NORTHROP GRUMMAN

Second Quarter 2025 Conference Call

Kathy Warden
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Corporate Vice President and Chief Financial Officer

July 22, 2025

Forward-Looking Statements

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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," "strategy," "project," "forecast," "achieve," "believe," "estimate," "guidance," "outlook," "trends," "goals," "confident," "on track" 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, including financial guidance, outlook, trends, expectations and other forward-looking statements for 2025 and beyond. 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, 2024, and from time to time in our other filings with the SEC. They include:

Industry and Economic Risks

- our dependence on the U.S. government for a substantial portion of our business
- significant delays or reductions in appropriations and/or for our programs, and U.S. government funding and program support more broadly, including as a result of a prolonged continuing resolution and/or government shutdown, and/or related to the global security environment or other global events
- significant delays or reductions in payments as a result of or related to a breach of the debt ceiling
- the use of estimates when accounting for our contracts and the effect of contract cost growth and our efforts to recover or offset such costs and/or changes in estimated contract costs and revenues, including as a result of inflationary pressures, labor shortages, supply chain challenges, changes in trade policies and/or other macroeconomic factors, and risks related to management's judgments and assumptions in estimating and/or projecting contract revenue and performance which may be inaccurate
- increased competition within our markets and bid protests
- continued pressures from macroeconomic trends, including on costs, schedules, performance and ability to meet expectations

Legal and Regulatory Risks

- investigations, claims, disputes, enforcement actions, litigation (including criminal, civil and administrative) and/or other legal proceedings
- changes in procurement and other laws, SEC, DoD and other rules and regulations, including changes through executive orders, contract terms and practices applicable to our industry, findings by the U.S. government as to our compliance with such requirements, more aggressive enforcement of such requirements and changes in our customers' business practices globally
- the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate, including the impact on our reputation and our ability to do business
- environmental matters, including climate change, unforeseen environmental costs and government and third-party claims
- unanticipated changes in our tax provisions or exposure to additional tax liabilities

Business and Operational Risks

- cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners, and changes in related regulations
- the performance and viability of our subcontractors and suppliers and the availability and pricing of raw materials, chemicals, parts and components, particularly with inflationary pressures, increased costs, shortages in labor and financial resources, supply chain disruptions, and extended material lead times
- our ability to attract and retain a qualified and talented workforce with the necessary security clearances to meet our performance obligations
- our exposure to additional risks as a result of our international business, including risks related to global security, geopolitical and economic factors, misconduct, suppliers, laws and regulations
- natural disasters, epidemics, pandemics and similar outbreaks and other significant disruptions
- our ability to innovate, develop new products and technologies, progress and benefit from digital transformation and maintain technologies to meet the needs of our customers
- 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
- our ability appropriately to protect and exploit intellectual property rights

General and Other Risk Factors

- the adequacy and availability of, and ability to obtain, insurance coverage, customer indemnifications or other liability protections
- the future investment performance of plan assets, gains or losses associated with changes in valuation of marketable securities related to our non-qualified benefit plans, 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
- changes in business conditions that could impact business investments and/or recorded goodwill or the value of other long-lived assets, and other potential future liabilities

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 also contains 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.

Enterprise Summary

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Global defense demand is increasing significantly
Reconciliation bill includes increased funding for missile defense, nuclear triad, and weapons

Delivered strong operating performance in Q2
Sales increased 9% sequentially and Segment OM rate[1] expanded to 11.8%

Expect 2025 organic sales[1] growth of ~3%[2]
Increased guidance[2] for segment operating income[1], MTM-adjusted EPS[1], and free cash flow[1]

Balanced approach to capital deployment that prioritizes investments in our business and returning cash to shareholders; expect to return ~100% of free cash flow[1] to shareholders in 2025[2]

Strong Q2 performance positions the company to achieve full year objectives

1. Non-GAAP financial measure. See Appendix.
2. See the company's second quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

Sales

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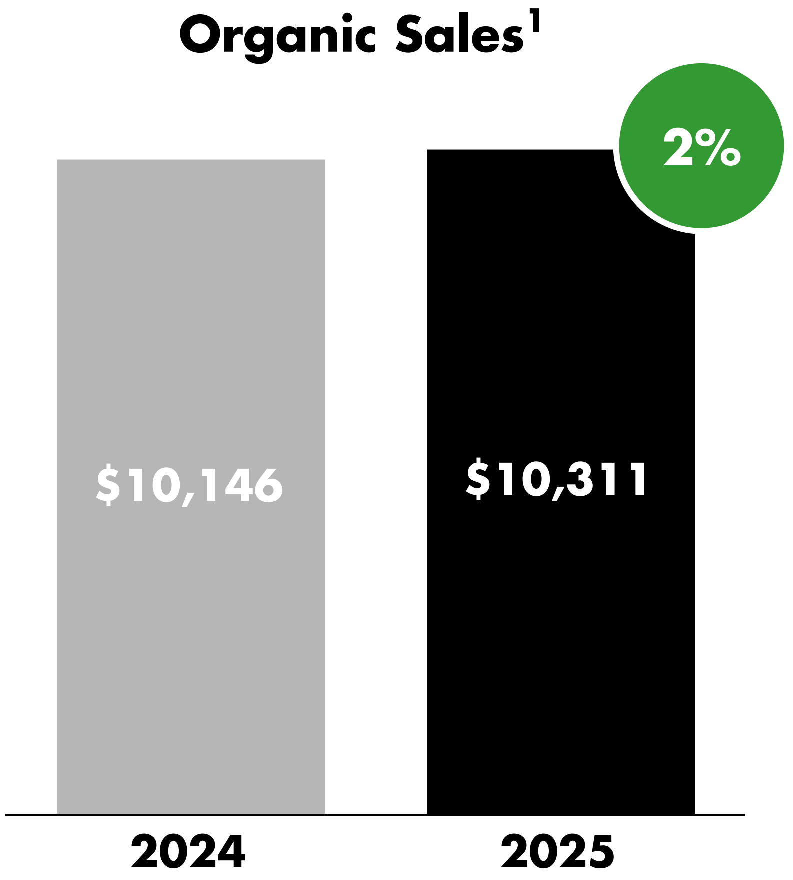

($M)	Three Months Ended June 30 2024	2025	▲%
Aeronautics Systems	$3,060	**$3,114**	**2%**
Defense Systems	1,859	**1,991**	**7%**
Organic Sales[1] Defense Systems	*1,787*	***1,951***	***9%***
Mission Systems	2,773	**3,157**	**14%**
Space Systems	3,002	**2,646**	**(12)%**
Intersegment Eliminations	(476)	**(557)**	
Total Sales	$10,218	**$10,351**	**1%**
Less: Training Services Sales	*$(72)*	*$(40)*	
Total Organic Sales[1]	$10,146	**$10,311**	**2%**

Topline momentum accelerating; Q2 sales up 9% sequentially compared to the first quarter

1. Non-GAAP financial measure. See Appendix.

Note: Full year 2024 sales from Training Services business of ~$300M.

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

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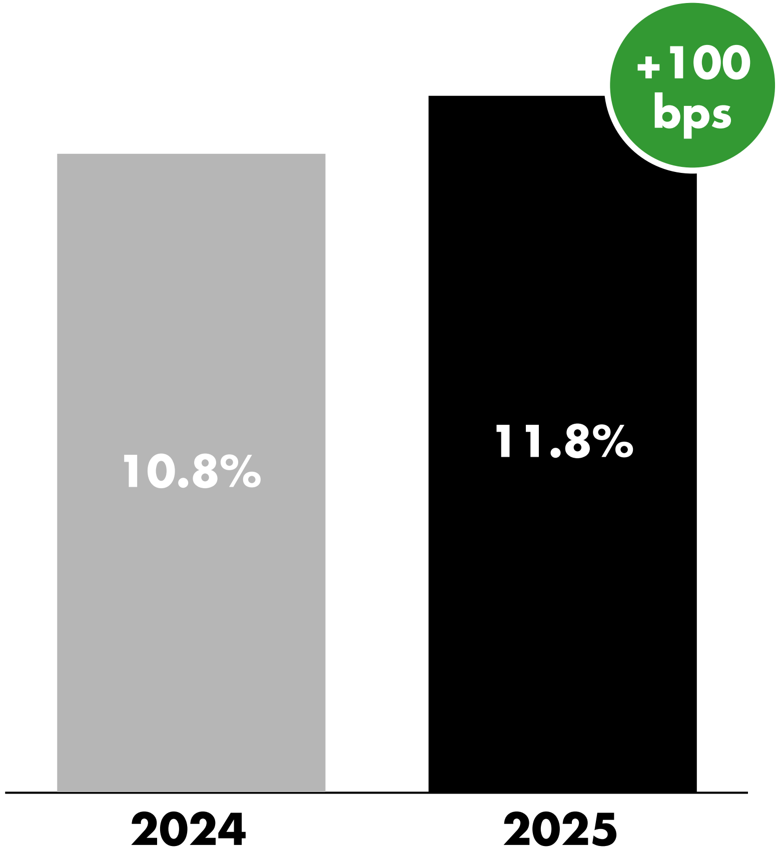

($M)	Three Months Ended June 30 2024	2025	▲%
Aeronautics Systems	$312	**$321**	**3%**
Defense Systems	191	**253**	**32%**
Mission Systems	361	**441**	**22%**
Space Systems	304	**280**	**(8)%**
Intersegment Eliminations	(67)	**(76)**	
Total	$1,101	**$1,219**	**11%**

Strong Q2 performance drove 100 basis point segment margin rate[1] expansion

1. Non-GAAP financial measure. See Appendix.

Q2 Diluted EPS Bridge

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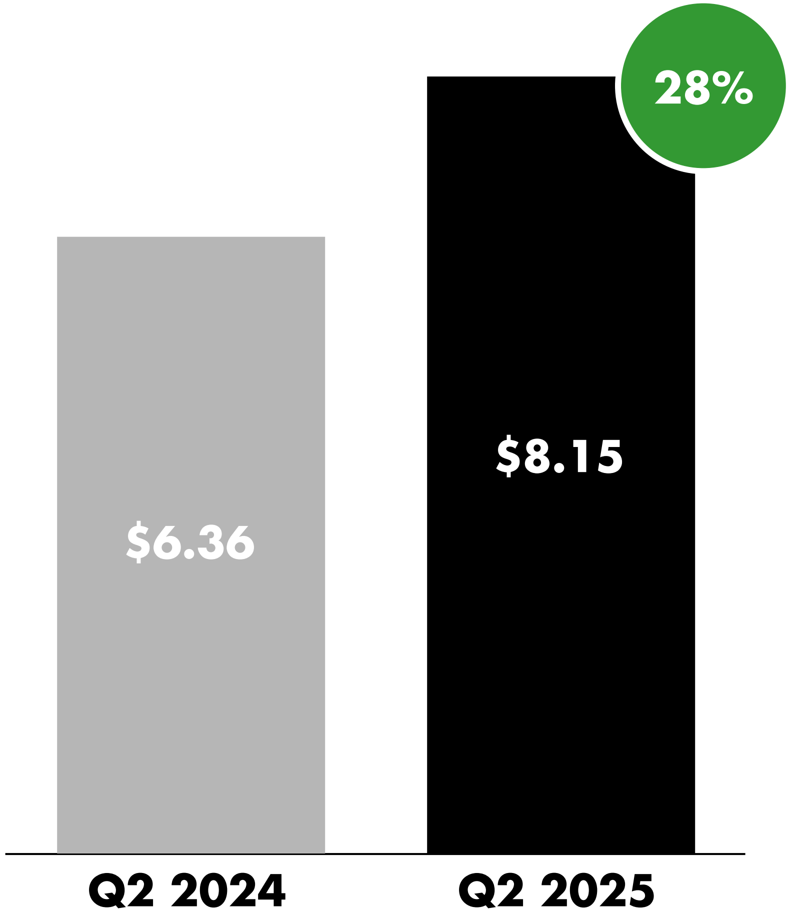

Q2 2024 Diluted EPS	$6.36
Training Services Divestiture[1]	1.04
Segment Performance	0.80
Net Pension[2]	0.17
Unallocated Corporate Expense	(0.29)
Marketable Securities and Other	0.07
Q2 2025 Diluted EPS	**$8.15**

Higher earnings per share driven by divestiture gain and strong segment performance

1. Gain on sale of Training Services business includes estimated federal and state tax impact.
2. Net Pension tax effected on a 21% federal statutory tax rate and a 5.25% blended state tax rate.

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

2025 Segment Guidance[1]

	As of 7/22/2025	
	Sales *($B)*	**OM Rate %**
Aeronautics Systems	**Low $13**	**Low to Mid 6%**
Defense Systems	**Low $8**	**Mid 10%** Prior: Mid to High 9%
Mission Systems	**Low to Mid $12** Prior: ~$12	**Mid 14%**
Space Systems	**Mid to High $10** Prior: ~$11	**High 10%**
Intersegment Eliminations	**~($2.1)**	**High 13%**

Increasing topline guidance at MS and margin guidance at DS due to strong year-to-date results

1. See the company's second quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

2025 Company Level Guidance[1]

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($M), except per share amounts	As of 7/22/2025
Sales	**\$42,050 – \$42,250** Prior: \$42,000 — \$42,500
Segment operating income[2]	**\$4,275 – \$4,375** Prior: \$4,200 — \$4,350
MTM-adjusted EPS[2]	**\$25.00 – \$25.40** Prior: \$24.95 — \$25.35
Free cash flow[2]	**\$3,050 – \$3,350** Prior: \$2,850 — \$3,250

Narrowing sales guidance and increasing guidance for segment operating income[2], MTM-adjusted EPS[2] and free cash flow[2]

1. See the company's second quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.
2. Non-GAAP financial measure. See Appendix.

Summary

- Dynamic global defense landscape presents significant opportunities for Northrop Grumman
- Committed to accelerating development and production of new capabilities with speed
- Diverse portfolio and strong backlog provides foundation for continued profitable growth
- Laser focused on performance and delivering on our financial commitments
- Balanced capital deployment...investing in our business and returning cash to shareholders

Appendix

2025 Supplemental Guidance[1]

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($M)	As of 7/22/2025
Total Net FAS/CAS pension adjustment[2]	**~$800**
Unallocated corporate expense:	
Intangible asset amortization and PP&E step-up depreciation	**~$(90)**
Other items	**~$(280)**
Training Services divestiture benefit	**~$211** Prior: ~$205
Operating income	**$4,375 – $4,475** Prior: $4,300 — $4,450
Interest expense	**~$(675)**
Effective tax rate %	**High 17%** Prior: High 16%
Weighted average diluted shares outstanding	**High 143**
Capital expenditures	**~$1,500**

1. See the company's second quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.
2. Total Net FAS/CAS pension adjustment is presented as a single amount and includes $470 million of expected CAS pension expense and $215 million of FAS pension service expense, both of which are reflected in operating income. Non-operating FAS pension benefit of $545 million is reflected below operating income, and the total net FAS/CAS pension adjustment is $800 million.

Segment Realignment

Segment Sales

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($M)	2023	2024				
		Three Months Ended				
REALIGNED, effective July 1, 2024[1]	**Total Year**	**Mar 31**	**Jun 30**	**Sep 30**	**Dec 31**	**Total Year**
Aeronautics Systems	**$10,786**	$2,969	$2,963	$2,878	$3,220	**$12,030**
Defense Systems	**8,289**	1,990	2,153	2,084	2,333	**8,560**
Mission Systems	**10,895**	2,659	2,773	2,823	3,144	**11,399**
Space Systems	**11,873**	3,149	3,002	2,870	2,710	**11,731**
Intersegment Eliminations	**(2,553)**	(634)	(673)	(659)	(721)	**(2,687)**
Total	**$39,290**	**$10,133**	**$10,218**	**$9,996**	**$10,686**	**$41,033**
FURTHER REALIGNED, effective January 1, 2025[2]						
Aeronautics Systems	**$11,164**	$3,044	$3,060	$2,961	$3,331	**$12,396**
Defense Systems	**7,185**	1,737	1,859	1,800	2,003	**7,399**
Mission Systems	**10,895**	2,659	2,773	2,823	3,144	**11,399**
Space Systems	**11,873**	3,149	3,002	2,870	2,710	**11,731**
Intersegment Eliminations	**(1,827)**	(456)	(476)	(458)	(502)	**(1,892)**
Total	**$39,290**	**$10,133**	**$10,218**	**$9,996**	**$10,686**	**$41,033**

1. "Realigned, effective July 1, 2024" summary operating results for periods prior to July 1, 2024 were recast to reflect the realignment of the Strategic Deterrent Systems (SDS) division from Space Systems to Defense Systems effective July 1, 2024 as described in the company's Form 8-K filed with the SEC on May 16, 2024. Results for periods subsequent to July 1, 2024 represent "As reported" actuals disclosed in the company's filings with the SEC.
2. "Further realigned, effective January 1, 2025" summary operating results for the periods presented were recast to reflect the realignment of the Strike and Surveillance Aircraft Solutions (SSAS) business unit from Defense Systems to Aeronautics Systems effective January 1, 2025.

Segment Realignment

Segment Operating Income[3]

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($M)	2023	2024				
		Three Months Ended				
REALIGNED, effective July 1, 2024[1]	**Total Year**	**Mar 31**	**Jun 30**	**Sep 30**	**Dec 31**	**Total Year**
Aeronautics Systems	**$(473)**	$297	$295	$298	$292	**$1,182**
Defense Systems	**829**	187	231	196	252	**866**
Mission Systems	**1,609**	378	361	390	469	**1,598**
Space Systems	**1,130**	330	304	345	275	**1,254**
Intersegment Eliminations	**(335)**	(88)	(90)	(83)	(95)	**(356)**
Total	**$2,760**	**$1,104**	**$1,101**	**$1,146**	**$1,193**	**$4,544**
FURTHER REALIGNED, effective January 1, 2025[2]						
Aeronautics Systems	**$(416)**	$306	$312	$309	$309	**$1,236**
Defense Systems	**684**	156	191	160	209	**716**
Mission Systems	**1,609**	378	361	390	469	**1,598**
Space Systems	**1,130**	330	304	345	275	**1,254**
Intersegment Eliminations	**(247)**	(66)	(67)	(58)	(69)	**(260)**
Total	**$2,760**	**$1,104**	**$1,101**	**$1,146**	**$1,193**	**$4,544**

1. "Realigned, effective July 1, 2024" summary operating results for periods prior to July 1, 2024 were recast to reflect the realignment of the Strategic Deterrent Systems (SDS) division from Space Systems to Defense Systems effective July 1, 2024 as described in the company's Form 8-K filed with the SEC on May 16, 2024. Results for periods subsequent to July 1, 2024 represent "As reported" actuals disclosed in the company's filings with the SEC.
2. "Further realigned, effective January 1, 2025" summary operating results for the periods presented were recast to reflect the realignment of the Strike and Surveillance Aircraft Solutions (SSAS) business unit from Defense Systems to Aeronautics Systems effective January 1, 2025.
3. Non-GAAP financial measure. See 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 this presentation. Definitions for the non-GAAP measures are provided below and reconciliations are provided in this presentation, 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 EPS: Diluted earnings per share excluding the per share impact of MTM benefit (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 diluted earnings per share results before the non-operational impact of pension and OPB actuarial gains and losses.

Segment operating income and segment operating margin rate: Segment operating income and segment operating margin rate (segment operating income divided by sales) reflect the combined operating income of our four segments less the operating income associated with intersegment sales. Segment operating income includes pension expense allocated to our sectors under FAR and CAS and excludes FAS pension service expense and unallocated corporate items. 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.

Free cash flow: Net cash provided by or used in operating activities less capital expenditures. We use free cash flow as a key factor in our planning for, and consideration of, acquisitions, the payment of dividends and stock repurchases. This 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.

Organic sales: Total sales excluding sales attributable to the company’s training services business. 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 understanding our ongoing business and future sales trends by presenting the company’s sales adjusted for the impact of the divestiture.

Non-GAAP Reconciliations
Segment Operating Income and Margin Rate

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($M)	Three Months Ended June 30 2024	Three Months Ended June 30 2025	Six Months Ended June 30 2024	Six Months Ended June 30 2025
Total sales	$10,218	**$10,351**	$20,351	**$19,819**
Operating income	$1,090	**$1,425**	$2,161	**$1,998**
Operating margin rate	10.7%	**13.8%**	10.6%	**10.1%**
Reconciliation to segment operating income:				
FAS/CAS operating adjustment	$(6)	**$(63)**	$(12)	**$(126)**
Unallocated corporate expense:				
Gain on sale of business	—	**(231)**	—	**(231)**
Training services divestiture – unallowable state taxes and transaction costs	—	**19**	—	**20**
Intangible asset amortization and PP&E step-up depreciation	24	**21**	49	**42**
Other unallocated corporate (income) expense	(7)	**48**	7	**84**
Unallocated corporate expense (income)	$17	**$(143)**	$56	**$(85)**
Segment operating income	$1,101	**$1,219**	$2,205	**$1,787**
Segment operating margin rate	10.8%	**11.8%**	10.8%	**9.0%**

Non-GAAP Reconciliations
Free Cash Flow

	Three Months Ended June 30		Six Months Ended June 30	
($M)	**2024**	**2025**	**2024**	**2025**
Net cash provided by (used in) operating activities	$1,425	**$868**	$719	**$(697)**
Capital expenditures	(320)	**(231)**	(590)	**(487)**
Free cash flow	**$1,105**	**$637**	$129	**$(1,184)**

Non-GAAP Reconciliations
Organic Sales

($M)	Three Months Ended June 30 2024	Three Months Ended June 30 2025	% Change	Six Months Ended June 30 2024	Six Months Ended June 30 2025	% Change
Sales	$10,218	**$10,351**	**1%**	$20,351	**$19,819**	**(3)%**
Less: Training services sales	(72)	**(40)**		(156)	**(112)**	
Organic Sales	$10,146	**$10,311**	**2%**	$20,195	**$19,707**	**(2)%**