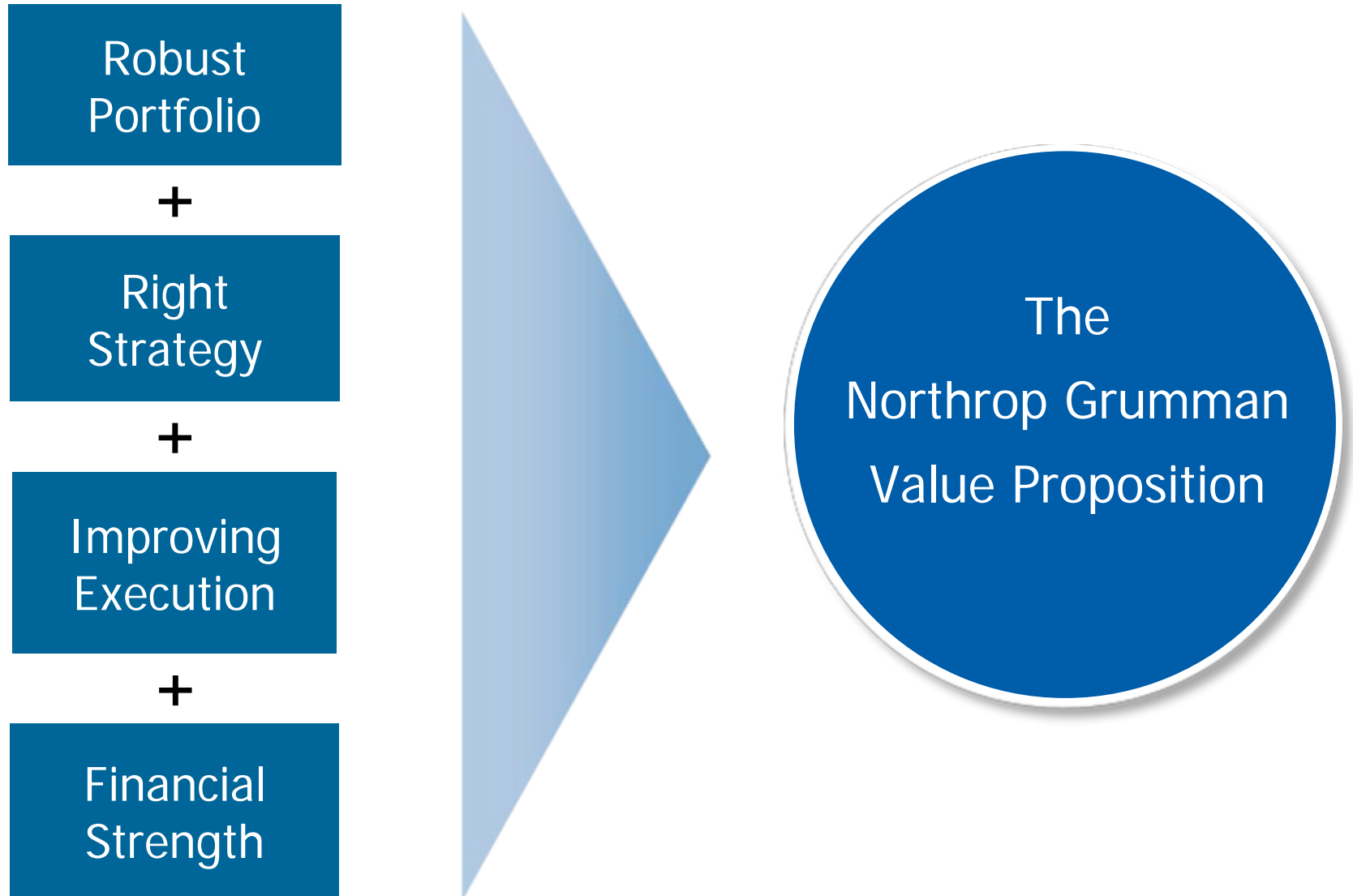
**Cumulative Share Repurchases  
& Dividends (\$B)**



- Consistent repurchases over time
- ~94M shares repurchased through Q1

Demonstrated commitment to shareholder value

# Northrop Grumman Value Proposition



# Appendix

# Non-GAAP Measure Reconciliation: Segment Operating Income and Rate: 2006-2008

*\$ in millions*

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Segment operating income<sup>1</sup> as reported</b>	\$ 2,837	\$ 3,115	\$ (145)
<b>Add back: Goodwill impairment charge</b>	-	-	<b>3,060</b>
<b>Segment operating income<sup>1</sup> adjusted</b>	\$ 2,837	\$ 3,115	\$ 2,915
Unallocated expenses	(287)	(206)	(159)
Net pension adjustment <sup>1</sup>	(37)	127	263
Royalty income adjustment	(19)	(18)	(70)
<b>Operating income excluding goodwill impairment charge<sup>1</sup> as a % of sales</b>	<b>\$ 2,494 8.3%</b>	<b>\$ 3,018 9.5%</b>	<b>\$ 2,949 8.7%</b>

<sup>1</sup>Non-GAAP Measure - see definition on pages 18 - 20

# Non-GAAP Measure Reconciliation: Adjusted earnings from continuing operations

*\$ in millions, except for share amounts*

	2003	2004	2005	2006	2007	2008
<b>Earnings Reconciliation</b>						
Earnings (Loss) from continuing operations	\$ 758	\$ 1,080	\$ 1,413	\$ 1,593	\$ 1,811	\$ (1,281)
Add back: Goodwill impairment charge, after tax						3,060
Earnings from continuing operations excluding goodwill impairment charge <sup>1</sup>	758	1,080	1,413	1,593	1,811	1,779
Less: Net pension adjustment, after tax	197	8	14	24	(83)	(171)
Pension-adjusted earnings from continuing operations <sup>1</sup>	<b>\$ 955</b>	<b>\$ 1,088</b>	<b>\$ 1,427</b>	<b>\$ 1,617</b>	<b>\$ 1,728</b>	<b>\$ 1,608</b>
Weighted average diluted shares outstanding <sup>1</sup>	368.4	365	363.2	358.5	354.3	341.6
<b>Diluted Earnings Per Share (EPS)</b>						
Diluted Earnings Per Share	\$ 2.03	\$ 2.96	\$ 3.89	\$ 4.51	\$ 5.18	\$ (3.83)
Adjusted diluted EPS from continuing operations excluding goodwill impairment charge <sup>1</sup>	2.03	2.96	3.89	4.51	5.18	5.21
Pension-adjusted diluted EPS from continuing operations <sup>1</sup>	<b>\$ 2.57</b>	<b>\$ 2.98</b>	<b>\$ 3.93</b>	<b>\$ 4.58</b>	<b>\$ 4.95</b>	<b>\$ 4.71</b>

<sup>1</sup>Non-GAAP Measure - see definition on pages 18 - 20



# Non-GAAP Measure Reconciliation: Pension adjusted Free Cash Flow

*\$ in millions*

	2003	2004	2005	2006	2007	2008
<b>Free Cash Flow Reconciliation</b>						
Cash from operations	\$ 798	\$ 1,936	\$ 2,627	\$ 1,756	\$ 2,890	\$ 3,211
Less:						
Capital expenditures	637	672	824	732	682	681
Outsourcing contract and related software costs	-	-	-	77	137	110
Free cash flow <sup>1</sup>	\$ 161	\$ 1,264	\$ 1,803	\$ 947	\$ 2,071	\$ 2,420
Discretionary Pension contributions, net of tax benefit	-	163	132	520	130	130
<b>Pension Adjusted Cash from Operations and Free Cash flows</b>						
Pension Adjusted Cash from operations <sup>1</sup>	\$ 798	\$ 2,099	\$ 2,759	\$ 2,276	\$ 3,020	\$ 3,341
Pension Adjusted Free cash flow <sup>1</sup>	\$ 161	\$ 1,427	\$ 1,935	\$ 1,467	\$ 2,201	\$ 2,550

<sup>1</sup>Non-GAAP Measure - see definition on pages 18 - 20

## **Non-GAAP Financial Measures Disclosure**

Today's presentation and the accompanying web charts contain non-GAAP (Generally Accepted Accounting Principles) financial measures, as defined by SEC Regulation G and indicated by a footnote.

While we believe that these non-GAAP financial measures may be useful in evaluating Northrop Grumman financial information, this information should be considered as supplemental in nature and not as a substitute for financial information prepared in accordance with GAAP.

Definitions are provided for the non-GAAP measures used in our presentation. Other companies may define these measures differently.

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

**Segment operating income:** Total earnings from each of our five segments including allocated pension expense recognized under CAS.

Reconciling items to operating income are:

- Unallocated expenses, which include unallocated corporate, legal, environmental, state income tax, and other retiree benefits expenses.
- Net pension adjustment
- Reversal of royalty income included in segment operating income

Management uses segment operating income as an internal measure of financial performance of our individual business segments. This measure also may be helpful to investors in understanding period-over-period operating results separate from items that may be influenced by external market fluctuations.

**Segment operating margin rate %:** Operating income before unallocated expenses, net pension adjustment and reversal of royalty income, divided by sales. Management uses segment operating margin rate % as an internal measure of financial performance.

**Pension-adjusted operating income:** Operating income before net pension adjustment, provided for consistency and comparability of operating results. Management uses pension-adjusted operating income as an internal measure of financial performance.

**Pension-adjusted operating margin rate %:** Operating income before net pension adjustment, divided by sales, provided for consistency and comparability of operating results. Management uses pension-adjusted operating margin rate % as an internal measure of financial performance.

**Pension-adjusted diluted EPS from continuing operations:** Diluted EPS from continuing operations excluding the after-tax net pension adjustment, provided for consistency and comparability of operating results. Management uses pension-adjusted EPS as a performance metric for operating results.

**Adjusted diluted EPS from continuing operations:** Earnings from continuing operations excluding the 2008 goodwill impairment charge divided by the adjusted weighted average diluted shares outstanding. This measure has been provided for consistency and comparability of the 2008 results with prior periods and 2009 guidance.

**Adjusted weighted average diluted shares outstanding:** For 2008, weighted average common shares outstanding plus 7.1 million for the dilutive effect of stock options, stock awards, and mandatorily redeemable convertible preferred stock. The dilutive effect of these instruments were excluded from the calculation of the 2008 diluted loss per share from continuing operations as it would have resulted in a lesser per share loss. This measure has been provided for consistency and comparability of the 2008 results with earnings per share in the prior periods and 2009 guidance.

**Free cash flow:** Cash from operations less capital expenditures and outsourcing contract & related software costs. Management uses free cash flow as an internal measure of financial performance.

**Earnings from continuing operations excluding goodwill impairment charge:** earnings from continuing operations before the 2008 \$3.060 goodwill impairment charge. This measure has been provided for consistency and comparability of the 2008 results with prior periods and 2009 guidance.

**Pension-adjusted earnings from continuing operations:** Earnings from continuing operations excluding goodwill impairment charge, less the after-tax net pension adjustment. This measure has been provided for consistency and comparability of the 2008 results with prior periods and 2009 guidance.

# Non-GAAP Definitions

**Pension-adjusted cash from operations:** Cash from operations adjusted for discretionary pension funding net of the tax benefit. Pension-adjusted cash from operations has been provided for consistency and comparability of the 2008 and prior period cash from operations with 2009 guidance.

**Pension-adjusted free cash flow:** Free cash flow adjusted for discretionary pension funding net of the tax benefit. Pension-adjusted free cash flow has been provided for consistency and comparability of the 2008 and prior period free cash flow with 2009 guidance.

**Operating income excluding goodwill impairment charge:** Operating income before the 2008 \$3.060 goodwill impairment charge. This measure has been provided for consistency and comparability of the 2008 results with prior periods and 2009 guidance.

***NORTHROP GRUMMAN***

A thick blue curved line that starts below the 'N' of 'NORTHROP', curves upwards and to the right, and then levels off horizontally to the right of the 'M' of 'GRUMMAN'.