

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2018
or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-16411

NORTHROP GRUMMAN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

80-0640649

(I.R.S. Employer
Identification No.)

**2980 Fairview Park Drive,
Falls Church, Virginia**

(Address of principal executive offices)

22042

(Zip Code)

(703) 280-2900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
As of July 20, 2018, 174,123,419 shares of common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(Unaudited)

<i>\$ in millions, except per share amounts</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Sales				
Product	\$ 4,790	\$ 4,037	\$ 9,079	\$ 8,034
Service	2,329	2,436	4,775	4,849
Total sales	7,119	6,473	13,854	12,883
Operating costs and expenses				
Product	3,694	3,037	6,959	6,020
Service	1,863	1,877	3,768	3,744
General and administrative expenses	739	686	1,450	1,384
Operating income	823	873	1,677	1,735
Other (expense) income				
Interest expense	(144)	(76)	(287)	(151)
Net FAS (non-service) pension benefit (expense)	125	(17)	245	(35)
Other, net	45	32	85	51
Earnings before income taxes	849	812	1,720	1,600
Federal and foreign income tax expense	160	257	292	395
Net earnings	\$ 689	\$ 555	\$ 1,428	\$ 1,205
Basic earnings per share	\$ 3.95	\$ 3.18	\$ 8.19	\$ 6.90
Weighted-average common shares outstanding, in millions	174.5	174.5	174.4	174.7
Diluted earnings per share	\$ 3.93	\$ 3.16	\$ 8.14	\$ 6.85
Weighted-average diluted shares outstanding, in millions	175.4	175.5	175.4	175.8
Net earnings (from above)	\$ 689	\$ 555	\$ 1,428	\$ 1,205
Other comprehensive income				
Change in unamortized benefit plan costs, net of tax	86	102	172	201
Change in cumulative translation adjustment	—	(4)	(2)	—
Other, net	(3)	1	(4)	3
Other comprehensive income, net of tax	83	99	166	204
Comprehensive income	\$ 772	\$ 654	\$ 1,594	\$ 1,409

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

<i>\$ in millions</i>	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 1,539	\$ 11,225
Accounts receivable, net	1,815	1,054
Unbilled receivables, net	5,272	3,465
Inventoried costs, net	690	398
Prepaid expenses and other current assets	406	445
Total current assets	9,722	16,587
Property, plant and equipment, net of accumulated depreciation of \$5,187 for 2018 and \$5,066 for 2017	5,864	4,225
Goodwill	18,747	12,455
Intangible assets, net	1,329	52
Deferred tax assets	179	447
Other non-current assets	1,537	1,362
Total assets	\$ 37,378	\$ 35,128
Liabilities		
Trade accounts payable	\$ 1,824	\$ 1,661
Accrued employee compensation	1,451	1,382
Advance payments and amounts in excess of costs incurred	1,711	1,761
Other current liabilities	2,847	2,288
Total current liabilities	7,833	7,092
Long-term debt, net of current portion of \$744 for 2018 and \$867 for 2017	14,387	14,399
Pension and other post-retirement benefit plan liabilities	5,755	5,511
Other non-current liabilities	1,176	994
Total liabilities	29,151	27,996
Commitments and contingencies (Note 8)		
Shareholders' equity		
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$1 par value; 800,000,000 shares authorized; issued and outstanding: 2018—174,254,250 and 2017—174,085,619	174	174
Paid-in capital	—	44
Retained earnings	13,669	11,632
Accumulated other comprehensive loss	(5,616)	(4,718)
Total shareholders' equity	8,227	7,132
Total liabilities and shareholders' equity	\$ 37,378	\$ 35,128

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>\$ in millions</i>	Six Months Ended June 30	
	2018	2017
Operating activities		
Net earnings	\$ 1,428	\$ 1,205
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	281	213
Stock-based compensation	53	42
Deferred income taxes	(17)	(39)
Changes in assets and liabilities:		
Accounts receivable, net	(145)	(509)
Unbilled receivables, net	(570)	(793)
Inventoried costs, net	(73)	(54)
Prepaid expenses and other assets	57	(34)
Accounts payable and other liabilities	(422)	(172)
Income taxes payable, net	186	90
Retiree benefits	(127)	165
Other, net	(13)	(46)
Net cash provided by operating activities	638	68
Investing activities		
Acquisition of Orbital ATK, net of cash acquired	(7,657)	—
Capital expenditures	(504)	(433)
Other, net	2	7
Net cash used in investing activities	(8,159)	(426)
Financing activities		
Payments of long-term debt	(1,550)	—
Payments to credit facilities	(314)	—
Net borrowings on commercial paper	249	—
Common stock repurchases	(41)	(367)
Cash dividends paid	(407)	(341)
Payments of employee taxes withheld from share-based awards	(80)	(91)
Other, net	(22)	(1)
Net cash used in financing activities	(2,165)	(800)
Decrease in cash and cash equivalents	(9,686)	(1,158)
Cash and cash equivalents, beginning of year	11,225	2,541
Cash and cash equivalents, end of period	\$ 1,539	\$ 1,383

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

<i>\$ in millions, except per share amounts</i>	Six Months Ended June 30	
	2018	2017
Common stock		
Beginning of year	\$ 174	\$ 175
Common stock repurchased	—	(2)
Shares issued for employee stock awards and options	—	1
End of period	174	174
Paid-in capital		
Beginning of year	44	—
Common stock repurchased	(34)	—
Stock compensation	(10)	—
End of period	—	—
Retained earnings		
Beginning of year	11,632	10,734
Impact from adoption of ASU 2018-02 and ASU 2016-01 (See Note 1)	1,064	—
Common stock repurchased	(15)	(351)
Net earnings	1,428	1,205
Dividends declared	(405)	(336)
Stock compensation	(35)	(48)
End of period	13,669	11,204
Accumulated other comprehensive loss		
Beginning of year	(4,718)	(5,546)
Impact from adoption of ASU 2018-02 and ASU 2016-01 (See Note 1)	(1,064)	—
Other comprehensive income, net of tax	166	204
End of period	(5,616)	(5,342)
Total shareholders' equity	\$ 8,227	\$ 6,036
Cash dividends declared per share	\$ 2.30	\$ 1.90

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

Principles of Consolidation and Reporting

These unaudited condensed consolidated financial statements (the “financial statements”) include the accounts of Northrop Grumman Corporation and its subsidiaries and joint ventures or other investments for which we consolidate the financial results (herein referred to as “Northrop Grumman,” the “company,” “we,” “us,” or “our”). Material intercompany accounts, transactions and profits are eliminated in consolidation. Investments in equity securities and joint ventures where the company has significant influence, but not control, are accounted for using the equity method.

On June 6, 2018 (the “Merger date”), the company completed its previously announced acquisition of Orbital ATK, Inc. (“Orbital ATK”) (the “Merger”). On the Merger date, Orbital ATK became a wholly-owned subsidiary of the company and its name was changed to Northrop Grumman Innovation Systems, Inc., which we established as a new, fourth business sector (“Innovation Systems”). The operating results of Innovation Systems subsequent to the Merger date have been included in the company’s consolidated results of operations. See Note 2 to the financial statements for further information regarding the acquisition of Orbital ATK.

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP” or “FAS”) and in accordance with the rules of the Securities and Exchange Commission (SEC) for interim reporting. The financial statements include adjustments of a normal recurring nature considered necessary by management for a fair presentation of the company’s unaudited condensed consolidated financial position, results of operations and cash flows.

The results reported in these financial statements are not necessarily indicative of results that may be expected for the entire year. These financial statements should be read in conjunction with the information contained in the company’s Annual Report on Form 10-K for the year ended December 31, 2017 (2017 Annual Report on Form 10-K).

The quarterly information is labeled using a calendar convention; that is, first quarter is consistently labeled as ending on March 31, second quarter as ending on June 30 and third quarter as ending on September 30. It is the company’s long-standing practice to establish actual interim closing dates using a “fiscal” calendar, in which we close our books on a Friday near these quarter-end dates in order to normalize the potentially disruptive effects of quarterly closings on business processes. Similarly, Innovation Systems uses a “fiscal” calendar by closing its books on a Sunday near these quarter-end dates and will continue this practice until its business processes are aligned with the company’s. The Friday and Sunday closing dates noted herein are both labeled as June 30, consistent with our calendar convention described above. This practice is only used at interim periods within a reporting year.

As previously announced, effective January 1, 2018, we adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, and Accounting Standards Update (ASU) No. 2017-07, *Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, using the full retrospective method. The adoption of these standards are reflected in the amounts and disclosures set forth in this Form 10-Q and the effect of these standards on the company’s unaudited condensed consolidated statements of earnings and comprehensive income for the three and six months ended June 30, 2017 and unaudited condensed consolidated statement of financial position as of December 31, 2017 is reflected in Note 12.

Accounting Estimates

Preparation of the financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of sales and expenses during the reporting period. Estimates have been prepared using the most current and best available information; however, actual results could differ materially from those estimates.

Revenue Recognition

The majority of our sales are derived from long-term contracts with the U.S. government for the production of goods, the provision of services, or a combination of both. The company classifies sales as product or service based on the predominant attributes of each contract.

Under ASC Topic 606, the company recognizes revenue for each separately identifiable performance obligation in a contract representing a promise to transfer a distinct good or service to a customer. In most cases, goods and services provided under the company’s contracts are accounted for as single performance obligations due to the complex and

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integrated nature of our products and services. These contracts generally require significant integration of a group of goods and/or services to deliver a combined output. In some contracts, the company provides multiple distinct goods or services to a customer, most commonly when a contract covers multiple phases of the product lifecycle (development, production, maintenance and/or support). In those cases, the company accounts for the distinct contract deliverables as separate performance obligations and allocates the transaction price to each performance obligation based on its relative standalone selling price, which is generally estimated using the cost plus a reasonable margin approach of ASC Topic 606. Warranties are provided on certain contracts, but do not typically provide for services beyond standard assurances and are therefore not within the scope of ASC Topic 606. Likewise, our accounting for costs to obtain or fulfill a contract was not significantly impacted by the adoption of ASC Topic 606 as these costs are not material.

A contract modification exists when the parties to a contract approve a change in the scope or price of a contract. Contracts are often modified for changes in contract specifications or requirements. Most of the company's contract modifications are for goods or services that are not distinct in the context of the contract and are therefore accounted for as part of the original performance obligation through a cumulative estimate-at-completion (EAC) adjustment.

The company recognizes revenue as control is transferred to the customer, either over time or at a point in time. In general, our U.S. government contracts contain termination for convenience clauses that generally entitle the customer to goods produced and/or in-process. Similarly, our non-U.S. government contracts generally contain contractual termination clauses or entitle the company to payment for work performed to date for goods and services that do not have an alternative use. As control is effectively transferred as we perform on our contracts and we are typically entitled to cost plus a reasonable margin for work in process if the contract is terminated for convenience, we generally recognize revenue over time on a cost-to-cost basis (cost incurred relative to total cost estimated at completion) as the company believes this represents the most appropriate measurement towards satisfaction of its performance obligations. Revenue for contracts in which the control of goods produced does not transfer until delivery to the customer is recognized at a point in time (i.e. typically upon delivery).

Contract Estimates

Use of the cost-to-cost method requires us to make reasonably dependable estimates regarding the revenue and cost associated with the design, manufacture and delivery of our products and services. The company estimates profit on these contracts as the difference between total estimated sales and total estimated cost at completion and recognizes that profit as costs are incurred. Significant judgment is used to estimate total revenue and cost at completion.

Contract sales may include estimates of variable consideration, including cost or performance incentives (such as award and incentive fees), contract claims and requests for equitable adjustment (REAs). Variable consideration is included in total estimated sales to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We estimate variable consideration at the most likely amount to which we expect to be entitled.

We recognize changes in estimated contract sales or costs and the resulting changes in contract profit on a cumulative basis. Cumulative EAC adjustments represent the cumulative effect of the changes on current and prior periods; sales and operating margins in future periods are recognized as if the revised estimates had been used since contract inception. If it is determined that a loss is expected to result on an individual performance obligation, the entire amount of the estimable future loss, including an allocation of general and administrative (G&A) costs, is charged against income in the period the loss is identified. Each loss provision is first offset against costs included in unbilled accounts receivable or inventoried costs; remaining amounts are reflected in other current liabilities.

Significant EAC adjustments on a single contract could have a material effect on the company's financial statements. When such adjustments occur, we generally disclose the nature, underlying conditions and financial impact of the adjustments. During the three months ended June 30, 2018, the company recognized \$69 million of favorable EAC adjustments on multiple restricted programs at Aerospace Systems.

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The following table presents the effect of aggregate net EAC adjustments:

<i>\$ in millions, except per share data</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Operating Income	\$ 143	\$ 102	\$ 259	\$ 243
Net Earnings ⁽¹⁾	113	66	205	158
Diluted earnings per share ⁽¹⁾	0.64	0.38	1.17	0.90

⁽¹⁾ Based on statutory tax rates in effect for each period presented.

Revenue recognized from performance obligations satisfied in previous reporting periods was \$156 million and \$289 million for the three and six months ended June 30, 2018, respectively, and \$101 million and \$246 million for the three and six months ended June 30, 2017, respectively.

Backlog

Backlog represents the future sales we expect to recognize on firm orders received by the company and is equivalent to the company's remaining performance obligations at the end of each period. It comprises both funded backlog (firm orders for which funding is authorized and appropriated) and unfunded backlog. Unexercised contract options and indefinite delivery indefinite quantity (IDIQ) contracts are not included in backlog until the time the option or IDIQ task order is exercised or awarded.

Company backlog as of June 30, 2018 was \$52.2 billion and includes \$8.7 billion of Innovation Systems backlog (approximately \$500 million of legacy Orbital ATK backlog related to contracts with legacy Northrop Grumman sectors was eliminated in connection with the Merger). We expect to recognize approximately 50 percent and 75 percent of our June 30, 2018 backlog as revenue over the next 12 and 24 months, respectively, with the remainder to be recognized thereafter.

Contract Assets and Liabilities

For each of the company's contracts, the timing of revenue recognition, customer billings, and cash collections results in a net contract asset or liability at the end of each reporting period. Fixed-price contracts are typically billed to the customer either using progress payments, whereby amounts are billed monthly as costs are incurred or work is completed, or performance based payments, which are based upon the achievement of specific, measurable events or accomplishments defined and valued at contract inception. Cost-type contracts are typically billed to the customer on a monthly or semi-monthly basis.

Contract assets consist of unbilled receivables, primarily related to long-term contracts where revenue recognized under the cost-to-cost method exceeds amounts billed to customers. Unbilled receivables are classified as current assets and, in accordance with industry practice, include amounts that may be billed and collected beyond one year due to the long-cycle nature of many of our contracts. Accumulated contract costs in unbilled receivables include direct production costs, factory and engineering overhead, production tooling costs, and allowable G&A. Unbilled receivables also include certain estimates of variable consideration described above. These contract assets are not considered a significant financing component of the company's contracts as the payment terms are intended to protect the customer in the event the company does not perform on its obligations under the contract.

Contract liabilities include advance payments and billings in excess of revenue recognized. Certain customers make advance payments prior to the satisfaction of the company's obligations on the contract. These amounts are recorded as contract liabilities until such obligations are satisfied, either over time as costs are incurred or at a point in time when deliveries are made. Contract liabilities are not a significant financing component as they are generally utilized to pay for contract costs within a one-year period or are used to ensure the customer meets contractual requirements.

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Net contract assets (liabilities) are as follows:

<i>\$ in millions</i>	June 30, 2018	December 31, 2017	\$ Change	% Change
Unbilled receivables, net	\$ 5,272	\$ 3,465	\$ 1,807	52 %
Advance payments and amounts in excess of costs incurred	(1,711)	(1,761)	50	(3)%
Net contract assets (liabilities)	\$ 3,561	\$ 1,704	\$ 1,857	109 %

The amount of revenue recognized for the three and six months ended June 30, 2018 that was included in the December 31, 2017 contract liability balance was \$364 million and \$1.1 billion, respectively. The amount of revenue recognized for the three and six months ended June 30, 2017 that was included in the December 31, 2016 contract liability balance was \$272 million and \$850 million, respectively.

The change in the balances of the company's contract assets and liabilities primarily results from timing differences between company performance and customer payments. The increase in net contract assets during the six months ended June 30, 2018, is principally due to the addition of \$1.1 billion of net contract assets from Innovation Systems and higher sales on restricted programs at Aerospace Systems.

Disaggregation of Revenue

See Note 11 for information regarding the company's sales by customer type, contract type and geographic region for each of our segments. We believe those categories best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Other Purchased Intangible Assets

Purchased intangible asset balances are included in the identifiable assets of their assigned business segment. Beginning in 2018, the company includes the amortization of purchased intangible assets in unallocated corporate expense within operating income as such amortization is no longer considered part of management's evaluation of segment operating performance. The company's customer-related intangible assets are amortized over their respective useful lives typically based on the pattern in which the future economic benefits of the intangible assets are expected to be consumed. Other purchased intangible assets are generally amortized on a straight-line basis over their estimated useful lives.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

<i>\$ in millions</i>	June 30, 2018	December 31, 2017
Unamortized benefit plan costs, net of tax benefit of \$1,940 for 2018 and \$3,056 for 2017	\$ (5,474)	\$ (4,586)
Cumulative translation adjustment	(138)	(136)
Other, net	(4)	4
Total accumulated other comprehensive loss	\$ (5,616)	\$ (4,718)

Unamortized benefit plan costs as of June 30, 2018 reflect a reclassification from accumulated other comprehensive loss to retained earnings of \$1.1 billion of stranded tax effects resulting from the Tax Cuts and Jobs Act (the "2017 Tax Act"). This reclassification resulted from the company's early adoption of ASU 2018-02 on January 1, 2018. See "Accounting Standards Updates" below for more information.

Unamortized benefit plan costs consist primarily of net after-tax actuarial losses totaling \$5.6 billion and \$4.7 billion as of June 30, 2018 and December 31, 2017, respectively. Net actuarial gains or losses are redetermined annually or upon remeasurement events and principally arise from changes in the interest rate used to discount our benefit obligations and differences between expected and actual returns on plan assets.

Reclassifications from accumulated other comprehensive loss to net earnings related to the amortization of benefit plan costs were \$86 million and \$172 million, net of taxes, for the three and six months ended June 30, 2018, respectively, and were \$100 million and \$199 million, net of taxes, for the three and six months ended June 30, 2017, respectively. The reclassifications represent the amortization of net actuarial losses and prior service credits, and are included in the computation of net periodic pension cost. See Note 9 for further information.

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Reclassifications from accumulated other comprehensive loss to net earnings relating to cumulative translation adjustments and effective cash flow hedges were not material for the three and six months ended June 30, 2018 and 2017.

Related Party Transactions

The company had no material related party transactions in any period presented.

Accounting Standards Updates

On February 14, 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 allows companies to reclassify stranded tax effects resulting from the 2017 Tax Act from accumulated other comprehensive income to retained earnings. As described above, the company elected to early adopt ASU 2018-02 on January 1, 2018, which resulted in a reclassification of \$1.1 billion of stranded tax effects, principally related to our unamortized benefit plan costs, from accumulated other comprehensive loss to retained earnings. This reclassification included \$73 million of other income tax effects related to a reduction in the federal benefit associated with state taxes. Adoption of ASU 2018-02 did not have a material impact on the company's results of operations and/or cash flows.

On March 10, 2017, the FASB issued ASU No. 2017-07, *Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires employers that sponsor defined benefit pension and/or other post-retirement benefit plans to report the service cost component of net benefit cost in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. Employers are required to present the other components of net benefit costs in the income statement separately from the service cost component and outside a subtotal of income from operations. Additionally, only the service cost component of net periodic pension cost is eligible for asset capitalization. We adopted ASU 2017-07 on January 1, 2018 using the retrospective method. See Note 12 for information regarding the effect of adopting ASU 2017-07 on our unaudited condensed consolidated statement of earnings and comprehensive income for the three and six months ended June 30, 2017. Adoption of ASU 2017-07 did not have a material impact on our consolidated statements of financial position and/or cash flows.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 supersedes existing lease guidance, including ASC 840 - *Leases*. Among other things, ASU 2016-02 requires recognition of a right-of-use asset and liability for future lease payments for contracts that meet the definition of a lease and requires disclosure of certain information about leasing arrangements. ASU 2016-02 will be effective January 1, 2019, although early adoption is permitted, and may be adopted using a modified retrospective transition method that applies the new lease requirements at the beginning of the earliest period presented in the financial statements. The FASB has proposed a change that would allow a company to elect an optional transition method that applies the new lease requirements through a cumulative-effect adjustment in the period of adoption. We expect to adopt the standard on January 1, 2019 using the proposed optional transition method if finalized in its current form. As a result of the Merger, we are currently reevaluating the expected impact of ASU 2016-02 on the company's consolidated financial position and financial statement disclosures. We do not expect ASU 2016-02 to have a material impact on our annual results of operations and/or cash flows.

On January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires equity investments that are not accounted for under the equity method of accounting or that do not result in consolidation of the investee to be measured at fair value with changes recognized in net earnings. ASU 2016-01 also eliminates the available-for-sale classification for equity investments that recognized changes in fair value as a component of other comprehensive income. We adopted ASU 2016-01 on January 1, 2018 using the modified retrospective method, which resulted in a \$4 million (net of tax) cumulative-effect adjustment from accumulated other comprehensive loss to retained earnings. Adoption of ASU 2016-01 did not have a material impact on our results of operations and/or cash flows.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes previous revenue recognition guidance, including ASC 605-35, *Revenue Recognition - Construction-Type and Production-Type Contracts*, and outlines a single set of comprehensive principles for recognizing revenue under U.S. GAAP. Among other things, it requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time. The primary impact of the adoption of ASC Topic 606 was that, in most cases, the accounting for those contracts where we previously recognized revenue as units were delivered changed under ASC Topic 606 such that we now recognize revenue as costs are

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incurred. In addition, for certain of our contracts, there is a change in the number of performance obligations under ASC Topic 606, which has altered the timing of revenue and margin recognition.

We adopted ASC Topic 606 on January 1, 2018 using the full retrospective method. We applied the transition practical expedient related to remaining performance obligations for reporting periods presented before the date of initial application. No other practical expedients were applied. The cumulative effect of adopting ASC Topic 606 was a \$148 million increase to retained earnings at January 1, 2016. See Note 12 for information regarding the effect of adopting ASC Topic 606 on our unaudited condensed consolidated statement of earnings and comprehensive income for the three and six months ended June 30, 2017 and unaudited condensed consolidated statement of financial position as of December 31, 2017.

Other accounting standards updates adopted and/or issued, but not effective until after June 30, 2018, are not expected to have a material effect on the company's unaudited condensed consolidated financial position, annual results of operations and/or cash flows.

2. ACQUISITION OF ORBITAL ATK

On June 6, 2018, the company completed its previously announced acquisition of Orbital ATK, a global leader in aerospace and defense technologies, by acquiring all of the outstanding shares of Orbital ATK for a purchase price of \$7.7 billion in cash. On the Merger date, Orbital ATK became a wholly-owned subsidiary of the company and its name was changed to Northrop Grumman Innovation Systems, Inc. We established Innovation Systems as a new, fourth business sector, whose main products include launch vehicles and related propulsion systems; missile products, subsystems and defense electronics; precision weapons, armament systems and ammunition; satellites and associated space components and services; and advanced aerospace structures. The acquisition was financed with proceeds from the company's debt financing completed in October 2017 and cash on hand. We believe this acquisition will enable us to broaden our capabilities and offerings, provide additional innovative solutions to meet our customers' emerging requirements, create value for shareholders and provide expanded opportunities for our combined employees.

The operating results of Innovation Systems subsequent to the Merger date have been included in the company's consolidated results of operations. Innovation Systems recognized sales of \$400 million, operating income of \$39 million and net earnings of \$30 million for the three and six months ended June 30, 2018.

The company recognized \$23 million and \$29 million of acquisition-related costs that were expensed as incurred during the three and six months ended June 30, 2018, respectively. These costs are included in Product and Service cost in the unaudited condensed consolidated statement of earnings and comprehensive income.

Preliminary Purchase Price Allocation

The acquisition was accounted for as a purchase business combination. As such, the company recorded the assets acquired and liabilities assumed at fair value, with the excess of the purchase price over the fair value of assets acquired and liabilities assumed recorded as goodwill. The company has completed a preliminary analysis to determine those fair values, and the amounts recorded as of June 30, 2018 reflect management's initial assessment of fair value as of the Merger date. Determining the fair value of assets acquired and liabilities assumed requires significant judgment, including the amount and timing of expected future cash flows, long-term growth rates and discount rates. In some cases, the company used discounted cash flow analyses, which were based on our best estimate of future sales, earnings and cash flows after considering such factors as general market conditions, customer budgets, existing firm and future orders, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield materially different results.

The company expects substantially to finalize its purchase price allocation by the end of 2018 after we have further analyzed and assessed a number of the factors used in establishing the fair values of assets acquired and liabilities assumed as of the Merger date including, but not limited to, contractual and operational factors underlying the customer-related intangible assets and property, plant and equipment; details surrounding tax matters; and assumptions underlying certain existing or potential reserves, such as those for legal and environmental matters. The final fair value determination could result in material adjustments to the values presented in the preliminary purchase price allocation table below.

The Merger date fair value of the consideration transferred totaled \$7.7 billion in cash, which was comprised of the following:

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(\$ in millions, except per share amounts)

	Purchase price
Shares of Orbital ATK common stock outstanding as of the Merger date	57,562,152
Cash consideration per share of Orbital ATK common stock	\$ 134.50
Total purchase price	\$ 7,742

The following preliminary purchase price allocation table presents the company's initial estimate of the fair values of assets acquired and liabilities assumed at the Merger date:

<i>(\$ in millions)</i>	As of June 6, 2018
Cash and cash equivalents	\$ 85
Accounts receivable, net	616
Unbilled receivables, net	1,237
Inventoried costs, net	220
Other current assets	193
Property, plant and equipment	1,500
Goodwill	6,295
Intangible assets	1,305
Deferred tax assets	(230)
Other non-current assets	131
Total assets acquired	11,352
Trade accounts payable	(397)
Accrued employee compensation	(158)
Advance payments and amounts in excess of costs incurred	(222)
Below market contracts ⁽¹⁾	(155)
Other current liabilities	(298)
Long-term debt	(1,687)
Pension and other post-retirement benefit plan liabilities	(557)
Other non-current liabilities	(136)
Total liabilities assumed	(3,610)
Total purchase price	\$ 7,742

⁽¹⁾ Included in Other current liabilities.

Below market contracts represent liabilities on certain acquired programs where the expected costs at completion exceed the expected sales under contract. We measured these liabilities based on the estimated price to transfer the obligations to a market participant at the Merger date plus a reasonable profit margin. These liabilities will be reduced as the company incurs costs to complete its performance obligations on the underlying programs. This reduction will be included in sales and is estimated as follows: \$52 million in 2018, \$70 million in 2019, \$32 million in 2020 and \$1 million in 2021.

The following table presents a preliminary summary of purchased intangible assets and their related estimated useful lives:

	Fair Value (in millions)	Estimated Useful Life in Years
Customer contracts	\$ 1,040	9
Commercial customer relationships	265	13
Total customer-related intangible assets	\$ 1,305	

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The preliminary purchase price allocation resulted in the recognition of \$6.3 billion of goodwill, a majority of which was allocated to the Innovation Systems sector (refer to Note 5). The goodwill recognized is attributable to expected revenue synergies generated by the integration of Aerospace Systems, Mission Systems and Technology Services products and technologies with those of legacy Orbital ATK, synergies resulting from the consolidation or elimination of certain costs, and intangible assets that do not qualify for separate recognition, such as the assembled workforce of Orbital ATK. None of the goodwill is expected to be deductible for tax purposes.

Supplemental Pro Forma Information

The following table presents unaudited pro forma financial information as if Orbital ATK had been included in our results as of January 1, 2017:

<i>(\$ in millions, except per share amounts)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Sales	\$ 8,078	\$ 7,555	\$ 16,078	\$ 15,039
Net earnings	791	572	1,615	1,225
Basic earnings per share	4.53	3.28	9.26	7.01
Diluted earnings per share	4.51	3.26	9.21	6.97

The unaudited supplemental pro forma financial data has been calculated after applying our accounting policies and adjusting the historical results of Orbital ATK with pro forma adjustments, net of tax, that assume the acquisition occurred on January 1, 2017. Significant pro forma adjustments include the following:

1. The impact of the adoption of ASC Topic 606 on Orbital ATK's historical sales of \$2 million and \$21 million, and cost of sales of \$2 million and \$9 million, for the three and six months ended June 30, 2017.
2. The elimination of intercompany sales and costs of sales between the company and Orbital ATK of \$33 million and \$80 million for the three and six months ended June 30, 2018 and \$35 million and \$65 million for the three and six months ended June 30, 2017.
3. The elimination of nonrecurring transaction costs incurred by the company and Orbital ATK in connection with the Merger of \$64 million and \$71 million for the three and six months ended June 30, 2018.
4. The recognition of additional depreciation expense, net of removal of historical depreciation expense, of \$7 million for the three and six months ended June 30, 2018, and \$8 million and \$10 million for the three and six months ended June 30, 2017, respectively, related to the step-up in fair value of acquired property, plant and equipment.
5. Additional interest expense related to the debt issued to finance the Merger, including amortization of the debt issuance costs associated with the newly issued debt, of \$66 million and \$133 million for the three and six months ended June 30, 2017. Interest expense and amortization of debt issuance costs have been included in the company's historical financial statements since the date of issuance (October 12, 2017).
6. The recognition of additional amortization expense, net of removal of historical amortization expense, of \$34 million and \$92 million for the three and six months ended June 30, 2018, respectively, and \$65 million and \$130 million for the three and six months ended June 30, 2017, respectively, related to the fair value of acquired intangible assets.
7. The elimination of Orbital ATK's historical amortization of net actuarial losses and prior service credits and impact of the revised pension and other post-retirement net periodic benefit cost as determined under the company's plan assumptions of \$20 million and \$51 million for the three and six months ended June 30, 2018 and \$29 million and \$54 million for the three and six months ended June 30, 2017.

The unaudited pro forma financial information does not reflect the potential realization of revenue synergies or cost savings, nor does it reflect other costs relating to the integration of the two companies. This pro forma financial information should not be considered indicative of the results that would have actually occurred if the acquisition had been consummated on January 1, 2017, nor are they indicative of future results.

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3. EARNINGS PER SHARE, SHARE REPURCHASES AND DIVIDENDS ON COMMON STOCK**Basic Earnings Per Share**

We calculate basic earnings per share by dividing net earnings by the weighted-average number of shares of common stock outstanding during each period.

Diluted Earnings Per Share

Diluted earnings per share primarily include the dilutive effect of awards granted to employees under stock-based compensation plans. The dilutive effect of these securities totaled 0.9 million shares and 1.0 million shares for the three and six months ended June 30, 2018, respectively. The dilutive effect of these securities totaled 1.0 million and 1.1 million shares for the three and six months ended June 30, 2017, respectively.

Share Repurchases

On September 16, 2015, the company's board of directors authorized a share repurchase program of up to \$4.0 billion of the company's common stock (the "2015 Repurchase Program"). Repurchases under the 2015 Repurchase Program commenced in March 2016. As of June 30, 2018, repurchases under the 2015 Repurchase Program totaled \$1.7 billion; \$2.3 billion remained under this share repurchase authorization. By its terms, the 2015 Repurchase Program is set to expire when we have used all authorized funds for repurchases.

Share repurchases take place from time to time, subject to market conditions and management's discretion, in the open market or in privately negotiated transactions. The company retires its common stock upon repurchase and, in the periods presented, has not made any purchases of common stock other than in connection with these publicly announced repurchase programs.

The table below summarizes the company's share repurchases to date under the authorizations described above:

Repurchase Program Authorization Date	Amount Authorized (in millions)	Total Shares Retired (in millions)	Average Price Per Share ⁽¹⁾	Date Completed	Shares Repurchased (in millions)	
					Six Months Ended June 30 2018	2017
September 16, 2015	\$ 4,000	7.6	\$ 224.82		0.2	1.5

⁽¹⁾ Includes commissions paid.

Dividends on Common Stock

In May 2018, the company increased the quarterly common stock dividend 9 percent to \$1.20 per share from the previous amount of \$1.10 per share.

In January 2018, the company increased the quarterly common stock dividend 10 percent to \$1.10 per share from the previous amount of \$1.00 per share.

In May 2017, the company increased the quarterly common stock dividend 11 percent to \$1.00 per share from the previous amount of \$0.90 per share.

4. INCOME TAXES

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Federal and foreign income tax expense	\$ 160	\$ 257	\$ 292	\$ 395
Effective income tax rate	18.8%	31.7%	17.0%	24.7%

Current Quarter

The company's effective tax rate of 18.8 percent for the three months ended June 30, 2018 was lower as compared with the same period in 2017 principally due to the reduction of the U.S. corporate income tax rate from 35 percent to 21 percent as a result of the 2017 Tax Act. In addition, the company's effective tax rate for the three months ended June 30, 2018 was lower than the statutory tax rate principally due to \$22 million of tax benefits associated with research credits.

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The company's effective tax rate of 17.0 percent for the six months ended June 30, 2018 was lower as compared with the same period in 2017 principally due to the reduction of the U.S. corporate income tax rate described above. Both periods reflect comparable tax benefits associated with research credits. In addition, the company's effective tax rate for the six months ended June 30, 2018 includes \$26 million of excess tax benefits related to employee share-based compensation. The company's effective tax rate for the six months ended June 30, 2017 included \$47 million of excess tax benefits related to employee share-based compensation, a \$42 million benefit recognized in connection with the Congressional Joint Committee on Taxation's approval of the Internal Revenue Service (IRS) examination of the company's 2012-2013 tax returns and \$31 million of tax benefits associated with domestic manufacturing deductions.

In December 2017, the 2017 Tax Act was enacted. The 2017 Tax Act includes a number of changes to previous U.S. tax laws that impact the company, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017. The company recognized the income tax effects of the 2017 Tax Act in the financial statements included in its 2017 Annual Report on Form 10-K in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC Topic 740, *Income Taxes*, in the reporting period in which the 2017 Tax Act was signed into law. During the six months ended June 30, 2018, the company did not recognize any changes to the provisional amounts recorded in its 2017 Annual Report on Form 10-K in connection with the 2017 Tax Act as the company is continuing to collect the information necessary to complete those calculations. We expect to finalize our analysis in the second half of the year as we complete our federal and state tax returns.

In connection with the Merger, the company has initially recognized an increase in unrecognized tax benefits of approximately \$150 million for matters associated with Innovation Systems, principally related to federal and state research credits. In addition, in the second quarter of 2018, we increased our unrecognized tax benefits related to our methods of accounting associated with the 2017 Tax Act by approximately \$50 million and it is reasonably possible that within the next twelve months those unrecognized tax benefits may increase by up to an additional \$100 million.

We file income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Northrop Grumman 2014-2015 federal tax returns and refund claims related to its 2007-2011 federal tax returns are currently under IRS examination. The company believes it is reasonably possible that within the next twelve months we may resolve certain matters related to the examination of the 2014-2015 tax years, which may result in reductions of our unrecognized tax benefits up to \$115 million and income tax expense up to \$30 million. In addition, Innovation Systems federal tax returns for the year ended March 31, 2015 and nine-month transition period ended December 31, 2015 are currently under IRS examination. The company believes it is reasonably possible that within the next twelve months we may resolve certain matters related to the examination of these periods, which may result in reductions of our unrecognized tax benefits up to \$35 million and income tax expense up to \$30 million.

5. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS**Goodwill**

As discussed in Note 2, Innovation Systems was established as a new, fourth business sector of the company. The Merger resulted in the recognition of \$6.3 billion of goodwill, a majority of which was allocated to the Innovation Systems sector. A portion of this goodwill was allocated to the company's other sectors based on expected revenue synergies generated by the integration of their products and technologies with those of Innovation Systems. The amount of goodwill recognized and allocated to the sectors is subject to change, pending the final determination of the fair value of assets acquired and liabilities assumed in connection with the Merger (see Note 2).

Changes in the carrying amounts of goodwill were as follows:

<i>\$ in millions</i>	Aerospace Systems	Innovation Systems	Mission Systems	Technology Services	Total
Balance as of December 31, 2017	\$ 3,742	\$ —	\$ 6,696	\$ 2,017	\$ 12,455
Acquisition of Orbital ATK	418	5,329	469	79	6,295
Other ⁽¹⁾	—	—	(1)	(2)	(3)
Balance as of June 30, 2018	\$ 4,160	\$ 5,329	\$ 7,164	\$ 2,094	\$ 18,747

⁽¹⁾ Other consists primarily of adjustments for foreign currency translation.

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Accumulated goodwill impairment losses at June 30, 2018 and December 31, 2017, totaled \$570 million at the Aerospace Systems segment.

Purchased Intangible Assets

Net customer-related and other intangible assets, including the preliminary fair value of purchased intangible assets acquired in the Merger, are as follows:

<i>\$ in millions</i>	June 30, 2018	December 31, 2017
Gross customer-related and other intangible assets	\$ 3,138	\$ 1,833
Less accumulated amortization	(1,809)	(1,781)
Net customer-related and other intangible assets	\$ 1,329	\$ 52

Amortization expense for the three and six months ended June 30, 2018 was \$24 million and \$28 million, respectively, and was \$3 million and \$7 million for the three and six months ended June 30, 2017, respectively. The company's customer-related intangible assets are amortized over their respective useful lives based on the pattern in which the future economic benefits of the intangible assets are expected to be consumed. Other purchased intangible assets are amortized on a straight-line basis. The company's purchased intangible assets are being amortized over an aggregate weighted-average period of 12 years. As of June 30, 2018, the expected future amortization of purchased intangibles for each of the next five years is as follows:

<i>\$ in millions</i>	
2018 (remainder of year)	\$ 162
2019	284
2020	232
2021	150
2022	105

The company's expected future amortization expense is subject to change, pending the final determination of the fair value of intangible assets acquired in the Merger (see Note 2).

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The company holds a portfolio of marketable securities consisting of securities to partially fund non-qualified employee benefit plans. A portion of these securities are held in common/collective trust funds and are measured at fair value using net asset value (NAV) per share as a practical expedient; and therefore are not required to be categorized in the fair value hierarchy table below. Marketable securities are included in Other non-current assets in the unaudited condensed consolidated statements of financial position.

The company's derivative portfolio consists primarily of commodity forward contracts and foreign currency forward contracts. As a result of the Merger, the company assumed commodity forward contracts, which Innovation Systems periodically uses to hedge forecasted purchases of certain commodities. The contracts generally establish a fixed price for the underlying commodity and are designated and qualify as effective cash flow hedges of such commodity purchases. Commodity derivatives are valued based on prices of future exchanges and recently reported transactions in the marketplace. For foreign currency forward contracts, where model-derived valuations are appropriate, the company utilizes the income approach to determine the fair value and uses the applicable London Interbank Offered Rate (LIBOR) swap rates.

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The following table presents the financial assets and liabilities the company records at fair value on a recurring basis identified by the level of inputs used to determine fair value:

<i>\$ in millions</i>	June 30, 2018			December 31, 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets (Liabilities)						
Marketable securities	\$ 350	\$ —	\$ 350	\$ 352	\$ 1	\$ 353
Marketable securities valued using NAV	—	—	14	—	—	—
Total marketable securities	350	—	364	352	1	353
Derivatives	—	(5)	(5)	—	—	—

At June 30, 2018, the company had commodity forward contracts outstanding that hedge forecasted commodity purchases of 17 million pounds of copper and 6 million pounds of zinc. Gains or losses on the commodity forward contracts are recognized in cost of sales as the performance obligations on related contracts are satisfied.

The notional value of the company's foreign currency forward contracts at June 30, 2018 and December 31, 2017 was \$114 million and \$89 million, respectively. The portion of notional value designated as a cash flow hedge at June 30, 2018 and December 31, 2017 was \$4 million and \$8 million, respectively.

The derivative fair values and related unrealized gains/losses at June 30, 2018 and December 31, 2017 were not material.

There were no transfers of financial instruments between the three levels of the fair value hierarchy during the six months ended June 30, 2018.

The carrying value of cash and cash equivalents and commercial paper approximates fair value.

Long-term Debt

The estimated fair value of long-term debt was \$15.1 billion and \$16.0 billion as of June 30, 2018 and December 31, 2017, respectively. We calculated the fair value of long-term debt using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the company's existing debt arrangements. The carrying value of long-term debt was \$15.1 billion and \$15.3 billion as of June 30, 2018 and December 31, 2017, respectively. The current portion of long-term debt is recorded in other current liabilities in the unaudited condensed consolidated statements of financial position.

In connection with the Merger, the company assumed \$1.7 billion of long-term debt, of which \$700 million remained outstanding as of June 30, 2018 (refer to Note 2). This long-term debt was comprised of \$300 million in 5.25 percent senior notes with a maturity date of 2021 (the "2021 Notes") and \$400 million in 5.50 percent senior notes with a maturity date of 2023 (the "2023 Notes").

Subsequent Event

On July 19, 2018, the company fully redeemed the 2021 and 2023 Notes.

7. INVESTIGATIONS, CLAIMS AND LITIGATION**Litigation**

On May 4, 2012, the company commenced an action, *Northrop Grumman Systems Corp. v. United States*, in the U.S. Court of Federal Claims. This lawsuit relates to an approximately \$875 million firm fixed price contract awarded to the company in 2007 by the U.S. Postal Service (USPS) for the construction and delivery of flats sequencing systems (FSS) as part of the postal automation program. The FSS have been delivered. The company's lawsuit is based on various theories of liability. The complaint seeks approximately \$63 million for unpaid portions of the contract price, and approximately \$115 million based on the company's assertions that, through various acts and omissions over the life of the contract, the USPS adversely affected the cost and schedule of performance and materially altered the company's obligations under the contract. The United States responded to the company's complaint with an answer, denying most of the company's claims, and counterclaims seeking approximately \$410 million, less certain amounts outstanding under the contract. The principal counterclaim alleges that the company delayed its performance and caused damages to the USPS because USPS did not realize certain costs savings as early as it had expected. On April 2, 2013, the U.S. Department of Justice informed the company of a False Claims Act complaint relating to the FSS contract that was filed under seal by a relator in June 2011 in the U.S. District Court for the Eastern District of Virginia. On June 3, 2013, the United States filed a Notice informing the Court that the United States had decided not to intervene in this case. The relator alleged that the company violated the False

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Claims Act in a number of ways with respect to the FSS contract, alleged damage to the USPS in an amount of at least approximately \$179 million annually, alleged that he was improperly discharged in retaliation, and sought an unspecified partial refund of the contract purchase price, penalties, attorney's fees and other costs of suit. The relator later voluntarily dismissed his retaliation claim and reasserted it in a separate arbitration, which he also ultimately voluntarily dismissed. On September 5, 2014, the court granted the company's motion for summary judgment and ordered the relator's False Claims Act case be dismissed with prejudice. On December 19, 2014, the company filed a motion for partial summary judgment asking the court to dismiss the principal counterclaim referenced above. On June 29, 2015, the Court heard argument and denied that motion without prejudice to filing a later motion to dismiss. On February 16, 2018, both the company and the United States filed motions to dismiss many of the claims and counterclaims in whole or in part. The United States also filed a motion seeking to amend its answer and counterclaim, including to reduce its counterclaim to approximately \$193 million, which the court granted on June 11, 2018. Although the ultimate outcome of these matters ("the FSS matters," collectively), including any possible loss, cannot be predicted or reasonably estimated at this time, the company intends vigorously to pursue and defend the FSS matters.

On August 8, 2013, the company received a court-appointed expert's report in litigation pending in the Second Federal Court of the Federal District in Brazil brought by the Brazilian Post and Telegraph Corporation (ECT), a Brazilian state-owned entity, against Solystic SAS (Solystic), a French subsidiary of the company, and two of its consortium partners. In this suit, commenced on December 17, 2004, and relatively inactive for some period of time, ECT alleges the consortium breached its contract with ECT and seeks damages of approximately R\$111 million (the equivalent of approximately \$29 million as of June 30, 2018), plus interest, inflation adjustments and attorneys' fees, as authorized by Brazilian law, which amounts could be significant over time. The original suit sought R\$89 million (the equivalent of approximately \$23 million as of June 30, 2018) in damages. In October 2013, ECT asserted an additional damage claim of R\$22 million (the equivalent of approximately \$6 million as of June 30, 2018). In its counterclaim, Solystic alleges ECT breached the contract by wrongfully refusing to accept the equipment Solystic had designed and built and seeks damages of approximately €31 million (the equivalent of approximately \$36 million as of June 30, 2018), plus interest, inflation adjustments and attorneys' fees, as authorized by Brazilian law. The Brazilian court retained an expert to consider certain issues pending before it. On August 8, 2013 and September 10, 2014, the company received reports from the expert, which contain some recommended findings relating to liability and the damages calculations put forth by ECT. Some of the expert's recommended findings were favorable to the company and others were favorable to ECT. In November 2014, the parties submitted comments on the expert's most recent report. On June 16, 2015, the court published a decision denying the parties' request to present oral testimony. At some future point, the court is expected to issue a decision on the parties' claims and counterclaims that could accept or reject, in whole or in part, the expert's recommended findings.

The company previously identified and disclosed to the U.S. government various issues relating primarily to time-charging practices of some employees working on a particular program with remote deployments. The Department of Justice is continuing to investigate this matter, the company is cooperating, and the parties are in discussions. Depending upon the ultimate outcome of this matter, the company could be subject to damages, civil and criminal fines, penalties or other sanctions, and suspension or debarment actions; however, we cannot at this point predict the outcome.

We are engaged in remediation activities relating to environmental conditions allegedly resulting from historic operations at the former United States Navy and Grumman facilities in Bethpage, New York. For over 20 years, we have worked closely with the United States Navy, the United States Environmental Protection Agency, the New York State Department of Environmental Conservation, the New York State Department of Health and other federal, state and local governmental authorities, to address legacy environmental conditions in Bethpage. We have incurred, and expect to continue to incur, as included in Note 8, substantial remediation costs related to these environmental conditions. The remediation standards or requirements to which we are subject may change and costs may increase materially. The State of New York has notified us that it intends to seek to impose additional remedial requirements and, among other things, is evaluating natural resource damages. In addition, we are and may become a party to various legal proceedings and disputes related to remediation and/or alleged environmental impacts in Bethpage, including with federal and state entities, local municipalities and water districts, insurance carriers and class action plaintiffs. These Bethpage matters could result in additional costs, fines, penalties, sanctions, compensatory or other damages (including natural resource damages), determinations on allocation, allowability and coverage, and non-monetary relief. We cannot at this time predict or reasonably estimate the potential cumulative outcomes or ranges of possible liability of these aggregate Bethpage matters.

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On August 12, 2016, a putative class action complaint, naming Orbital ATK and two of its then-officers as defendants, Steven Knurr, et al. v. Orbital ATK, Inc., No. 16-cv-01031 (TSE-MSN), was filed in the United States District Court for the Eastern District of Virginia. The complaint asserts claims on behalf of purchasers of Orbital ATK securities for violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5, allegedly arising out of false and misleading statements and the failure to disclose that: (i) Orbital ATK lacked effective control over financial reporting; and (ii) as a result, it failed to record an anticipated loss on a long-term contract with the U.S. Army to manufacture and supply small caliber ammunition at the U.S. Army's Lake City Army Ammunition Plant. On April 24, 2017 and October 10, 2017, the plaintiffs filed amended complaints naming additional defendants and asserting claims for alleged violations of additional sections of the Exchange Act and alleged false and misleading statements in Orbital ATK's Form S-4 filed in connection with the Orbital-ATK Merger. The complaint seeks damages, reasonable costs and expenses at trial, including counsel and expert fees, and such other relief as deemed appropriate by the Court. Although the ultimate outcome of this matter, including any possible loss, cannot be predicted or reasonably estimated at this time, the company intends vigorously to defend the matter.

The SEC is investigating Orbital ATK's historical accounting practices relating to the restatement of Orbital's unaudited condensed consolidated financial statements for the quarterly periods ended July 5, 2015 and October 4, 2015 described in the Transition Report on Form 10-K for the nine-month period ending December 31, 2015 previously filed on March 15, 2016. The SEC is also investigating matters relating to a voluntary disclosure Orbital ATK made concerning the restatement described in Orbital ATK's Form 10-K/A for the nine-month period ending December 31, 2015 filed on February 24, 2017. Although the ultimate outcome of these matters, including any possible loss, cannot be predicted or reasonably estimated at this time, the company intends to continue to cooperate with the SEC.

The company is a party to various other investigations, lawsuits, claims, enforcement actions and other legal proceedings, including government investigations and claims, that arise in the ordinary course of our business. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter. However, based on information available to the company to date, the company does not believe that the outcome of any of these other matters pending against the company is likely to have a material adverse effect on the company's unaudited condensed consolidated financial position as of June 30, 2018, or its annual results of operations and/or cash flows.

8. COMMITMENTS AND CONTINGENCIES**U.S. Government Cost Claims**

From time to time, the company is advised of claims by the U.S. government concerning certain potential disallowed costs, plus, at times, penalties and interest. When such findings are presented, the company and U.S. government representatives engage in discussions to enable the company to evaluate the merits of these claims, as well as to assess the amounts being claimed. Where appropriate, provisions are made to reflect the company's estimated exposure for such potential disallowed costs. Such provisions are reviewed periodically using the most recent information available. The company believes it has adequately reserved for disputed amounts that are probable and reasonably estimable, and that the outcome of any such matters would not have a material adverse effect on its unaudited condensed consolidated financial position as of June 30, 2018, or its annual results of operations and/or cash flows.

Environmental Matters

The table below summarizes management's estimate of the range of reasonably possible future costs for environmental remediation, the amount accrued within that range, and the deferred costs expected to be recoverable through overhead charges on U.S. government contracts as of June 30, 2018 and December 31, 2017:

<i>\$ in millions</i>	Range of Reasonably Possible		
	Future Costs ⁽¹⁾	Accrued Costs ⁽²⁾	Deferred Costs ⁽³⁾
June 30, 2018	\$453 - \$836	\$ 463	\$ 236
December 31, 2017	405 - 792	410	207

⁽¹⁾ Estimated remediation costs are not discounted to present value. The range of reasonably possible future costs does not take into consideration amounts expected to be recoverable through overhead charges on U.S. government contracts.

⁽²⁾ As of June 30, 2018, \$155 million is recorded in other current liabilities and \$308 million is recorded in other non-current liabilities.

⁽³⁾ As of June 30, 2018, \$79 million is deferred in prepaid expenses and other current assets and \$157 million is deferred in other non-current assets. These amounts are evaluated for recoverability on a routine basis.

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As a result of the Merger, we assumed certain environmental remediation liabilities that are included in the accrued costs above, along with the related deferred costs expected to be recoverable on U.S. government contracts.

Although management cannot predict whether new information gained as our environmental remediation projects progress, or as changes in facts and circumstances occur, will materially affect the estimated liability accrued, except with respect to Bethpage, we do not anticipate that future remediation expenditures associated with our currently identified projects will have a material adverse effect on the company's unaudited condensed consolidated financial position as of June 30, 2018, or its annual results of operations and/or cash flows. With respect to Bethpage, as described in Note 7, we cannot at this time estimate the range of reasonably possible additional future costs that could result from potential changes to remediation standards or requirements to which we are subject.

Financial Arrangements

In the ordinary course of business, the company uses standby letters of credit and guarantees issued by commercial banks and surety bonds issued principally by insurance companies to guarantee the performance on certain obligations. At June 30, 2018, there were \$395 million of stand-by letters of credit and guarantees and \$211 million of surety bonds outstanding.

Indemnifications

The company has provided indemnification for certain environmental, income tax and other potential liabilities in connection with certain of its divestitures. The settlement of these liabilities is not expected to have a material adverse effect on the company's unaudited condensed consolidated financial position as of June 30, 2018, or its annual results of operations and/or cash flows.

Operating Leases

Rental expense for operating leases for the three and six months ended June 30, 2018 was \$81 million and \$173 million, respectively, and was \$65 million and \$154 million for the three and six months ended June 30, 2017, respectively. These amounts are net of immaterial amounts of sublease rental income.

Credit Facilities

In December 2016, a subsidiary of the company entered into a two-year credit facility, with two additional one-year option periods, in an aggregate principal amount of £120 million (the equivalent of approximately \$159 million as of June 30, 2018) (the "2016 Credit Agreement"). The company exercised the first option to extend the maturity to December 2019. The 2016 Credit Agreement is guaranteed by the company. At June 30, 2018, there was £90 million (the equivalent of approximately \$119 million) outstanding under this facility, which bears interest at a rate of LIBOR plus 1.10 percent. All of the borrowings outstanding under this facility mature less than one year from the date of issuance, but may be renewed under the terms of the facility. Based on our intent and ability to refinance the obligations on a long-term basis, substantially all of the borrowings are classified as non-current.

The company also maintains a five-year unsecured credit facility in an aggregate principal amount of \$1.6 billion that matures in July 2020. At June 30, 2018, there was no balance outstanding under this facility.

At June 30, 2018, the company was in compliance with all covenants under its credit agreements.

Commercial Paper

In May 2018, the company commenced a commercial paper program that serves as a source of short-term financing. Under this program, the company may issue up to \$750 million of unsecured commercial paper notes. The commercial paper notes outstanding have original maturities of 90 days or less from the date of issuance. At June 30, 2018, there were \$249 million of outstanding short-term commercial paper borrowings at a weighted-average interest rate of 2.46 percent.

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9. RETIREMENT BENEFITS

The cost to the company of its retirement plans is shown in the following table:

<i>\$ in millions</i>	Three Months Ended June 30				Six Months Ended June 30			
	Pension Benefits		Medical and Life Benefits		Pension Benefits		Medical and Life Benefits	
	2018	2017	2018	2017	2018	2017	2018	2017
Components of net periodic benefit cost								
Service cost	\$ 100	\$ 97	\$ 5	\$ 6	\$ 199	\$ 194	\$ 10	\$ 11
Interest cost	300	312	19	21	590	625	38	42
Expected return on plan assets	(544)	(472)	(24)	(23)	(1,073)	(943)	(49)	(45)
Amortization of:								
Prior service credit	(14)	(14)	(6)	(6)	(29)	(29)	(11)	(11)
Net loss from previous years	133	191	—	4	267	382	—	7
Net periodic benefit cost	\$ (25)	\$ 114	\$ (6)	\$ 2	\$ (46)	\$ 229	\$ (12)	\$ 4

Changes in Presentation

As discussed in Note 1, we adopted ASU 2017-07 on January 1, 2018 using the retrospective method, which changed the financial statement presentation of service costs and the other components of net periodic benefit cost. The service cost component continues to be included in operating income; however, the other components are now presented in Net FAS (non-service) pension benefit (expense) in the unaudited condensed consolidated statements of earnings and comprehensive income. In addition, interest on service cost and plan administrative expenses which, in some cases, have historically been included in service cost are now consistently presented in the interest cost and amortization of net actuarial loss components, respectively. As a result, the company reclassified interest on service cost of \$4 million and \$8 million and plan administrative expenses of \$13 million and \$26 million from service cost to the interest cost and amortization of net actuarial loss components, respectively, for its pension plans in the three and six months ended June 30, 2017, respectively, to conform to the current year presentation. For the company's medical and life benefit plans, plan administrative expenses of \$1 million and \$2 million were reclassified from service cost to the amortization of net actuarial loss component for the three and six months ended June 30, 2017, respectively, to conform to the current year presentation. This change in presentation had no impact on net periodic benefit cost.

Employer Contributions

The company sponsors defined benefit pension and post-retirement plans, as well as defined contribution plans. We fund our defined benefit pension plans annually in a manner consistent with the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, including making voluntary contributions from time to time.

Contributions made by the company to its retirement plans are as follows:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Defined benefit pension plans	\$ 23	\$ 28	\$ 45	\$ 51
Medical and life benefit plans	11	13	22	24
Defined contribution plans	88	77	192	176

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10. STOCK COMPENSATION PLANS AND OTHER COMPENSATION ARRANGEMENTS

Stock Awards

The following table presents the number of restricted stock rights (RSRs) and restricted performance stock rights (RPSRs) granted to employees under the company's long-term incentive stock plan and the grant date aggregate fair value of those stock awards for the periods presented:

<i>in millions</i>	Six Months Ended June 30	
	2018	2017
RSRs granted	0.1	0.1
RPSRs granted	0.2	0.3
Grant date aggregate fair value	\$ 114	\$ 91

RSRs typically vest on the third anniversary of the grant date, while RPSRs generally vest and pay out based on the achievement of financial metrics over a three-year period.

Cash Awards

The following table presents the minimum and maximum aggregate payout amounts related to cash units (CUs) and cash performance units (CPUs) granted to employees in the periods presented:

<i>\$ in millions</i>	Six Months Ended June 30	
	2018	2017
Minimum aggregate payout amount	\$ 36	\$ 35
Maximum aggregate payout amount	205	198

CUs typically vest and settle in cash on the third anniversary of the grant date, while CPUs generally vest and pay out in cash based on the achievement of financial metrics over a three-year period.

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11. SEGMENT INFORMATION

The company is aligned in four operating sectors, which also comprise our reportable segments: Aerospace Systems, Innovation Systems, Mission Systems and Technology Services.

The following table presents sales and operating income by segment:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Sales				
Aerospace Systems	\$ 3,337	\$ 3,003	\$ 6,617	\$ 5,987
Innovation Systems	400	—	400	—
Mission Systems	2,874	2,859	5,757	5,659
Technology Services	1,048	1,162	2,192	2,352
Intersegment eliminations	(540)	(551)	(1,112)	(1,115)
Total sales	7,119	6,473	13,854	12,883
Operating income				
Aerospace Systems	357	320	698	643
Innovation Systems	39	—	39	—
Mission Systems	352	384	723	743
Technology Services	95	125	217	254
Intersegment eliminations	(64)	(70)	(136)	(140)
Total segment operating income	779	759	1,541	1,500
Net FAS (service)/CAS pension adjustment	137	154	264	308
Unallocated corporate expense	(92)	(39)	(126)	(71)
Other	(1)	(1)	(2)	(2)
Total operating income	\$ 823	\$ 873	\$ 1,677	\$ 1,735

Net FAS (Service)/CAS Pension Adjustment

For financial statement purposes, we account for our employee pension plans in accordance with FAS. However, the cost of these plans is charged to our contracts in accordance with the Federal Acquisition Regulation (FAR) and the related U.S. Government Cost Accounting Standards (CAS). The net FAS (service)/CAS pension adjustment reflects the difference between CAS pension expense included as cost in segment operating income and the service cost component of FAS expense included in total operating income. The non-service cost components of FAS expense, which include interest cost, expected return on plan assets, and amortization of prior service credit and net actuarial loss, are presented in Net FAS (non-service) pension benefit (expense) in the unaudited condensed consolidated statements of earnings and comprehensive income as a result of our adoption of ASU 2017-07 discussed in Note 1.

Unallocated Corporate Expense

Unallocated corporate expense includes the portion of corporate costs not considered allowable or allocable under applicable CAS or FAR, and therefore not allocated to the segments, such as a portion of management and administration, legal, environmental, compensation, retiree benefits and other corporate unallowable costs. Unallocated corporate expense also includes costs not considered part of management's evaluation of segment operating performance, such as amortization of purchased intangible assets.

NORTHROP GRUMMAN CORPORATION
Disaggregation of Revenue
Sales by Customer Type

<i>\$ in millions</i>	Three Months Ended June 30				Six Months Ended June 30			
	2018		2017		2018		2017	
	\$	% ⁽³⁾	\$	% ⁽³⁾	\$	% ⁽³⁾	\$	% ⁽³⁾
Aerospace Systems								
U.S. Government ⁽¹⁾	\$ 2,799	84%	\$ 2,616	87%	\$ 5,707	86%	\$ 5,169	86%
International ⁽²⁾	449	13%	272	9%	720	11%	581	10%
Other Customers	38	1%	40	1%	80	1%	78	1%
Intersegment sales	51	2%	75	3%	110	2%	159	3%
Aerospace Systems sales	3,337	100%	3,003	100%	6,617	100%	5,987	100%
Innovation Systems								
U.S. Government ⁽¹⁾	265	66%	—	—	265	66%	—	—
International ⁽²⁾	92	23%	—	—	92	23%	—	—
Other Customers	30	8%	—	—	30	8%	—	—
Intersegment sales	13	3%	—	—	13	3%	—	—
Innovation Systems sales	400	100%	—	—	400	100%	—	—
Mission Systems								
U.S. Government ⁽¹⁾	2,155	75%	2,227	78%	4,345	76%	4,413	78%
International ⁽²⁾	391	14%	353	12%	770	13%	707	12%
Other Customers	34	1%	33	1%	64	1%	54	1%
Intersegment sales	294	10%	246	9%	578	10%	485	9%
Mission Systems sales	2,874	100%	2,859	100%	5,757	100%	5,659	100%
Technology Services								
U.S. Government ⁽¹⁾	597	57%	672	58%	1,199	54%	1,308	56%
International ⁽²⁾	193	18%	168	14%	413	19%	377	16%
Other Customers	76	7%	92	8%	169	8%	196	8%
Intersegment sales	182	18%	230	20%	411	19%	471	20%
Technology Services sales	1,048	100%	1,162	100%	2,192	100%	2,352	100%
Total								
U.S. Government ⁽¹⁾	5,816	82%	5,515	85%	11,516	83%	10,890	84%
International ⁽²⁾	1,125	16%	793	12%	1,995	15%	1,665	13%
Other Customers	178	2%	165	3%	343	2%	328	3%
Total Sales	\$ 7,119	100%	\$ 6,473	100%	\$ 13,854	100%	\$ 12,883	100%

⁽¹⁾ Sales to the U.S. government include sales from contracts for which we are the prime contractor, as well as those for which we are a subcontractor and the ultimate customer is the U.S. government. Each of the company's segments derives substantial revenue from the U.S. government.

⁽²⁾ International sales include sales from contracts for which we are the prime contractor, as well as those for which we are a subcontractor and the ultimate customer is an international customer. These sales include foreign military sales contracted through the U.S. government, direct sales with governments outside the U.S. and commercial sales with customers outside the U.S.

⁽³⁾ Percentages calculated based on total segment sales.

NORTHROP GRUMMAN CORPORATION
Sales by Contract Type

<i>\$ in millions</i>	Three Months Ended June 30				Six Months Ended June 30			
	2018		2017		2018		2017	
	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾
Aerospace Systems								
Cost-type	\$ 1,934	59%	\$ 1,840	63%	\$ 3,836	59%	\$ 3,667	63%
Fixed-price	1,352	41%	1,088	37%	2,671	41%	2,161	37%
Intersegment sales	51		75		110		159	
Aerospace System sales	3,337		3,003		6,617		5,987	
Innovation Systems								
Cost-type	99	26%	—	—	99	26%	—	—
Fixed-price	288	74%	—	—	288	74%	—	—
Intersegment sales	13		—		13		—	
Innovation System sales	400		—		400		—	
Mission Systems								
Cost-type	1,207	47%	1,353	52%	2,486	48%	2,669	52%
Fixed-price	1,373	53%	1,260	48%	2,693	52%	2,505	48%
Intersegment sales	294		246		578		485	
Mission System sales	2,874		2,859		5,757		5,659	
Technology Services								
Cost-type	385	44%	404	43%	822	46%	849	45%
Fixed-price	481	56%	528	57%	959	54%	1,032	55%
Intersegment sales	182		230		411		471	
Technology Services sales	1,048		1,162		2,192		2,352	
Total								
Cost-type	3,625	51%	3,597	56%	7,243	52%	7,185	56%
Fixed-price	3,494	49%	2,876	44%	6,611	48%	5,698	44%
Total Sales	\$ 7,119		\$ 6,473		\$ 13,854		\$ 12,883	

⁽¹⁾ Percentages calculated based on external customer sales.

NORTHROP GRUMMAN CORPORATION
Sales by Geographic Region

<i>\$ in millions</i>	Three Months Ended June 30				Six Months Ended June 30			
	2018		2017		2018		2017	
	\$	% ⁽²⁾	\$	% ⁽²⁾	\$	% ⁽²⁾	\$	% ⁽²⁾
Aerospace Systems								
United States	\$ 2,837	86%	\$ 2,656	91%	\$ 5,787	89%	\$ 5,247	90%
Asia/Pacific	249	8%	157	5%	378	6%	345	6%
All other ⁽¹⁾	200	6%	115	4%	342	5%	236	4%
Intersegment sales	51		75		110		159	
Aerospace Systems sales	3,337		3,003		6,617		5,987	
Innovation Systems								
United States	296	77%	—	—	296	77%	—	—
Asia/Pacific	24	6%	—	—	24	6%	—	—
All other ⁽¹⁾	67	17%	—	—	67	17%	—	—
Intersegment sales	13		—		13		—	
Innovation Systems sales	400		—		400		—	
Mission Systems								
United States	2,193	85%	2,261	86%	4,413	85%	4,468	86%
Asia/Pacific	160	6%	155	6%	313	6%	309	6%
All other ⁽¹⁾	227	9%	197	8%	453	9%	397	8%
Intersegment sales	294		246		578		485	
Mission Systems sales	2,874		2,859		5,757		5,659	
Technology Services								
United States	673	78%	764	82%	1,368	77%	1,505	80%
Asia/Pacific	36	4%	28	3%	68	4%	74	4%
All other ⁽¹⁾	157	18%	140	15%	345	19%	302	16%
Intersegment sales	182		230		411		471	
Technology Services sales	1,048		1,162		2,192		2,352	
Total								
United States	5,999	84%	5,681	88%	11,864	85%	11,220	87%
Asia/Pacific	469	7%	340	5%	783	6%	728	6%
All other ⁽¹⁾	651	9%	452	7%	1,207	9%	935	7%
Total Sales	\$ 7,119	100%	\$ 6,473	100%	\$ 13,854	100%	\$ 12,883	100%

⁽¹⁾ All other principally comprised of Europe and Middle East.

⁽²⁾ Percentages calculated based on external customer sales.

NORTHROP GRUMMAN CORPORATION
12. RECAST 2017 FINANCIAL INFORMATION

Our prior period financial statements were recast for the retrospective adoption of ASC Topic 606 and ASU 2017-07 as described in Note 1. The following tables summarize the effects of adopting these accounting standards on our unaudited condensed consolidated statement of earnings and comprehensive income for the three and six months ended June 30, 2017 and unaudited condensed consolidated statement of financial position as of December 31, 2017. The adoption of ASC Topic 606 did not have a material impact on our unaudited condensed consolidated statements of cash flows and changes in shareholders' equity for the six months ended June 30, 2017.

**CONDENSED CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
(Unaudited)**

<i>\$ in millions, except per share amounts</i>	Three Months Ended June 30, 2017			
	As Reported	Effect of the Adoption of ASC		As Adjusted
	Topic 606	ASU 2017-07		
Sales				
Product	\$ 3,916	\$ 121	\$ —	\$ 4,037
Service	2,459	(23)	—	2,436
Total sales	6,375	98	—	6,473
Operating costs and expenses				
Product	2,958	87	(8)	3,037
Service	1,896	(14)	(5)	1,877
General and administrative expenses	666	20	—	686
Operating income	855	5	13	873
Other (expense) income				
Interest expense	(76)	—	—	(76)
Net FAS (non-service) pension benefit (expense)	—	—	(17)	(17)
Other, net	28	—	4	32
Earnings before income taxes	807	5	—	812
Federal and foreign income tax expense	255	2	—	257
Net earnings	552	3	—	555
Basic earnings per share	\$ 3.16	\$ 0.02	\$ —	\$ 3.18
Weighted-average common shares outstanding, in millions	174.5	—	—	174.5
Diluted earnings per share	\$ 3.15	\$ 0.01	\$ —	\$ 3.16
Weighted-average diluted shares outstanding, in millions	175.5	—	—	175.5
Net earnings (from above)	\$ 552	\$ 3	\$ —	\$ 555
Other comprehensive income				
Change in unamortized benefit plan costs, net of tax	102	—	—	102
Change in cumulative translation adjustment	(4)	—	—	(4)
Other, net	1	—	—	1
Other comprehensive income, net of tax	99	—	—	99
Comprehensive income	\$ 651	\$ 3	\$ —	\$ 654

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
(Unaudited)

	Six Months Ended June 30, 2017			
	As Reported	Effect of the Adoption of ASC		As Adjusted
		Topic 606	ASU 2017-07	
<i>\$ in millions, except per share amounts</i>				
Sales				
Product	\$ 7,750	\$ 284	\$ —	\$ 8,034
Service	4,892	(43)	—	4,849
Total sales	12,642	241	—	12,883
Operating costs and expenses				
Product	5,829	208	(17)	6,020
Service	3,783	(28)	(11)	3,744
General and administrative expenses	1,343	41	—	1,384
Operating income	1,687	20	28	1,735
Other (expense) income				
Interest expense	(151)	—	—	(151)
Net FAS (non-service) pension benefit (expense)	—	—	(35)	(35)
Other, net	44	—	7	51
Earnings before income taxes	1,580	20	—	1,600
Federal and foreign income tax expense	388	7	—	395
Net earnings	1,192	13	—	1,205
Basic earnings per share	\$ 6.82	\$ 0.08	\$ —	\$ 6.90
Weighted-average common shares outstanding, in millions	174.7	—	—	174.7
Diluted earnings per share	\$ 6.78	\$ 0.07	\$ —	\$ 6.85
Weighted-average diluted shares outstanding, in millions	175.8	—	—	175.8
Net earnings (from above)	\$ 1,192	\$ 13	\$ —	\$ 1,205
Other comprehensive income				
Change in unamortized benefit plan costs, net of tax	201	—	—	201
Change in cumulative translation adjustment	—	—	—	—
Other, net	3	—	—	3
Other comprehensive income, net of tax	204	—	—	204
Comprehensive income	\$ 1,396	\$ 13	\$ —	\$ 1,409

NORTHROP GRUMMAN CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>\$ in millions</i>	December 31, 2017			
	As Reported	Effect of the Adoption of ASC Topic 606		ASU 2017-07
Assets				
Cash and cash equivalents	\$ 11,225	\$ —	\$ —	\$ 11,225
Accounts receivable, net	829	225	—	1,054
Unbilled receivables, net	3,147	318	—	3,465
Inventoried costs, net	780	(382)	—	398
Prepaid expenses and other current assets	368	77	—	445
Total current assets	16,349	238	—	16,587
Property, plant and equipment, net of accumulated depreciation of \$5,066 for 2017	4,225	—	—	4,225
Goodwill	12,455	—	—	12,455
Deferred tax assets	475	(28)	—	447
Intangible assets, net	52	—	—	52
Other non-current assets	1,361	1	—	1,362
Total assets	\$ 34,917	\$ 211	\$ —	\$ 35,128
Liabilities				
Trade accounts payable	\$ 1,661	\$ —	\$ —	\$ 1,661
Accrued employee compensation	1,382	—	—	1,382
Advance payments and amounts in excess of costs incurred	1,617	144	—	1,761
Other current liabilities	2,305	(17)	—	2,288
Total current liabilities	6,965	127	—	7,092
Long-term debt, net of current portion of \$867 for 2017	14,399	—	—	14,399
Pension and other post-retirement benefit plan liabilities	5,511	—	—	5,511
Other non-current liabilities	994	—	—	994
Total liabilities	27,869	127	—	27,996
Commitments and contingencies (Note 8)				
Shareholders' equity				
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—	—	—
Common stock, \$1 par value; 800,000,000 shares authorized; issued and outstanding: 2017—174,085,619	174	—	—	174
Paid-in capital	44	—	—	44
Retained earnings	11,548	84	—	11,632
Accumulated other comprehensive loss	(4,718)	—	—	(4,718)
Total shareholders' equity	7,048	84	—	7,132
Total liabilities and shareholders' equity	\$ 34,917	\$ 211	\$ —	\$ 35,128

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Northrop Grumman Corporation
Falls Church, Virginia

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries (the "Company") as of June 30, 2018, and the related condensed consolidated statements of earnings and comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, and of cash flows and changes in shareholders' equity for the six-month periods ended June 30, 2018 and 2017, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of financial position of Northrop Grumman Corporation and subsidiaries as of December 31, 2017, and the related consolidated statements of earnings and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended prior to retrospective adjustment for the change in the Company's method of accounting for revenue transactions, (not presented herein); and in our report dated January 29, 2018, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 1 and presented in Note 12 that were applied to retrospectively adjust the December 31, 2017 consolidated statement of financial position of the Company (not presented herein). In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated statement of financial position in deriving the accompanying retrospectively adjusted condensed consolidated statement of financial position as of December 31, 2017.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Deloitte & Touche LLP
McLean, Virginia
July 24, 2018

NORTHROP GRUMMAN CORPORATION

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Northrop Grumman Corporation (herein referred to as “Northrop Grumman,” the “company,” “we,” “us,” or “our”) is a leading global security company. We offer a broad portfolio of capabilities and technologies that enable us to deliver innovative products, systems and solutions for applications that range from undersea to outer space and into cyberspace. We provide products, systems and solutions in autonomous systems; cyber; command, control, communications and computers, intelligence, surveillance and reconnaissance (C4ISR); space; strike; and logistics and modernization. We participate in many high-priority defense and government programs in the United States (U.S.) and abroad. We conduct most of our business with the U.S. government, principally the Department of Defense (DoD) and intelligence community. We also conduct business with foreign, state and local governments, as well as commercial customers.

The following discussion should be read along with the financial statements included in this Form 10-Q, as well as our 2017 Annual Report on Form 10-K, which provides additional information on our business and the environment in which we operate and our operating results. Our 2017 results have been recast to reflect the impact of the adoption of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, and Accounting Standards Update (ASU) No. 2017-07, *Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, using the full retrospective method.

Acquisition of Orbital ATK

On June 6, 2018 (the “Merger date”), the company completed its previously announced acquisition of Orbital ATK, a global leader in aerospace and defense technologies, by acquiring all of the outstanding shares of Orbital ATK for a purchase price of \$7.7 billion in cash. On the Merger date, Orbital ATK became a wholly-owned subsidiary of the company and its name was changed to Northrop Grumman Innovation Systems, Inc. We established Innovation Systems as a new, fourth business sector, whose main products include launch vehicles and related propulsion systems; missile products, subsystems and defense electronics; precision weapons, armament systems and ammunition; satellites and associated space components and services; and advanced aerospace structures. The acquisition was financed with proceeds from the company’s debt financing completed in October 2017 and cash on hand. We believe this acquisition will enable us to broaden our capabilities and offerings, provide additional innovative solutions to meet our customers’ emerging requirements, create value for shareholders and provide expanded opportunities for our combined employees. See Note 2 to the financial statements for further information regarding the acquisition of Orbital ATK.

Global Security and Economic Environment

The following is an update of events relating to the global security and economic environment since the filing of our 2017 Annual Report on Form 10-K.

The global security, geopolitical and economic environment continues to be impacted by uncertainty. During the second quarter, the environment continued to be characterized by global and regional security threats from state and non-state actors as well as terrorist organizations and diverse regional security concerns. Additionally, economic tensions and changes in international trade policies, including higher tariffs on imported goods and materials and renegotiation of free trade agreements, could impact the global market for defense products, services and solutions.

U.S. Political and Economic Environment

The following is an update of events relating to the U.S. political and economic environment since the filing of our 2017 Annual Report on Form 10-K.

On February 9, 2018, Congress passed the Bipartisan Budget Act (BBA) of 2018, which extended the continuing resolution funding the government through March 23, 2018 and raised the statutory budget caps for defense spending, including for Overseas Contingency Operations (OCO), by \$80 billion for FY 2018 and by \$85 billion for FY 2019. The BBA also raised non-defense spending by \$63 billion for FY 2018 and \$68 billion for FY 2019 and suspended the debt ceiling until March 1, 2019.

On March 23, 2018, the President signed the Omnibus Appropriations Act for FY18, which provides \$1.3 trillion in discretionary funding for federal agencies. In total for FY 2018, Congress appropriated approximately \$700 billion for national security, including approximately \$630 billion for base discretionary funding and approximately \$70 billion in OCO funding.

The federal budget and debt ceiling are expected to continue to be the subject of considerable debate, which could have a significant impact on defense spending broadly and the company’s programs in particular.

NORTHROP GRUMMAN CORPORATION

Operating Performance Assessment and Reporting

We manage and assess our business based on our performance on contracts and programs (typically larger contracts or two or more closely-related contracts). We recognize sales from our portfolio of long-term contracts as control is transferred to the customer, primarily over time on a cost-to-cost basis (cost incurred relative to cost estimated at completion). As a result, sales tend to fluctuate in concert with costs incurred across our large portfolio of contracts. Due to Federal Acquisition Regulation (FAR) rules that govern our U.S. government business and related Cost Accounting Standards (CAS), most types of costs are allocable to U.S. government contracts. As such, we do not focus on individual cost groupings (such as manufacturing, engineering and design labor, subcontractor, material, overhead and general and administrative (G&A) costs), as much as we do on total contract cost, which is the key driver of our sales and operating income.

In evaluating our operating performance, we look primarily at changes in sales and operating income. Where applicable, significant fluctuations in operating performance attributable to individual contracts or programs, or changes in a specific cost element across multiple contracts, are described in our analysis. Based on this approach and the nature of our operations, the discussion of results of operations below first focuses on our four segments before distinguishing between products and services. Changes in sales are generally described in terms of volume, while changes in margin rates are generally described in terms of performance and/or contract mix. For purposes of this discussion, volume generally refers to increases or decreases in sales or cost from production/service activity levels. Performance generally refers to non-volume related changes in profitability. Contract mix generally refers to changes in the ratio of contract type and/or lifecycle (e.g., cost-type, fixed-price, development, production, and/or sustainment).

CONSOLIDATED OPERATING RESULTS

Selected financial highlights are presented in the table below:

<i>\$ in millions, except per share amounts</i>	Three Months Ended June 30		%	Six Months Ended June 30		%
	2018	2017	Change	2018	2017	Change
Sales	\$ 7,119	\$ 6,473	10 %	\$ 13,854	\$ 12,883	8 %
Operating costs and expenses	6,296	5,600	12 %	12,177	11,148	9 %
<i>Operating costs and expenses as a % of sales</i>	<i>88.4%</i>	<i>86.5%</i>		<i>87.9%</i>	<i>86.5%</i>	
Operating income	823	873	(6)%	1,677	1,735	(3)%
<i>Operating margin rate</i>	<i>11.6%</i>	<i>13.5%</i>		<i>12.1%</i>	<i>13.5%</i>	
Federal and foreign income tax expense	160	257	(38)%	292	395	(26)%
<i>Effective income tax rate</i>	<i>18.8%</i>	<i>31.7%</i>		<i>17.0%</i>	<i>24.7%</i>	
Net earnings	689	555	24 %	1,428	1,205	19 %
Diluted earnings per share	\$ 3.93	\$ 3.16	24 %	\$ 8.14	\$ 6.85	19 %

Sales

Current Quarter

Sales for the three months ended June 30, 2018 increased \$646 million, or 10 percent, as compared with the same period in 2017, primarily due to the addition of \$400 million of sales from Innovation Systems and higher sales at Aerospace Systems, partially offset by lower sales at Technology Services.

Year to Date

Sales for the six months ended June 30, 2018 increased \$971 million, or 8 percent, as compared with the same period in 2017, primarily due to higher sales at Aerospace Systems and the previously noted addition of sales from Innovation Systems.

See “Segment Operating Results” below for further information by segment and “Product and Service Analysis” for product and service detail. See Note 11 to the financial statements for information regarding the company’s sales by customer type, contract type and geographic region for each of our segments.

NORTHROP GRUMMAN CORPORATION

Operating Income

Current Quarter

Operating income for the three months ended June 30, 2018 decreased \$50 million, or 6 percent, as compared with the same period in 2017, due to a \$53 million increase in unallocated corporate expense, largely related to costs associated with the Orbital ATK acquisition as described in “Segment Operating Results,” and a \$17 million decrease in our net FAS (service)/CAS pension adjustment, partially offset by a \$20 million increase in segment operating income. Higher operating costs and expenses as a percentage of sales reduced our operating margin rate to 11.6 percent from 13.5 percent in the prior year period and was principally driven by a lower segment operating margin rate as described in “Segment Operating Results,” the previously noted increase in unallocated corporate expense and the decrease in our net FAS (service)/CAS pension adjustment.

G&A as a percentage of sales for the three months ended June 30, 2018 decreased to 10.4 percent from 10.6 percent in the prior year period primarily due to higher sales.

Year to Date

Operating income for the six months ended June 30, 2018 decreased \$58 million, or 3 percent, as compared with the same period in 2017, due to a \$55 million increase in unallocated corporate expense, largely related to costs associated with the Orbital ATK acquisition as described in “Segment Operating Results,” and a \$44 million decrease in our net FAS (service)/CAS pension adjustment, partially offset by a \$41 million increase in segment operating income. Higher operating costs and expenses as a percentage of sales reduced our operating margin rate to 12.1 percent from 13.5 percent in the prior year period and was principally driven by a lower segment operating margin rate as described in “Segment Operating Results,” the previously noted increase in unallocated corporate expense and the decrease in our net FAS (service)/CAS pension adjustment.

G&A as a percentage of sales for the six months ended June 30, 2018 decreased to 10.5 percent from 10.7 percent in the prior year period and reflects higher sales and increased investment in future business opportunities.

For further information regarding product and service operating costs and expenses, see “Product and Service Analysis” below.

Federal and Foreign Income Taxes

Current Quarter and Year to Date

Our effective tax rate for the three and six months ended June 30, 2018 was lower than the same periods in 2017, as discussed in Note 4 to the financial statements.

Net Earnings

Current Quarter

Net earnings for the three months ended June 30, 2018 increased \$134 million, or 24 percent, as compared to the same period in 2017, primarily due to a \$142 million increase in our net FAS (non-service) pension benefit, the lower effective tax rate described above, \$24 million of higher interest income on short-term investments and \$20 million of higher segment operating income. These increases were partially offset by \$68 million of higher interest expense on long-term debt and the previously noted \$53 million increase in unallocated corporate expense.

Year to Date

Net earnings for the six months ended June 30, 2018 increased \$223 million, or 19 percent, as compared with the same period in 2017, primarily due to a \$280 million increase in our net FAS (non-service) pension benefit, the lower effective tax rate described above, \$55 million of higher interest income on short-term investments and \$41 million of higher segment operating income. These increases were partially offset by \$136 million of higher interest expense on long-term debt and the previously noted \$55 million increase in unallocated corporate expense.

Diluted Earnings Per Share

Current Quarter

Diluted earnings per share for the three months ended June 30, 2018 increased \$0.77, or 24 percent, as compared with the same period in 2017, primarily due to the 24 percent increase in net earnings discussed above.

Year to Date

Diluted earnings per share for the six months ended June 30, 2018 increased \$1.29, or 19 percent, as compared with the same period in 2017, primarily due to the 19 percent increase in net earnings discussed above.

NORTHROP GRUMMAN CORPORATION

SEGMENT OPERATING RESULTS

Basis of Presentation

The company is aligned in four operating sectors, which also comprise our reportable segments: Aerospace Systems, Innovation Systems, Mission Systems and Technology Services. As described above, on the effective date of the Merger, we established Innovation Systems as a new, fourth business sector. The segment operating results below include sales and operating income for Innovation Systems subsequent to the Merger date.

We present our sectors in the following business areas, which are reported in a manner reflecting core capabilities:

Aerospace Systems	Innovation Systems	Mission Systems	Technology Services
Autonomous Systems	Flight Systems	Sensors and Processing	Global Logistics and Modernization
Manned Aircraft	Defense Systems	Cyber and ISR	Advanced Defense Services
Space	Space Systems	Advanced Capabilities	System Modernization and Services

This section discusses segment sales, operating income and operating margin rates. A reconciliation of segment operating income to total operating income is provided below.

Segment Operating Income and Margin Rate

Segment operating income, as reconciled in the Reconciliation of Segment Operating Income to Total Operating Income section below, is a non-GAAP (accounting principles generally accepted in the United States of America) measure that reflects total earnings from our four segments, including allocated pension expense recognized under CAS, and excluding unallocated corporate items and FAS pension expense. This measure may be useful to investors and other users of our financial statements as a supplemental measure in evaluating the financial performance and operational trends of our sectors. This measure may not be defined and calculated by other companies in the same manner and should not be considered in isolation or as an alternative to operating results presented in accordance with GAAP.

<i>\$ in millions</i>	Three Months Ended June 30		%	Six Months Ended June 30		%
	2018	2017		2018	2017	
Segment operating income	\$ 779	\$ 759	3%	\$ 1,541	\$ 1,500	3%
Segment operating margin rate	10.9%	11.7%		11.1%	11.6%	

Current Quarter

Segment operating income for the three months ended June 30, 2018 increased \$20 million, or 3 percent, as compared with the same period in 2017, and includes \$69 million of favorable EAC adjustments on multiple restricted programs at Aerospace Systems and the addition of \$39 million of operating income from Innovation Systems. Second quarter 2017 segment operating income included \$54 million recognized in connection with a claim related to certain costs incurred in prior years (the "Cost Claim"). Segment operating margin rate decreased principally due to a lower segment margin rate at Mission Systems and Technology Services.

NORTHROP GRUMMAN CORPORATION

Year to Date

Segment operating income for the six months ended June 30, 2018 increased \$41 million, or 3 percent, as compared with the same period in 2017, and includes \$69 million of favorable EAC adjustments on multiple restricted programs at Aerospace Systems and the addition of \$39 million of operating income from Innovation Systems. Second quarter 2017 segment operating income included \$54 million recognized in connection with the Cost Claim. Segment operating margin rate decreased principally due to a lower segment margin rate at Mission Systems and Technology Services.

Reconciliation of Segment Operating Income to Total Operating Income - The table below reconciles segment operating income to total operating income by including the impact of the net FAS (service)/CAS pension adjustment, as well as unallocated corporate expense (certain corporate-level costs, which are not considered allowable or allocable under applicable CAS or FAR, and costs not considered part of management's evaluation of segment operating performance). See Note 11 to the financial statements for further information on the net FAS (service)/CAS pension adjustment and unallocated corporate expense.

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Segment operating income	\$ 779	\$ 759	\$ 1,541	\$ 1,500
CAS pension expense	237	251	463	502
Less: FAS (service) pension expense	(100)	(97)	(199)	(194)
Net FAS (service)/CAS pension adjustment	137	154	264	308
Unallocated corporate expense	(92)	(39)	(126)	(71)
Other	(1)	(1)	(2)	(2)
Total operating income	\$ 823	\$ 873	\$ 1,677	\$ 1,735

Net FAS (service)/CAS Pension Adjustment

The decrease in our net FAS (service)/CAS pension adjustment for the three and six months ended June 30, 2018, as compared with the same period in 2017, is primarily due to lower CAS expense resulting from higher asset returns in 2017 and a change in our mortality assumption as of December 31, 2017.

Unallocated Corporate Expense

Unallocated corporate expense increased for the three and six months ended June 30, 2018, as compared with the same periods in 2017 primarily due to costs associated with the Orbital ATK acquisition, which included non-recurring transaction costs of \$23 million and \$29 million, respectively, and amortization expense of Innovation Systems purchased intangibles of \$21 million for both periods.

Net EAC Adjustments - We record changes in estimated contract earnings at completion (net EAC adjustments) using the cumulative catch-up method of accounting. Net EAC adjustments can have a significant effect on reported sales and operating income and the aggregate amounts are presented in the table below:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Favorable EAC adjustments	\$ 237	\$ 170	\$ 444	\$ 352
Unfavorable EAC adjustments	(94)	(68)	(185)	(109)
Net EAC adjustments	\$ 143	\$ 102	\$ 259	\$ 243

NORTHROP GRUMMAN CORPORATION

Net EAC adjustments by segment are presented in the table below:

<i>\$ in millions</i>	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Aerospace Systems	\$ 95	\$ 62	\$ 149	\$ 115
Innovation Systems ⁽¹⁾	—	—	—	—
Mission Systems ⁽²⁾	50	27	95	89
Technology Services	(2)	15	20	46
Eliminations	—	(2)	(5)	(7)
Net EAC adjustments	\$ 143	\$ 102	\$ 259	\$ 243

⁽¹⁾ Innovation Systems had no net EAC adjustments during the period subsequent to the Merger date as the acquired contracts have been preliminarily recorded at their estimated fair value.

⁽²⁾ During the three months ended June 30, 2018, Mission Systems recognized a forward loss provision on an Advanced Capabilities program. This forward loss provision is not included as an EAC adjustment above as it relates to cost growth for changes impacting unexercised fixed price options.

For purposes of the discussion in the remainder of this Segment Operating Results section, references to operating income and operating margin rate reflect segment operating income and segment operating margin rate, respectively.

AEROSPACE SYSTEMS

<i>\$ in millions</i>	Three Months Ended June 30		%	Six Months Ended June 30		%
	2018	2017		2018	2017	
Sales	\$ 3,337	\$ 3,003	11%	\$ 6,617	\$ 5,987	11%
Operating income	357	320	12%	698	643	9%
Operating margin rate	10.7%	10.7%		10.5%	10.7%	

Current Quarter

Aerospace Systems sales for the three months ended June 30, 2018 increased \$334 million, or 11 percent, as compared with the same period in 2017, due to higher volume on Manned Aircraft programs, as well as Autonomous Systems and Space programs. Manned Aircraft sales were driven by higher restricted and F-35 volume. Autonomous Systems sales reflect higher volume on several programs, partially offset by lower Global Hawk volume. Space sales reflect higher restricted and Ground Based Strategic Deterrent (GBSD) volume, partially offset by lower James Webb Space Telescope (JWST) and intercompany volume.

Operating income for the three months ended June 30, 2018 increased \$37 million, or 12 percent, primarily due to higher sales. Operating margin rate was comparable with the prior period and reflects the previously noted \$69 million of favorable EAC adjustments on multiple restricted programs, partially offset by an unfavorable EAC adjustment on JWST and a benefit recognized in the second quarter of 2017 in connection with the Cost Claim.

Year to Date

Aerospace Systems sales for the six months ended June 30, 2018 increased \$630 million, or 11 percent, as compared with the same period in 2017, due to higher volume on Manned Aircraft programs, as well as Autonomous Systems and Space programs. Manned Aircraft sales were driven by higher restricted and F-35 volume. Autonomous Systems sales reflect higher volume on several programs, partially offset by lower Global Hawk volume. Space sales reflect higher restricted and GBSD volume, partially offset by lower intercompany and JWST volume.

Operating income for the six months ended June 30, 2018 increased \$55 million, or 9 percent, as compared with the same period in 2017, primarily due to higher sales. Operating margin rate decreased to 10.5 percent from 10.7 percent primarily due to an unfavorable EAC adjustment on JWST, a benefit recognized in the second quarter of 2017 in connection with the Cost Claim and a non-programmatic benefit recognized during the first quarter of 2017. These decreases were partially offset by the previously noted \$69 million of favorable EAC adjustments on multiple restricted programs.

NORTHROP GRUMMAN CORPORATION

INNOVATION SYSTEMS

<i>\$ in millions</i>	Three Months Ended June 30		%	Six Months Ended June 30		%
	2018	2017	Change	2018	2017	Change
Sales	\$ 400	\$ —	—	\$ 400	\$ —	—
Operating income	39	—	—	39	—	—
Operating margin rate	9.8%	—	—	9.8%	—	—

Current Quarter & Year to Date

The sales and operating income above reflect the operating results of Innovation Systems subsequent to the Merger date.

MISSION SYSTEMS

<i>\$ in millions</i>	Three Months Ended June 30		%	Six Months Ended June 30		%
	2018	2017	Change	2018	2017	Change
Sales	\$ 2,874	\$ 2,859	1 %	\$ 5,757	\$ 5,659	2 %
Operating income	352	384	(8)%	723	743	(3)%
Operating margin rate	12.2%	13.4%	—	12.6%	13.1%	—

Current Quarter

Mission Systems sales for the three months ended June 30, 2018 increased \$15 million, or 1 percent, as compared with the same period in 2017, due to higher Sensors and Processing and Advanced Capabilities volume, partially offset by lower Cyber and ISR volume. Sensors and Processing sales increased principally due to higher volume on restricted programs, the Scalable Agile Beam Radar (SABR) program, F-35 and communications programs. Advanced Capabilities sales increased primarily due to higher volume on several programs, including the Integrated Air and Missile Defense Battle Command System (IBCS), partially offset by lower volume on the Joint National Integration Center Research and Development (JRDC) program and follow on activity. Cyber and ISR sales decreased primarily due to lower volume on restricted ISR programs.

Operating income for the three months ended June 30, 2018 decreased \$32 million, or 8 percent, primarily due to a lower segment operating margin rate, which more than offset higher sales. Operating margin rate decreased to 12.2 percent from 13.4 percent primarily due to a benefit recognized in the second quarter of 2017 in connection with the Cost Claim and a forward loss provision recorded in 2018 on an Advanced Capabilities program, partially offset by improved performance on Sensors and Processing and Cyber and ISR programs.

Year to Date

Mission Systems sales for the six months ended June 30, 2018 increased \$98 million, or 2 percent, as compared with the same period in 2017, due to higher Sensors and Processing and Advanced Capabilities volume, partially offset by lower Cyber and ISR volume. Sensors and Processing sales increased principally due to higher volume on electro-optical/infrared self-protection programs, restricted programs, F-35, communications programs and SABR. Advanced Capabilities sales increased primarily due to higher volume on several programs, including IBCS, partially offset by lower volume on JRDC. Cyber and ISR sales decreased primarily due to lower volume on restricted ISR programs.

Operating income for the six months ended June 30, 2018 decreased \$20 million, or 3 percent, as compared with the same period in 2017, primarily due to a lower segment operating margin rate, which more than offset higher sales. Operating margin rate decreased to 12.6 percent from 13.1 percent principally due to a forward loss provision recorded on an Advanced Capabilities program.

NORTHROP GRUMMAN CORPORATION

TECHNOLOGY SERVICES

<i>\$ in millions</i>	Three Months Ended June 30		%	Six Months Ended June 30		%
	2018	2017	Change	2018	2017	Change
Sales	\$ 1,048	\$ 1,162	(10)%	\$ 2,192	\$ 2,352	(7)%
Operating income	95	125	(24)%	217	254	(15)%
Operating margin rate	9.1%	10.8%		9.9%	10.8%	

Current Quarter

Technology Services sales for the three months ended June 30, 2018 decreased \$114 million, or 10 percent, as compared with the same period in 2017, due to lower volume on Advanced Defense Services and System Modernization and Services programs, partially offset by higher volume on Global Logistics and Modernization programs. Advanced Defense Services and System Modernization and Services sales decreased primarily due to the completion of several programs, including JRDC. Global Logistics and Modernization sales increased primarily due to higher volume for several programs, including the Special Electronic Mission Aircraft (SEMA) program and international activities, partially offset by lower volume from the KC-10 program as our contract nears completion.

Operating income for the three months ended June 30, 2018 decreased \$30 million, or 24 percent, primarily due to a lower operating margin rate and lower sales. Operating margin rate decreased to 9.1 percent from 10.8 percent principally due to an unfavorable EAC adjustment recorded upon receipt of a notice of termination on the Virginia Information Technologies Agency (VITA) program and a benefit recognized in the second quarter of 2017 in connection with the Cost Claim.

Year to Date

Technology Services sales for the six months ended June 30, 2018 decreased \$160 million, or 7 percent, as compared with the same period in 2017, due to lower volume on Advanced Defense Services and System Modernization and Services programs, partially offset by higher volume on Global Logistics and Modernization programs. Advanced Defense Services and System Modernization and Services sales decreased primarily due to the completion of several programs, including JRDC, partially offset by higher volume on the Saudi Arabian Ministry of National Guard Training Support program (through our interest in a joint venture for which we consolidate the financial results). Global Logistics and Modernization sales increased primarily due to higher volume for several programs, including SEMA, partially offset by lower volume from the KC-10 program as our contract nears completion.

Operating income for the six months ended June 30, 2018 decreased \$37 million, or 15 percent, as compared with the same period in 2017, primarily due to a lower operating margin rate and lower sales. Operating margin rate decreased to 9.9 percent from 10.8 percent principally due to an unfavorable EAC adjustment recorded upon receipt of a notice of termination on the VITA program and a benefit recognized in the second quarter of 2017 in connection with the Cost Claim.

NORTHROP GRUMMAN CORPORATION
PRODUCT AND SERVICE ANALYSIS

The following table presents product and service sales and operating costs and expenses by segment:

<i>\$ in millions</i>	Three Months Ended June 30				Six Months Ended June 30			
	2018		2017		2018		2017	
Segment Information:	Sales	Operating Costs and Expenses	Sales	Operating Costs and Expenses	Sales	Operating Costs and Expenses	Sales	Operating Costs and Expenses
Aerospace Systems								
Product	\$ 2,813	\$ 2,514	\$ 2,477	\$ 2,213	\$ 5,564	\$ 4,979	\$ 4,957	\$ 4,417
Service	524	466	526	470	1,053	940	1,030	927
Innovation Systems								
Product	354	317	—	—	354	317	—	—
Service	46	44	—	—	46	44	—	—
Mission Systems								
Product	1,812	1,566	1,755	1,507	3,531	3,042	3,477	2,992
Service	1,062	956	1,104	968	2,226	1,992	2,182	1,924
Technology Services								
Product	118	109	87	81	224	206	162	151
Service	930	844	1,075	956	1,968	1,769	2,190	1,947
Segment Totals								
Total Product	\$ 5,097	\$ 4,506	\$ 4,319	\$ 3,801	\$ 9,673	\$ 8,544	\$ 8,596	\$ 7,560
Total Service	2,562	2,310	2,705	2,394	5,293	4,745	5,402	4,798
Intersegment eliminations	(540)	(476)	(551)	(481)	(1,112)	(976)	(1,115)	(975)
Total segment⁽¹⁾	\$ 7,119	\$ 6,340	\$ 6,473	\$ 5,714	\$ 13,854	\$ 12,313	\$ 12,883	\$ 11,383

⁽¹⁾ A reconciliation of segment operating income to total operating income is included in "Segment Operating Results."

Product Sales and Costs
Current Quarter

Product sales for the three months ended June 30, 2018 increased \$778 million, or 18 percent, as compared with the same period in 2017. The increase was primarily due to higher restricted and F-35 volume at Aerospace Systems and the addition of sales from Innovation Systems.

Product costs for the three months ended June 30, 2018 increased \$705 million, or 19 percent, as compared with the same period in 2017. The increase was consistent with the higher product sales described above and reflects a lower product margin at Mission Systems.

Year to Date

Product sales for the six months ended June 30, 2018 increased \$1.1 billion, or 13 percent, as compared with the same period in 2017. The increase was primarily due to higher restricted and F-35 volume at Aerospace Systems and the addition of sales from Innovation Systems.

Product costs for the six months ended June 30, 2018 increased \$984 million, or 13 percent, as compared with the same period in 2017, consistent with the change in product sales described above.

NORTHROP GRUMMAN CORPORATION

Service Sales and Costs

Current Quarter

Service sales for the three months ended June 30, 2018 decreased \$143 million, or 5 percent, as compared with the same period in 2017. The decrease was primarily due to lower service sales at Technology Services principally due to the completion of several programs in 2017.

Service costs for the three months ended June 30, 2018 decreased \$84 million, or 4 percent, as compared with the same period in 2017. The decrease was consistent with the lower service sales described above and reflects lower service margin rates at Mission Systems and Technology Services.

Year to Date

Service sales for the six months ended June 30, 2018 decreased \$109 million, or 2 percent, as compared with the same period in 2017. The decrease was primarily driven by lower service sales at Technology Services principally due to the completion of several programs in 2017, partially offset by higher service volume on several Sensors and Processing programs at Mission Systems and the addition of sales from Innovation Systems.

Service costs for the six months ended June 30, 2018 decreased \$53 million, or 1 percent, as compared with the same period in 2017. The decrease was consistent with the lower service sales described above and reflects lower service margin rates at Mission Systems and Technology Services.

BACKLOG

Backlog represents the future sales we expect to recognize on firm orders received by the company and is equivalent to the company's remaining performance obligations at the end of each period. It comprises both funded backlog (firm orders for which funding is authorized and appropriated) and unfunded backlog. Unexercised contract options and indefinite delivery indefinite quantity (IDIQ) contracts are not included in backlog until the time the option or IDIQ task order is exercised or awarded. Backlog is converted into sales primarily as costs are incurred.

Company backlog as of June 30, 2018 and December 31, 2017 was \$52.2 billion and \$42.6 billion, respectively. Backlog as of June 30, 2018 includes \$8.7 billion of Innovation Systems backlog (approximately \$500 million of legacy Orbital ATK backlog related to contracts with legacy Northrop Grumman sectors was eliminated in connection with the Merger). As discussed in Note 1 to the financial statements, we adopted ASC Topic 606 on January 1, 2018 using the full retrospective method and applied the transition practical expedient related to backlog for reporting periods presented before the date of initial application. However, for comparative purposes, we have recast our backlog as of December 31, 2017 to reflect the impact of adoption of ASC Topic 606.

LIQUIDITY AND CAPITAL RESOURCES

We endeavor to ensure the most efficient conversion of operating income into cash for deployment in our business and to maximize shareholder value through cash deployment activities. In addition to our cash position, we use various financial measures to assist in capital deployment decision-making, including cash provided by operating activities and free cash flow, a non-GAAP measure described in more detail below.

Cash and cash equivalents and cash generated from operating activities, supplemented by borrowings under credit facilities, commercial paper and/or in the capital markets, if needed, are expected to be sufficient to fund our operations for at least the next 12 months.

NORTHROP GRUMMAN CORPORATION**Operating Cash Flow**

The table below summarizes key components of cash flow provided by operating activities:

<i>\$ in millions</i>	Six Months Ended June 30	
	2018	2017
Net earnings	\$ 1,428	\$ 1,205
Non-cash items ⁽¹⁾	317	216
Changes in assets and liabilities:		
Trade working capital	(967)	(1,472)
Retiree benefits	(127)	165
Other, net	(13)	(46)
Net cash provided by operating activities	\$ 638	\$ 68

⁽¹⁾ Includes depreciation and amortization, stock based compensation expense and deferred income taxes.

Net cash provided by operating activities for the six months ended June 30, 2018 increased \$570 million, as compared with the same period in 2017, principally due to improved trade working capital performance.

Free Cash Flow

Free cash flow, as reconciled in the table below, is a non-GAAP measure defined as net cash provided by operating activities less capital expenditures, and may not be defined and calculated by other companies in the same manner. We use free cash flow as a key factor in our planning for, and consideration of, acquisitions, stock repurchases, and the payment of dividends. 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.

The table below reconciles net cash provided by operating activities to free cash flow:

<i>\$ in millions</i>	Six Months Ended June 30	
	2018	2017
Net cash provided by operating activities	\$ 638	\$ 68
Less: capital expenditures	(504)	(433)
Free cash flow	\$ 134	\$ (365)

Free cash flow for the six months ended June 30, 2018 increased \$499 million, as compared with the same period in 2017, principally due to the increase in net cash provided by operating activities described above, partially offset by higher capital expenditures at Aerospace Systems.

Investing Cash Flow

Net cash used in investing activities for the six months ended June 30, 2018 increased to \$8.2 billion from \$426 million in the prior year period principally due to \$7.7 billion paid for the acquisition of Orbital ATK, net of cash acquired.

Financing Cash Flow

Net cash used in financing activities for the six months ended June 30, 2018 increased to \$2.2 billion from \$800 million in the prior year period. The increase was primarily due to \$1.6 billion in debt repayments and \$314 million in payments to credit facilities, partially offset by lower share repurchases and net borrowings of \$249 million of commercial paper in 2018.

Credit Facilities, Commercial Paper and Financial Arrangements - See Note 8 to the financial statements for further information on our credit facilities, commercial paper and our use of standby letters of credit and guarantees.

Share Repurchases - See Note 3 to the financial statements for further information on our share repurchase programs.

Unsecured Senior Notes - See Note 6 to the financial statements for further information.

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CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Revenue Recognition

Effective January 1, 2018, we adopted ASC Topic 606, *Revenue from Contracts with Customers*, using the full retrospective method. ASC Topic 606 supersedes previous revenue recognition guidance, including ASC 605-35, *Revenue Recognition - Construction-Type and Production-Type Contracts*, and outlines a single set of comprehensive principles for recognizing revenue under GAAP. Under ASC Topic 606, revenue is recognized as control transfers to the customer. As such, under the new standard, revenue for our contracts is generally recognized over time using the cost-to-cost method, which is consistent with the revenue recognition model used for the majority of our contracts prior to the adoption of ASC Topic 606. In most cases the accounting for those contracts where we previously recognized revenue as units were delivered has changed under ASC Topic 606 such that we now recognize revenue as costs are incurred. In addition, for certain of our contracts, there is a change in the number of performance obligations under ASC Topic 606, which has altered the timing of revenue and margin recognition. See “Revenue Recognition” in Note 1 to the financial statements for additional information regarding our revenue recognition accounting policies.

Other Purchased Intangible Assets

We recognize purchased intangible assets in connection with our business acquisitions at fair value on the acquisition date. The most significant purchased intangible assets recognized from our acquisitions are generally customer-related intangible assets, including customer contracts and commercial customer relationships. We determine the fair value of those customer-related intangible assets based on estimates and judgments, including the amount and timing of expected future cash flows, long-term growth rates and discount rates. In some cases, we use discounted cash flow analyses, which are based on estimates of future sales, earnings and cash flows after considering such factors as general market conditions, customer budgets, existing firm and future orders, changes in working capital, long term business plans and recent operating performance.

We test for impairment of our intangible assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Our assessment is based on our projection of the undiscounted future operating cash flows of the related asset group. If such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amount, we recognize a non-cash impairment charge to reduce the carrying amount to fair value.

ACCOUNTING STANDARDS UPDATES

See Note 1 to our financial statements for further information on accounting standards updates.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This Form 10-Q and the information we are incorporating by reference contain statements, other than statements of historical fact, that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “will,” “expect,” “intend,” “may,” “could,” “plan,” “project,” “forecast,” “believe,” “estimate,” “outlook,” “anticipate,” “trends,” “goals” 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. 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 our 2017 Annual Report on Form 10-K, the section entitled “Risk Factors” in this report and in other filings with the Securities and Exchange Commission (SEC). They include:

- our dependence on the U.S. government for a substantial portion of our business
- significant delays or reductions in appropriations for our programs and U.S. government funding more broadly
- investigations, claims, disputes, enforcement actions and/or litigation
- the use of estimates when accounting for our contracts and the effect of contract cost growth and/or changes in estimated contract revenues and costs

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- our exposure to additional risks as a result of our international business, including risks related to geopolitical and economic factors, laws and regulations
- the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate and the impact on our reputation, our ability to do business, and our financial position, results of operations and/or cash flows
- cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners
- the performance and financial viability of our subcontractors and suppliers and the availability and pricing of raw materials, chemicals and components
- changes in procurement and other laws, regulations and practices applicable to our industry, findings by the U.S. government as to our compliance with such laws and regulations, and changes in our customers' business practices globally
- increased competition within our markets and bid protests
- the ability to maintain a qualified workforce
- our ability to meet performance obligations under our contracts, including obligations that are technologically complex, require certain manufacturing expertise or are dependent on factors not wholly within our control
- environmental matters, including unforeseen environmental costs and government and third party claims
- natural and/or environmental disasters
- the adequacy and availability of our insurance coverage, customer indemnifications or other liability protections
- products and services we provide related to hazardous and high risk operations, which subject us to various environmental, regulatory, financial, reputational and other risks
- the future investment performance of plan assets, changes in actuarial assumptions associated with our pension and other post-retirement benefit plans and legislative or other regulatory actions impacting our pension, post-retirement and health and welfare plans
- our ability successfully to integrate the Orbital ATK business and realize fully the anticipated benefits of the acquisition, without adverse consequences
- our ability to exploit or protect intellectual property rights
- our ability to develop new products and technologies and maintain technologies, facilities, and equipment to win new competitions and meet the needs of our customers
- the components, production and use of certain of our products involve hazardous and significant risks
- changes in business conditions that could impact business investments and/or recorded goodwill or the value of other long-lived assets
- unanticipated changes in our tax provisions or exposure to additional tax liabilities
- qualification of the Alliant Techsystems Inc. spin-off of Vista Outdoor Inc. as a tax-free transaction

Additional information regarding these risks and other important factors can be found in the section entitled "Risk Factors" in our 2017 Annual Report on Form 10-K, the section entitled "Risk Factors" in this report and from time to time in our other filings with the SEC.

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 report is first filed 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.

CONTRACTUAL OBLIGATIONS

As a result of the Merger, the company assumed contractual obligations and commitments of Orbital ATK. This included \$700 million of long-term debt outstanding as of June 30, 2018, which was subsequently repaid in July

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2018. See Notes 2 and 6 to the financial statements for further information regarding the acquisition of Orbital ATK and subsequent debt repayment. As of June 30, 2018, except as described above, there have been no material changes to our contractual obligations from those discussed in our 2017 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

COMMODITY PRICE RISK

In certain circumstances, we are exposed to commodity price risk on purchases of inventory such as copper and zinc. We enter into futures contracts and purchase orders for the current expected production requirements for a small-caliber ammunition supply contract and the production of commercial ammunition. We do not hold or issue derivative financial instruments for trading purposes. At June 30, 2018, we had commodity forward contracts outstanding that hedge forecasted commodity purchases of 17 million pounds of copper and 6 million pounds of zinc. At June 30, 2018, a 10 percent unfavorable change in commodity prices would not have a material impact on our consolidated financial position, annual results of operations and/or cash flows.

During the three months ended June 30, 2018, except as described above, there have been no material changes to our market risks from those discussed in our 2017 Annual Report on Form 10-K.

Item 4. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Our principal executive officer (Chairman and Chief Executive Officer) and principal financial officer (Corporate Vice President and Chief Financial Officer) have evaluated the company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) as of June 30, 2018, and have concluded that these controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit is accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As previously discussed, we completed our acquisition of Orbital ATK during the second quarter of 2018 (see Note 2 to the financial statements). We are in the process of integrating certain controls and related procedures for legacy Orbital ATK with those of legacy Northrop Grumman. Other than integrating such controls, during the three months ended June 30, 2018, no change occurred in our internal controls over financial reporting that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about certain legal proceedings in which we are involved in our 2017 Annual Report on Form 10-K, and updated that information in Notes 7 and 8 to the financial statements.

We are a party to various investigations, lawsuits, claims, enforcement actions and other legal proceedings, including government investigations and claims, that arise in the ordinary course of our business. These types of matters could result in administrative, civil or criminal fines, penalties or other sanctions (which terms include judgments or convictions and consent or other voluntary decrees or agreements); compensatory, treble or other damages; non-monetary relief or actions; or other liabilities. Government regulations provide that certain allegations against a contractor may lead to suspension or debarment from future government contracts or suspension of export privileges for the company or one or more of its components. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter. However, based on information available to us to date and other than as noted in our 2017 Annual Report on Form 10-K, as updated by Notes 7 and 8 to the financial statements in this report, we do not believe that the outcome of any matter currently pending against the company is likely to have a material adverse effect on the company's unaudited condensed consolidated financial position as of June 30, 2018 or its annual results of operations and/or cash flows. For further information on the risks we face from existing and future investigations, lawsuits, claims, enforcement actions and other legal proceedings, please see "Risk Factors" in our 2017 Annual Report on Form 10-K and in this Form 10-Q.

Item 1A. Risk Factors

The following risk factors update or are in addition to the risk factors described in the section entitled "Risk Factors" in our 2017 Annual Report on Form 10-K and should be read in conjunction with the risk factors therein. Except as set forth below, there have been no material changes to the risk factors described in our 2017 Annual Report on Form 10-K.

•We are subject to various investigations, claims, disputes, enforcement actions, litigation and other legal proceedings that could ultimately be resolved against us.

The size, nature and complexity of our business make us susceptible to investigations, claims, disputes, enforcement actions, litigation and other legal proceedings, particularly those involving governments. We are and may become subject to investigations, claims, disputes, enforcement actions and administrative, civil or criminal litigation or other legal proceedings globally and across a broad array of matters, including, but not limited to, government contracts, commercial transactions, false claims, false statements, mischarging, contract performance, fraud, procurement integrity, products liability, warranty liability, personal injury claims, environmental, shareholder derivative actions, prior acquisitions and divestitures, intellectual property, tax, employees, export/import, anti-corruption, labor, health and safety, accidents, launch failures, employee benefits and plans, including plan administration, and improper payments, as well as matters relating to the former Orbital ATK, Inc. and our acquisition of that company. These matters could divert financial and management resources; result in administrative, civil or criminal fines, penalties or other sanctions (which terms include judgments or convictions and consent or other voluntary decrees or agreements); compensatory, treble or other damages; non-monetary relief or actions; or other liabilities; and otherwise harm our business. Government regulations provide that certain allegations against a contractor may lead to suspension or debarment from government contracts or suspension of export privileges for the company or one or more of its components. Suspension or debarment or criminal resolutions in particular could have a material adverse effect on the company because of our reliance on government contracts and export authorizations. An investigation, claim, dispute, enforcement action or litigation, even if not substantiated or fully indemnified or insured, could also negatively impact our reputation among our customers and the public, and make it substantially more difficult for us to compete effectively for business or obtain adequate insurance in the future. Investigations, claims, disputes, enforcement actions or litigation could have a material adverse effect on our financial position, results of operations and/or cash flows.

•Our earnings and profitability depend, in part, on subcontractor and supplier performance and financial viability as well as raw material and component availability and pricing.

We rely on other companies to provide raw materials, chemicals and major components and subsystems for our products and to produce hardware elements and sub-assemblies, provide software and intellectual property, and perform some of the services we provide to our customers, and to do so in compliance with all applicable laws, regulations and contract terms. Disruptions or performance problems caused by our subcontractors and suppliers, or a misalignment between our contractual obligations to our customers and our agreement with our subcontractors and

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suppliers, could have various impacts on the company, including on our ability to meet our commitments to customers.

Our ability to perform our obligations on time could be adversely affected if one or more of our subcontractors or suppliers were unable to provide the agreed-upon products or materials or perform the agreed-upon services in a timely, compliant and cost-effective manner or otherwise to meet the requirements of the contract. Changes in economic conditions, including changes in defense budgets or credit availability, or other changes impacting a subcontractor or supplier (including changes in ownership or operations) could adversely affect the financial stability of our subcontractors and suppliers and/or their ability to perform. The inability of our suppliers to perform, or their inability to perform adequately, could also result in the need for us to transition to alternate suppliers, which could result in significant incremental cost and delay or the need for us to provide other resources to support our existing suppliers.

In connection with our U.S. Government contracts, we are required to procure certain materials, components and parts from supply sources approved by the customer. We also are facing increased and changing regulatory requirements, both domestically and internationally, many of which apply to our subcontractors and suppliers. In some cases, there may be only one supplier, or one domestic supplier, for certain components. For example, a single domestic source currently supplies us, as well as the U.S. domestic solid propellant industry, with a principal raw material used in the production of solid rocket motors. If a sole supplier cannot meet our needs, experiences disruptions to production or is otherwise unavailable or not fully available, we may be unable to find a suitable alternative.

Our procurement practices are intended to reduce the likelihood of our procurement of counterfeit, unauthorized or otherwise non-compliant parts or materials. We rely on our subcontractors and suppliers to comply with applicable laws, regulations and contract terms, including regarding the parts or materials we procure from them; in some circumstances, we rely on certifications provided by our subcontractors and suppliers regarding their compliance. We also rely on our subcontractors and suppliers effectively to mitigate the risk of cyber and security threats or other disruptions with respect to the products, components and services they deliver to us and the information entrusted to them by us or our customers and to comply with applicable laws and regulations, including our customer's cybersecurity requirements.

If we are unable to procure or experience significant delays in subcontractor or supplier deliveries of needed materials, components, services, intellectual property or parts; if our subcontractors or suppliers fail to perform, if they do not comply with all applicable laws, regulations and contract terms, or if the certifications we receive from them are inaccurate; or if what we receive is counterfeit or otherwise improper, it could have a material adverse effect on our financial position, results of operations and/or cash flows.

Anticipated benefits of the Orbital ATK Acquisition may not be realized.

On June 6, 2018, the company completed the acquisition of Orbital ATK, Inc. which is now our new Innovation Systems sector. We believe this acquisition will enable us to broaden our capabilities and offerings, enhance our ability to provide innovative solutions to meet our customers' emerging requirements, create value for shareholders and provide expanded opportunities for our combined employees. However, in the course of integrating our business with the legacy Orbital ATK business, we may discover additional information about the legacy Orbital ATK business (including its financial controls and potential risks, opportunities and liabilities) that alters our assessment of the anticipated benefits, costs and risks of the acquisition. Additionally, our customers may not value our combined businesses and capabilities as much as we anticipate, in which case we may not realize the benefits of our combined business to the extent we currently anticipate or at all.

Our ability to realize the anticipated benefits of the acquisition will depend, to a large extent, on our ability to integrate the legacy Orbital ATK business with ours. The integration of an independent business with our business is a complex, costly and time-consuming process. Costs may include, among other things, those associated with facilities and systems consolidation, operational impacts, severance and other potential employment-related costs, as well as fees paid to financial, legal and other advisors. We are devoting significant management attention and resources effectively to integrate the legacy Orbital ATK business and operations with our business, including integration of internal controls processes and procedures, and to realize the anticipated benefits. The integration process may disrupt our business and, if implemented ineffectively, may not result in the realization of the expected benefits of the acquisition. The consummation of the acquisition has triggered change in control and other similar provisions in certain agreements to which legacy Orbital ATK is a party and otherwise affected contractual relationships, which could have an adverse impact on the combined business if we are unable to address such issues successfully. The failure to meet the challenges involved in integrating the legacy Orbital ATK business and to

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realize the anticipated benefits of the acquisition could cause an interruption of, or a loss of momentum in, our activities. The foregoing risks could have a material adverse effect on our future financial position, results of operations and/or cash flows.

•The components, production and use of certain of our products involves hazardous and significant risks.

The new Innovation Systems sector designs, manufactures, produces and sells products that involve highly explosive or flammable elements, or otherwise dangerous risks. These risks relate to the chemicals and other components used in our products, the production processes, and the use of the products by the company, customers and others. These risks include personal injury, property damage and environmental contamination, as well as harm to our business and operations.

Certain of the Innovation Systems products, including products from its Defense Systems business, such as small, medium and large caliber ammunition, and its Flight Systems business, such as solid rocket motors and liquid propulsion engines, involve the use, manufacture and/or handling of a variety of explosive and flammable materials. From time to time, these activities have resulted in incidents, such as an explosion at the Lake City Army Ammunition Plant in 2017, that have caused workplace injuries and fatalities, the temporary shut down or other disruption of our manufacturing process, production delays, environmental harm and expense, fines and liability to third parties. We have safety and loss prevention programs which provide for detailed pre-construction reviews of process changes and new operations, along with routine safety audits of operations involving explosive materials, to mitigate such incidents, as well as insurance coverage. We and our customers may experience similar or more serious incidents in the future which could result in various liabilities and production delays. The occurrence and impact of these factors is difficult to predict, but one or more of them could have a material adverse effect on our financial position or annual results of operations and/or cash flows.

•If the distribution (Distribution) by Alliant Techsystems Inc. (“ATK”) of the shares of Vista Outdoor Inc. (Vista) did not qualify as a tax-free spin-off under Section 355 of the Internal Revenue Code (the Code), including as a result of subsequent acquisitions of ATK’s successor Orbital ATK, Inc. (OATK) or of Vista, then ATK’s stockholders immediately prior to the Distribution may be required to pay substantial U.S. federal income taxes and we may be obligated to indemnify Vista for such taxes imposed on Vista.

The Distribution and ATK’s acquisition of Orbital Sciences Corporation (Orbital) to create the former OATK (the Orbital-ATK Merger) were intended to qualify as tax-free to ATK, ATK’s stockholders, Vista and Orbital for U.S. federal income tax purposes. However, there can be no assurance that the IRS or the courts will agree with the conclusion of the parties and their counsel regarding the tax treatment of the Distribution and Orbital-ATK Merger. If the Distribution or certain related transactions were taxable, ATK’s shareholders immediately prior to the Distribution could recognize income on their receipt of Vista Outdoor stock in the Distribution, and ATK could be considered to have made a taxable sale of certain of its assets to Vista Outdoor.

The Distribution may be taxable to us pursuant to Section 355(e) of the Code if there is a 50% or more change in ownership of either ATK’s successor OATK or Vista, directly or indirectly, as part of a plan or series of related transactions that include the Distribution. Because former ATK stockholders collectively owned more than 50% of OATK’s common stock following the Orbital-ATK Merger, the Orbital-ATK Merger alone should not cause the Distribution to be taxable under Section 355(e). However, Section 355(e) could apply if other acquisitions of OATK stock before or after the Orbital-ATK Merger, or of Vista after the Orbital-ATK Merger, are considered to be part of a plan or series of related transactions that include the Distribution. If Section 355(e) were to apply, ATK could be considered to have made a taxable sale of certain assets to Vista Outdoor and could recognize a substantial taxable gain.

Under the tax matters agreement between OATK and Vista (the Tax Matters Agreement), in certain circumstances, and subject to certain limitations, Vista is required to indemnify OATK against taxes on the Distribution that arise as a result of actions or failures to act by Vista, or as a result of Section 355(e) applying due to acquisitions of Vista stock after the Distribution. In other cases, however, we might recognize a taxable gain on the Distribution without being entitled to an indemnification payment under the Tax Matters Agreement. If such tax is imposed on Vista, then we may, depending on the circumstances, be required to indemnify Vista for that tax.

The impact of these factors is difficult to predict, but one or more of them could cause reputational harm and could have an adverse effect on our financial position or annual results of operations and/or cash flows.

NORTHROP GRUMMAN CORPORATION**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Purchases of Equity Securities – The table below summarizes our repurchases of common stock during the three months ended June 30, 2018:

Period	Total Number of Shares Purchased	Average Price Paid per Share⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (\$ in millions)
March 31, 2018 - April 27, 2018	—	\$ —	—	\$ 2,346
April 28, 2018 - May 25, 2018	—	—	—	2,346
May 26, 2018 - June 29, 2018	153,619	316.18	153,619	2,297
Total	153,619	\$ 316.18	153,619	\$ 2,297

⁽¹⁾ Includes commissions paid.

Share repurchases take place from time to time, subject to market conditions and management's discretion, in the open market or in privately negotiated transactions. The company retires its common stock upon repurchase and, in the periods presented, has not made any purchases of common stock other than in connection with these publicly announced repurchase programs.

See Note 3 to the financial statements for further information on our share repurchase programs.

Item 3. Defaults Upon Senior Securities

No information is required in response to this item.

Item 4. Mine Safety Disclosures

No information is required in response to this item.

Item 5. Other Information

No information is required in response to this item.

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Item 6. Exhibits

- 2.1 [Agreement and Plan of Merger among Titan II, Inc. \(formerly Northrop Grumman Corporation\), Northrop Grumman Corporation \(formerly New P, Inc.\) and Titan Merger Sub Inc., dated March 30, 2011 \(incorporated by reference to Exhibit 10.1 to Form 8-K filed April 4, 2011, File No. 001-16411\)](#)
- 2.2 [Separation and Distribution Agreement dated as of March 29, 2011, among Titan II, Inc. \(formerly Northrop Grumman Corporation\), Northrop Grumman Corporation \(formerly New P, Inc.\), Huntington Ingalls Industries, Inc., Northrop Grumman Shipbuilding, Inc. and Northrop Grumman Systems Corporation \(incorporated by reference to Exhibit 10.2 to Form 8-K filed April 4, 2011, File No. 001-16411\)](#)
- 2.3 [Agreement and Plan of Merger, dated as of September 17, 2017, among Northrop Grumman Corporation, Neptune Merger, Inc. and Orbital ATK, Inc. \(incorporated by reference to Exhibit 2.1 to Form 8-K filed September 18, 2017\)](#)
- 2.4 [Transaction Agreement, dated as of April 28, 2014, among Alliant Techsystems Inc., Vista Spinco Inc., Vista Merger Sub Inc. and Orbital Sciences Corporation \(incorporated by reference to Exhibit 2.1 to Alliant Techsystems Inc. \(now known as Northrop Grumman Innovation Systems, Inc.\) Form 8-K filed May 2, 2014\)](#)
- *+10.1 [Non-Employee Director Compensation Term Sheet, effective May 16, 2018](#)
- *+10.2 [Grant Certificate Specifying the Terms and Conditions Applicable to Special 2018 Restricted Stock Rights Granted to Blake Larson Under the 2011 Long-Term Incentive Stock Plan](#)
- *+10.3 [Letter dated January 10, 2018 from Northrop Grumman Corporation to Blake Larson regarding compensation effective June 6, 2018](#)
- *+10.4 [Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation as amended and restated effective April 1, 2018](#)
- *+10.5 [Northrop Grumman Savings Excess Plan \(Amended and Restated Effective as of January 1, 2018\)](#)
- *+10.6 [Northrop Grumman Savings Excess Plan \(Amended and Restated Effective as of June 29, 2018\)](#)
- *+10.7 [Northrop Grumman Officers Retirement Account Contribution Plan \(Amended and Restated Effective as of January 1, 2018\)](#)
- *+10.8 [Northrop Grumman Officers Retirement Account Contribution Plan \(Amended and Restated Effective as of June 29, 2018\)](#)
- +10.9 [Orbital ATK, Inc. Executive Officer Incentive Plan \(as of May 4, 2016\) \(incorporated by reference to Exhibit 10.1 to Orbital ATK, Inc. \(now known as Northrop Grumman Innovation Systems, Inc.\) Form 8-K filed May 5, 2016\)](#)
- +10.10 [Orbital ATK, Inc. Nonqualified Deferred Compensation Plan, as amended and restated February 16, 2016 \(incorporated by reference to Exhibit 10.17.1 to Orbital ATK, Inc. \(now known as Northrop Grumman Innovation Systems, Inc.\) Form 10-K for the nine-month transition period ended December 31, 2015 filed March 15, 2016\)](#)
- +10.11 [Trust Agreement for Alliant Techsystems Inc. Nonqualified Deferred Compensation Plan effective January 1, 2003 \(incorporated by reference to Exhibit 10.9.2 to Alliant Techsystems, Inc. \(now known as Northrop Grumman Innovation Systems, Inc.\) Form 10-K for the year ended March 31, 2003 filed June 18, 2003, File No. 001-10582\)](#)
- *+10.12 [First Amendment to the Trust Agreement for Alliant Techsystems Inc. Nonqualified Deferred Compensation Plan, dated January 28, 2013](#)
- *+10.13 [Orbital ATK, Inc. Defined Benefit Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2016](#)
- *+10.14 [Orbital ATK, Inc. Defined Contribution Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2016](#)
- *12(a) [Computation of Ratio of Earnings to Fixed Charges](#)
- *15 [Letter from Independent Registered Public Accounting Firm](#)

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NORTHROP GRUMMAN CORPORATION

*31.1 [Certification of Wesley G. Bush pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

*31.2 [Certification of Kenneth L. Bedingfield pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

**32.1 [Certification of Wesley G. Bush pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

**32.2 [Certification of Kenneth L. Bedingfield pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

*101 Northrop Grumman Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings and Comprehensive Income, (ii) Condensed Consolidated Statements of Financial Position, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Changes in Shareholders' Equity, and (v) Notes to Condensed Consolidated Financial Statements

+ Management contract or compensatory plan or arrangement

* Filed with this report

** Furnished with this report

Board of Director Compensation
(Effective as of May 16, 2018)

Retainer: Retainer fees are paid quarterly, at the end of each quarter. Fees are as follows:

Annual cash retainer:	\$127,500
Additional retainer for Lead Independent Director:	\$35,000
Additional retainer for Audit Committee:	\$10,000
Additional retainer for Audit Committee chair:	\$20,000
Additional retainer for Comp Committee chair:	\$20,000
Additional retainer for Gov Committee chair:	\$20,000
Additional retainer for Policy Committee chair:	\$20,000

Equity Grant: Directors are awarded an annual equity grant of \$155,000 in deferred stock units (“Automatic Stock Units”), awarded annually on the day of the Company’s Annual Meeting of Shareholders. The Automatic Stock Units will vest on the one year anniversary of the grant date. Directors may elect to have all or any portion of their Automatic Stock Units paid on (A) the earlier of (i) the beginning of a specified calendar year after the vesting date or (ii) their separation from service as a member of the Board or (B) the vesting date.

Deferral of Cash Retainer: Directors may elect to defer payment of all or a portion of their cash retainer fees and any other committee retainer fees into a deferred stock unit account (“Elective Stock Units”). Elective Stock Units are awarded on a calendar quarterly basis. Directors may elect to have all or a portion of their Elective Stock Units paid on the earlier of (i) the beginning of a specified calendar year or (ii) their separation from service as a member of the Board.

Elective Deferral Program: Directors may elect to defer to a later year all or a portion of their annual cash retainer and any other fees payable for their Board service into alternative investment options similar to the options available under Northrop Grumman’s Savings Excess Plan.

NORTHROP GRUMMAN CORPORATION
TERMS AND CONDITIONS APPLICABLE TO
SIGN-ON GRANT OF 2018 RESTRICTED STOCK RIGHTS
GRANTED UNDER THE 2011 LONG-TERM INCENTIVE STOCK PLAN

These Terms and Conditions (“Terms”) apply to the Sign-On Grant of “Restricted Stock Rights” (“RSRs”) granted by Northrop Grumman Corporation (the “Company”) in 2018 under its 2011 Long-Term Incentive Stock Plan. The date of grant of your RSR award (the “Grant Date”) and the number of RSRs applicable to your award are set forth in the letter from the Company announcing your RSR award (your “Grant Letter”) and are also reflected in the electronic stock plan award recordkeeping system (“Stock Plan System”) maintained by the Company or its designee. These Terms apply only with respect to this 2018 RSR award identified in your Grant Letter. You are referred to as the “Grantee” with respect to your award. Capitalized terms are generally defined in Section 12 below if not otherwise defined herein.

Each RSR represents a right to receive one share of the Company’s Common Stock, or cash of equivalent value as provided herein, subject to vesting as provided herein. The number of RSRs subject to your award is subject to adjustment as provided herein. The RSR award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Committee, as such rules are in effect from time to time. If you do not formally accept your RSR award, including these Terms, in accordance with the instructions and time limit set forth in your Grant Letter, you will be deemed to have forfeited your RSR award. You acknowledge that you have previously agreed by countersigning your offer letter that you have waived participation and are not eligible for payment under any income security plans or similar plans in which you were a participant, and have waived any Northrop Grumman retention grant that may otherwise be provided for in the Merger Agreement. You hereby waive and release Northrop Grumman from any and all claims, demands, and causes of action, known or unknown, arising before your acceptance of your RSR award (including these Terms), under any Orbital ATK, Inc. (or subsidiary or affiliate) equity, compensation, incentive, severance, income security, or other similar plans, including but not limited to the Orbital ATK, Inc. 2015 Stock Incentive Plan and/or any award agreements.

1. Vesting; Issuance of Shares.

Subject to Sections 2, 3, 4 and 6 below, fifty percent (50%) of the number of RSRs (and any Dividend Equivalents (as defined below)) subject to your award (subject to adjustment as provided in Section 6.1) shall vest on December 31, 2018, and the other fifty percent (50%) of the number of RSRs (and any Dividend Equivalents (as defined below)) subject to your award (subject to adjustment as provided in Section 6.1) shall vest on December 31, 2019, provided that if the vesting date falls on a weekend or holiday, then the award shall vest on the next business day.

1.1 *Payment of RSRs.* Except as otherwise provided below, the Company shall pay an RSR subject to the award that vests (“Vested RSR”) (and related Dividend Equivalents) within 60 days following the vesting of the RSRs on December 31, 2018 with respect to 50% of the RSRs and December 31, 2019 with respect to the other 50% of the RSRs. The Company shall pay such Vested RSRs in either an equivalent number of shares of Common Stock, or, in the discretion of the Committee, in cash or in a combination of shares of Common Stock and cash. In the event of a cash payment, the amount of the payment for each Vested RSR to be paid in cash will equal the Fair Market Value

(as defined below) of a share of Common Stock as of the date that such RSR became vested.

1.2 *Dividend Equivalents.* The Grantee shall be entitled to payment for Dividend Equivalents (if any) with respect to any Vested RSRs. For purposes of these Terms, “Dividend Equivalents” means the aggregate amount of dividends paid by the Company on a number of shares of Common Stock equivalent to the number of Vested RSRs during the period from the Grant date until the date the Vested RSRs are paid (without interest or other adjustments to reflect the time value of money). Dividend Equivalents (if any) will be paid at the same time as the Vested RSRs to which they relate are paid. Dividend Equivalents will be paid in cash.

2. Early Termination of Award; Termination of Employment

2.1 *General.* The RSRs (and related Dividend Equivalents) subject to the award, to the extent not previously vested, shall terminate and become null and void if and when (a) the award terminates in connection with a Change in Control pursuant to Section 6 below, or (b) except as provided in Sections 2.6 and 2.7, and in Section 6, the Grantee ceases for any reason to be an employee of the Company or one of its subsidiaries.

2.2 Leave of Absence. Unless the Committee otherwise provides (at the time of the leave or otherwise), if the Grantee is granted a leave of absence by the Company, the Grantee (a) shall not be deemed to have incurred a termination of employment at the time such leave commences for purposes of the award, and (b) shall be deemed to be employed by the Company for the duration of such approved leave of absence for purposes of the award. A termination of employment shall be deemed to have occurred if the Grantee does not timely return to active employment upon the expiration of such approved leave or if the Grantee commences a leave that is not approved by the Company.

2.3 Salary Continuation. Subject to Section 2.2 above, the term “employment” as used herein means active employment by the Company and salary continuation without active employment (other than a leave of absence approved by the Company that is covered by Section 2.2) will not, in and of itself, constitute “employment” for purposes hereof (in the case of salary continuation without active employment, the Grantee’s cessation of active employee status shall, subject to Section 2.2, be deemed to be a termination of “employment” for purposes hereof). Furthermore, salary continuation will not, in and of itself, constitute a leave of absence approved by the Company for purposes of the award.

2.4 Sale or Spinoff of Subsidiary or Business Unit. For purposes of the RSRs (and related Dividend Equivalents) subject to the award, a termination of employment of the Grantee shall be deemed to have occurred if the Grantee is employed by a subsidiary or business unit and that subsidiary or business unit is sold, spun off, or otherwise divested, the Grantee does not otherwise continue to be employed by the Company or one of its subsidiaries after such event, and the divested entity or business (or its successor or a parent company) does not assume the award in connection with such transaction.

2.5 Continuance of Employment Required. Except as expressly provided in Section 2.6 and in Section 6, the vesting of the RSRs (and related Dividend Equivalents) subject to the award requires continued employment through December 31, 2018 with respect to 50% of the RSRs and through December 31, 2019 with respect to the other 50% of the RSRs as a condition to the vesting of any portion of the award. Employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment. Nothing contained in these Terms, the Stock Plan System, or the Plan constitutes an employment commitment by the Company or any subsidiary, affects

the Grantee’s status (if the Grantee is otherwise an at-will employee) as an employee at will who is subject to termination without cause, confers upon the Grantee any right to continue in the employ of the Company or any subsidiary, or interferes in any way with the right of the Company or of any subsidiary to terminate such employment at any time.

2.6 Death or Disability. If the Grantee dies or incurs a Disability while employed by the Company or a subsidiary and such death or Disability occurs more than six months after the Grant Date, the outstanding and previously unvested RSRs (and related Dividend Equivalents) subject to the award shall vest as of the date of the Grantee’s death or Disability, as applicable. RSRs (and related Dividend Equivalents) vesting under this Section shall be paid within 60 days following the earlier of (a) Grantee’s death or (b) Grantee’s Disability. In the event of the Grantee’s death prior to the delivery of shares or other payment with respect to any vested RSRs (and related Dividend Equivalents), the Grantee’s Successor shall be entitled to any payments to which the Grantee would have been entitled under these Terms with respect to such vested and unpaired RSRs (and related Dividend Equivalents).

2.7 Involuntary Termination Other than for Cause. If, prior to December 31, 2019, the Grantee ceases to be employed by the Company or one of its subsidiaries as a result of an involuntarily termination other than for Cause, Grantee will vest in any unvested portion(s) of the RSRs (“Vested RSRs”) on the last day of employment, and the Vested RSRs (and related Dividend Equivalents) will be paid within 60 days following the last day of employment. The Company shall pay such Vested RSRs in either an equivalent number of shares of Common Stock, or, in the discretion of the Committee, in cash or in a combination of shares of Common Stock and cash. In the event of a cash payment, the amount of the payment for each Vested RSR to be paid in cash will equal the Fair Market Value (as defined below) of a share of Common Stock as of the date that such RSR became vested.

3. Non-Transferability and Other Restrictions.

3.1 Non-Transferability. The award, as well as the RSRs (and related Dividend Equivalents) subject to the award, are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to transfers to the Company. Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company’s ability to

register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements.

3.2 Forfeiture or Recoupment of Awards. If, prior to payment or issuance of shares with respect to the award, Grantee's employment is terminated for Cause (or Grantee has engaged in misconduct that could have resulted in Grantee's termination of employment for Cause if Grantee had remained an employee), the Company may reduce or eliminate any payments or issuances of shares with respect to the award. Further, any payments or issuances of shares with respect to the award are subject to recoupment pursuant to the Company's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, as well as any recoupment or similar provisions of applicable law, and the Grantee shall promptly make any reimbursement requested by the Board or Committee pursuant to such policy or applicable law with respect to the award. The Grantee agrees, by accepting the award, that the Company and its affiliates may deduct from any amounts it may owe the Grantee from time to time (such as wages or other compensation) to the extent of any amounts the Grantee is required to reimburse the Company pursuant to such policy or applicable law with respect to the award.

4. Post-Employment Conduct.

4.1 Corporate Policy Council Contribution and Protection of Company Information. You acknowledge and agree that as a member of the Corporate Policy Council ("CPC"), you are involved in managing the global operations of the Company, incorporated in Delaware and headquartered in Virginia. You are involved in the most sensitive and proprietary matters affecting the Company, its subsidiaries, predecessors, and/or affiliates (collectively, "Northrop Grumman"), including from a technical, strategic and financial perspective, and are widely exposed to confidential, sensitive and proprietary information concerning Northrop Grumman's global operations, at the headquarters and each of the operating sectors, including in the areas of manned and unmanned aircraft, space, C4ISR, cyber, sensors, electronics, through-life support and technical services. Your job responsibilities require that you have a primary office location in Virginia and/or you spend substantial time at the corporate headquarters in Virginia, among other things, attending CPC and other leadership meetings, and managing operations and employees in Virginia. You occupy one of the most senior executive positions in the Company and have far-reaching access to highly confidential, valuable and sensitive information, customer, vendor and employee relationships,

intellectual property, strategic and tactical plans, and financial information and plans. You reaffirm your obligation and agree to fully protect and not disclose any proprietary or otherwise protected information of Northrop Grumman. An individual shall not be held liable under these Terms or any other agreement or any federal or state trade secret law for making any confidential disclosure of a Company trade secret or other confidential information to a government official or an attorney for purposes of investigating or reporting a suspected violation of law or regulation, or in a court filing under seal.

4.2 Full Disclosure: You acknowledge that you are not aware of, or have fully disclosed to a vice president of the Company, any information that could give rise to a claim or cause of action against the Company or a Company subsidiary, including without limitation any knowledge of fraud or suspected fraud, overpayments or suspected overpayments, false statements or suspected false statements, improper or erroneous financial reporting, violations or suspected violations of law or regulation, or other irregularities, or any violations of Company policies or procedures or the Standards of Business Conduct. This includes any matters for which you were responsible or that came to your attention as an employee. You agree that if you become aware of such information that you will immediately report it to a vice president of the Company. You agree that you have reported and will continue to properly report all hours in accordance with time reporting policies and procedures applicable to you.

4.3 The Company has a legitimate business interest in restricting your ability to compete in the specific manner set forth below. The Company has provided you this grant, subject to these Terms and as consideration for the restrictive covenants set forth in this Section 4.

4.4 Non-Competition. For a period of twelve (12) months from the date of the termination of Grantee's employment for any reason (other than a Reduction-in-Force as determined at the Company's sole discretion) ("Termination"), you will not, directly or indirectly, oversee, control, participate in, or support the design, operation, research, manufacture, marketing, sale, or distribution of "Competitive Products and Services". For the purpose of this section, "Competitive Products and Services" shall mean products or services that compete for resources with or are an alternative or potential alternative to, the products sold or services provided by Northrop Grumman, including without limitation products and services in the areas of manned and unmanned aircraft, space, C4ISR, cyber, sensors, electronics, through-life support and technical services.

4.5 Non-Solicitation of Customers. For a period of eighteen (18) months from your Termination, you shall not, directly or indirectly, solicit any customer, supplier, or teammate of Northrop Grumman with whom you engaged, or about whom you received confidential, sensitive, or proprietary information, in the course of your employment with Northrop Grumman, for purposes of providing products or services in competition with Northrop Grumman. In the case of a governmental, regulatory or administrative agency, commission, department or other governmental authority, the customer is determined by reference to the specific program offices or activities for which Northrop Grumman provides goods or services.

4.6 Non-Solicitation of Employees. For a period of twenty-four (24) months from your Termination, you shall not, directly or indirectly, solicit or offer to hire, any person who was, within a period of six months prior to your Termination, employed by Northrop Grumman, with whom you worked or about whom you received information in the course of your employment with Northrop Grumman.

4.7 Non-Disparagement. You will not issue or communicate any statement, whether verbal or written, or take any other action that disparages or may be interpreted to disparage the Company, its products, services, officers, directors, or employees; provided that the foregoing shall not apply to any truthful statements made in connection with a legal process, including a government investigation.

4.8 Exceptions. You may request an exception to the covenants in Sections 4.4, 4.5, or 4.6 by making a written request to the Company's Chief Human Resources Officer, with such exceptions being considered at the sole discretion of the Company and communicated in writing to you.

4.9 Reasonableness. You agree that the restrictions set forth in Sections 4.4, 4.5, and 4.6 are (i) reasonable and necessary in all respects, including duration, territory and scope of activity, in order to protect the Company's legitimate business interests, (ii) that the parties have attempted to limit your right to compete only to the extent necessary to protect the Company's legitimate business interests, and (iii) that you will be able to earn a livelihood without violating the restrictions in this section. It is the intent of the parties that the provisions of this section shall be enforced to the fullest extent permissible under applicable law. However, if any portion of Section 4.4, 4.5, or 4.6 is deemed unenforceable, the parties agree that a court or arbitrator may revise the portion deemed unenforceable

to the maximum extent possible to achieve the objective of the parties, and the remainder of the section shall remain in full force and affect.

4.10 Remedies. If you violate any provision in Sections 4.1 through 4.7 of this section, the Company shall have the right to terminate without payment to you any unvested and/or unpaid RSRs (and associated Dividend Equivalents) and require that you immediately deliver to the Company an amount in cash equal to the aggregate Fair Market Value, determined as of the vesting and/or payment date of all RSRs already received, including any Dividend Equivalents, within one year prior to the breach. Further, you acknowledge and agree that a breach of any of the provisions of this section will result in immediate, irreparable, and continuing damage to the Company for which there is no adequate remedy at law, and the Company will be entitled to injunctive relief, a decree of specific performance, and other relief as may be proper, including monetary damages, to the maximum extent available.

5. Compliance with Laws; No Stockholder Rights Prior to Issuance.

The Company's obligation to make any payments or issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission, or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed. The Grantee shall not have the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends (except as expressly provided in these Terms with respect to Dividend Equivalents), with respect to any shares which may be issued in respect of the RSRs until the date appearing on the certificate(s) for such shares (or, in the case of shares entered in book entry form, the date that the shares are actually recorded in such form for the benefit of the Grantee), if such shares become deliverable.

6. Adjustments; Change in Control.

6.1 Adjustments. The RSRs, Dividend Equivalents, and the shares subject to the award are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization in accordance with Section 6(a) of the Plan.

6.2 Possible Acceleration on Change in Control. Notwithstanding the provisions of Section 2 hereof, and further subject to the Company's ability to terminate the

award as provided in Section 6.3 below, the outstanding and previously unvested RSRs (and related Dividend Equivalents) subject to the award shall become fully vested as of the date of the Grantee's termination of employment if, either within the Protected Period corresponding to a Change in Control of the Company or within twenty-four (24) calendar months following the date of a Change in Control of the Company, the Grantee's employment by the Company and its subsidiaries is involuntarily terminated by the Company and its subsidiaries for reasons other than Cause or by the Grantee for Good Reason.

Notwithstanding anything else contained herein to the contrary, the termination of the Grantee's employment (or other events giving rise to Good Reason) shall not entitle the Grantee to any accelerated vesting pursuant to this Section 6.2 if there is objective evidence that, as of the commencement of the Protected Period, the Grantee had specifically been identified by the Company as an employee whose employment would be terminated as part of a corporate restructuring or downsizing program that commenced prior to the Protected Period and such termination of employment was expected at that time to occur within six (6) months.

Payment of any RSRs (and related Dividend Equivalents) that vest under this Section 6.2 will be made within 60 days of the termination of the Grantee's employment.

6.3. Automatic Acceleration; Early Termination. If the Company undergoes a Change in Control triggered by clause (iii) or (iv) of the definition thereof and the Company is not the surviving entity and the successor to the Company (if any) (or a Parent thereof) does not agree in writing prior to the occurrence of the Change in Control to continue and assume the award following the Change in Control, or if for any other reason the award would not continue after the Change in Control, then upon the Change in Control the outstanding and previously unvested RSRs (and related Dividend Equivalents) subject to the award shall vest fully and completely. Unless the Committee expressly provides otherwise in the circumstances, no acceleration of vesting of the award shall occur pursuant to this Section 6.3 in connection with a Change in Control if either (a) the Company is the surviving entity, or (b) the successor to the Company (if any) (or a Parent thereof) agrees in writing prior to the Change in Control to assume the award. The Committee may make adjustments pursuant to Section 6(a) of the Plan and/or deem an acceleration of vesting of the award pursuant to this Section 6.3 to occur sufficiently prior to an event if necessary or deemed appropriate to permit the Grantee to realize the benefits intended to be conveyed with respect to the

shares underlying the RSRs (and related Dividend Equivalents); provided, however, that, the Committee may reinstate the original terms of the award if the related event does not actually occur.

Payment of any RSRs (and related Dividend Equivalents) that vest under this Section 6.3 will be made within 60 days of the Change in Control.

7. Tax Matters.

7.1. Tax Withholding. The Company or the subsidiary which employs the Grantee shall be entitled to require, as a condition of making any payments or issuing any shares upon vesting of the RSRs (and related Dividend Equivalents), that the Grantee or other person entitled to such shares or other payment pay the minimum sums required to be withheld by federal, state, local or other applicable tax law with respect to such vesting or payment. Alternatively, the Company or such subsidiary, in its discretion, may make such provisions for the withholding of taxes as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Grantee or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy such statutory minimum withholding obligations).

7.2. Transfer Taxes. The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the vesting of the RSRs.

7.3. Compliance with Code. These Terms are designed to be exempt from Code Section 409A, and the Committee shall administer and construe the award, in such a way as to be exempt from and to avoid adverse tax consequences under Code Section 409A.

7.4. Unfunded Arrangement. The right of the Grantee to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Grantee nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

7.5 Code Section 280G. Notwithstanding any other provision of this Agreement to the contrary, in the event that any amounts payable to you as a result of Section 6.2 or 6.3 hereof, either alone or together with amounts payable pursuant to any other plan, program or arrangement, or as a result of the change in control of Orbital ATK, Inc. pursuant to Agreement and Plan of Merger among Northrop Grumman Corporation,

Neptune Merger, Inc. and Orbital ATK dated as of September 17, 2017 (a) constitute “parachute payments” within the meaning of Section 280G of the Code, and (b) but for this Section 7.5 would be subject to the excise tax imposed by Section 4999 of the Code or any comparable successor provisions (the “Excise Tax”), then the vesting acceleration provided in Section 6.2 or 6.3 or any other payment of Vested RSRs under these Terms shall be either (a) provided to you in full, or (b) provided to you to such lesser extent that would result in no portion of the payments being subject to the Excise Tax, whichever of the foregoing amounts, when taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by you, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be subject to the Excise Tax. To the extent that a determination is required to be made under this Section 7.5, the Company will provide supporting calculations to you no later than the last payment date. In the event that the Payments are to be reduced pursuant to this Section 7.5, such Payments shall be reduced such that the reduction of compensation to be provided to the Executive as a result of this Section 7.5 is minimized. In applying this principle, the reduction shall be made in a manner consistent with any applicable requirements of Section 409A.

8. Choice of Law; Venue; Arbitration.

This agreement shall be governed by the laws of the State of Delaware. You agree to be bound by and fully comply with Northrop Grumman CTM H200, USHR 2-32, Arbitration and Mediation. Any cause of action or claim arising out of or related to the terms and conditions applicable to this grant will be determined through final and binding arbitration, in accordance with Northrop Grumman CTM H200 USHR 2-32, provided that the prevailing party in the arbitration shall be entitled to receive from the losing party reasonably incurred attorneys’ fees and costs. You and the Company agree that any arbitration hearing and related proceedings shall be convened and conducted in Falls Church, VA. If you or the Company believes they require immediate relief to enforce or challenge these terms, before arbitration is commenced or concluded, either party may seek injunctive or other provisional equitable relief from a state or federal court in the Commonwealth of Virginia. All court actions or proceedings arising under these terms shall be heard in a state or federal court in the Commonwealth of Virginia. The Company and you hereby agree to the jurisdiction of the state and federal courts in the Commonwealth of Virginia and waive any right to object to such actions on grounds of venue, jurisdiction or convenience.

9. Committee Authority.

The Committee has the discretionary authority to determine any questions as to the date when the Grantee’s employment terminated and the cause of such termination and to interpret any provision of these Terms, the Grant Letter, the Stock Plan System, the Plan, and any other applicable rules. Any action taken by, or inaction of, the Committee relating to or pursuant to these Terms, the Grant Letter, the Stock Plan System, the Plan, or any other applicable rules shall be within the absolute discretion of the Committee and shall be conclusive and binding on all persons.

10. Plan; Amendment.

The RSRs (and related Dividend Equivalents) subject to the award are governed by, and the Grantee’s rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Committee, as the foregoing may be amended from time to time. The Grantee shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Grant Letter and/or the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall control.

11. Required Holding Period.

Grantee shall not be permitted to sell, transfer, anticipate, alienate, assign, pledge, encumber or charge the number of shares equal to 50% of the total payout of Vested RSRs (net of taxes withheld) until the earlier of (A) the third anniversary of the date such shares of Common Stock are paid to the Grantee, (B) the date the Grantee’s employment by the Company and its subsidiaries terminates due to the Grantee’s death or Disability, (C) the occurrence of a Change in Control that results in termination and payment under Section 6.2 or 6.3 above, or (D) with respect to Grantee’s entering a U.S. federal government position only, the latest of (i) the date the Grantee’s employment with the Company terminates, or (ii) the date the Grantee formally accepts the government position in writing, or (iii) the date the government confirms the Grantee (for positions requiring nomination and confirmation). For purposes of this Section 11, the total payout of Vested RSRs shall be determined on a net basis after taking into account any shares otherwise deliverable with respect to the award that the Company withholds to satisfy tax obligations pursuant to Section 7.1. If Grantee is paid less than 50% of the total payout of Vested RSRs (net of taxes) in shares, then all of the shares received will be subject to the holding period requirements in this Section 11. Any

shares of Common Stock received in respect of shares that are covered by the holding period requirements of this Section 11 (such as shares received in respect of a stock split or stock dividend) shall be subject to the same holding period requirements as the shares to which they relate.

12. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

“**Board**” means the Board of Directors of the Company.

“**Cause**” means the occurrence of either or both of the following:

- (i) The Grantee’s conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony (other than traffic related offenses, as a result of vicarious liability, or as a result of good faith actions as an officer of the Company); or
- (ii) Willful misconduct by the Grantee that causes financial or reputational harm to the Company. However, no act, or failure to act, on the Grantee’s part shall be considered “willful” unless done, or omitted to be done, by the Grantee not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company.

“**Change in Control**” is used as defined in the Plan.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Committee**” means the Company’s Compensation Committee or any successor committee appointed by the Board to administer the Plan.

“**Common Stock**” means the Company’s common stock.

“**Disability**” means, with respect to a Grantee, that the Grantee: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less

than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Grantee’s employer.

“**Fair Market Value**” is used as defined in the Plan; provided, however, the Committee in determining such Fair Market Value for purposes of the award may utilize such other exchange, market, or listing as it deems appropriate.

“**Good Reason**” means, without the Grantee’s express written consent, the occurrence of any one or more of the following:

- (i) A material and substantial reduction in the nature or status of the Grantee’s authorities or responsibilities (when such authorities and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period, other than (A) an inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Grantee, and/or (B) changes in the nature or status of the Grantee’s authorities or responsibilities that, in the aggregate, would generally be viewed by a nationally-recognized executive placement firm as resulting in the Grantee having not materially and substantially fewer authorities and responsibilities (taking into consideration the Company’s industry) when compared to the authorities and responsibilities applicable to the position held by the Grantee immediately prior to the start of the Protected Period. The Company may retain a nationally-recognized executive placement firm for purposes of making the determination required by the preceding sentence and the written opinion of the firm thus selected shall be conclusive as to this issue.

In addition, if the Grantee is a vice president, the Grantee’s loss of vice-president status will constitute “Good Reason”; provided that the loss of the title of “vice president” will not, in and of itself, constitute Good Reason if the Grantee’s lack of a vice president title is generally consistent with the manner in which the title of vice president is used within the Grantee’s business unit or if the loss of the title is the result of a promotion to a higher level office. For the purposes of the preceding sentence, the Grantee’s lack of a vice-president title will only be considered generally consistent with the manner in which such title is used if most persons in the business unit with authorities, duties, and responsibilities comparable to those of the

Grantee immediately prior to the commencement of the Protected Period do not have the title of vice-president.

- (ii) A material reduction by the Company in the Grantee's annualized rate of base salary as in effect at the start of the Protected Period, or as the same shall be increased from time to time.
- (iii) A material reduction in the aggregate value of the Grantee's level of participation in any of the Company's short and/or long-term incentive compensation plans (excluding stock-based incentive compensation plans), employee benefit or retirement plans, or policies, practices, or arrangements in which the Grantee participates immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate value shall not be deemed to be "Good Reason" if the reduced value remains substantially consistent with the average level of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.
- (iv) A material reduction in the Grantee's aggregate level of participation in the Company's stock-based incentive compensation plans from the level in effect immediately prior to the start of the Protected Period; provided, however, that a reduction in the aggregate level of participation shall not be deemed to be "Good Reason" if the reduced level of participation remains substantially consistent with the average level of participation of other employees who have positions commensurate with the position held by the Grantee immediately prior to the start of the Protected Period.
- (v) The Grantee is informed by the Company that his or her principal place of employment for the Company will be relocated to a location that is greater than fifty (50) miles away from the Grantee's principal place of employment for the Company at the start of the corresponding Protected Period; provided that, if the Company communicates an intended effective date for such relocation, in no event shall Good Reason exist pursuant to this clause (v) more than ninety (90) days before such intended effective date.

The Grantee's right to terminate employment for Good Reason shall not be affected by the Grantee's incapacity due to physical or mental illness. The Grantee's continued employment shall not constitute a

consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason herein.

"**Parent**" is used as defined in the Plan.

"**Plan**" means the Northrop Grumman 2011 Long-Term Incentive Stock Plan, as it may be amended from time to time.

The "**Protected Period**" corresponding to a Change in Control of the Company shall be a period of time determined in accordance with the following:

- (i) If the Change in Control is triggered by a tender offer for shares of the Company's stock or by the offeror's acquisition of shares pursuant to such a tender offer, the Protected Period shall commence on the date of the initial tender offer and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
- (ii) If the Change in Control is triggered by a merger, consolidation, or reorganization of the Company with or involving any other corporation, the Protected Period shall commence on the date that serious and substantial discussions first take place to effect the merger, consolidation, or reorganization and shall continue through and including the date of the Change in Control; provided that in no case will the Protected Period commence earlier than the date that is six (6) months prior to the Change in Control.
- (iii) In the case of any Change in Control not described in clause (i) or (ii) above, the Protected Period shall commence on the date that is six (6) months prior to the Change in Control and shall continue through and including the date of the Change in Control.

"**Successor**" means the person acquiring a Grantee's rights to a grant under the Plan by will or by the laws of descent or distribution.

NORTHROP GRUMMAN Denise M. Peppard

Corporate Vice President and Chief Human Resources
Officer

January 10, 2018

Blake Larson Orbital ATK
45101 Warp Drive
Dulles, VA 20166

Re: Revised Conditional Offer

Dear Blake,

We are pleased to extend you this conditional offer to serve as the Corporate Vice President and Sector President of the new sector we intend to form upon the closing of the merger set forth in the Agreement and Plan of Merger Among Northrop Grumman Corporation, Neptune Merger, Inc., and Orbital **ATK**, Inc., dated September 17, 2017 ("Merger Agreement").

This offer is conditioned upon (1) the transaction closing in accordance with the terms of the Merger Agreement, (2) the Board of Directors electing you as an officer of Northrop Grumman Corporation and (3) your agreement to the terms and conditions in this conditional offer letter.

Your position as an at-will employee of a subsidiary of the Company ("Employer") will commence on the day that the last of the three conditions above have been met ("Effective Date"). If any of the above conditions is not fully met, then the conditional offer will be null and void.

1. Base Salary and Reporting Relationship

Your bi-weekly salary will be \$28,577 (which annualizes to a rate of \$742,500). In this position, you will be a member of the Company's Corporate Policy Council ("CPC"). You will report directly to Kathy Warden, President and Chief Operating Officer.

2. Annual Bonus Program

Your annual incentive plan of "bonus" program for 2018 will be the bonus plan in which you currently participate (MIP). The actual award you may receive will be dependent upon the performance of the new sector and your own personal performance against a set of predetermined objectives. Awards under this plan will

be made during the March time period for the previous year's performance. For 2018, your target is set at 100% of base salary. Maximum payout is 200% of the target, there is no minimum. This payment is subject to normal payroll deductions. After 2018, you will participate in the Incentive Compensation Plan applicable to elected officers.

3. Equity Grants

a. Annual Equity Grants

You will be eligible for annual grants of equity awards under the terms of the Company's 2011 Long-Term Incentive Stock Plan (and any successor to such plan) ("LTISP"). These grants are subject to the LTISP and to your accepting the grant by agreement to the Terms and Conditions applicable thereto ("Grant Certificate"). These grants are typically made in February. Your initial grant for calendar year 2018 will be an estimated value of \$3,000,000 and will be issued on the fifth business day following the closing date of the transaction and will be based upon the Company's customary award grant valuation methodologies.

This award will be granted in the form of 70% Restricted Performance Stock Rights (RPSRs) and 30% Restricted Stock Rights (RSRs). The RPSRs are performance based stock rights that may be paid in stock units, cash, or a combination of both in February or March following the end of a three-year performance period beginning January 1, 2018 and ending on December 31, 2020, subject to the performance and termination of employment rules (including early retirement rules) set forth in the Grant Certificate. Maximum payout is currently 150% of the number of shares in the original grant; there is no minimum payout. The RSRs will vest three years from the date of grant subject to the termination of employment rules (including early retirement rules) set forth in the Grant Certificate.

In calendar years following 2018, you will be eligible for annual equity grants on the same basis (including guideline amounts for awards) as other Corporate Vice Presidents who are CPC members.

b. Sign-On Grants

The Company will provide you with a special grant of Restricted Stock Rights ("Special 2018 RSRs"), with an estimated value of \$3,500,000. Half of the Special 2018 RSRs will vest on December 31, 2018 and the other half of the Special 2018 RSRs will vest on December 31, 2019; provided, however, if you are involuntarily terminated other than for cause (as defined in the Grant Certificate), any unvested portion(s) of the Special 2018 RSRs will vest on the termination date. These Special 2018 RSRs shall be granted at the same time as the annual equity grants described in 2.a. above and shall be subject to all the terms and conditions of the LTISP, the applicable Grant Certificate (including early retirement rules), and this conditional offer.

As a condition of this offer, in exchange for this offer of Special 2018 RSRs, and by your signature below, you hereby (i) waive participation in and agree you will not be eligible for any payment under any income security plans in which you are currently a participant, including but not limited to the Orbital ATK, Inc. Income Security Plan ("2015 ISP") and the Alliant Techsystems Inc. Income Security Plan ("2013 ISP"), and (ii) waive, and agree you will not be eligible for, any Northrop Grumman retention grant provided for in the Merger Agreement.

c. Stock Ownership and Holding Requirements

Elected officers are required to own Company stock valued at three times their annual salary, accumulated over a five-year period, as specified in the Company's Stock Ownership and Holding Requirements. Additionally, the Company implemented a holding-period requirement for all long-term incentive stock grants and requires all officers to hold, for a period of three years, 50% of the net shares (after taxes) received from RPSR and RSA payouts.

4. Executive Perquisites

You will receive the same executive perquisites as other Corporate Vice Presidents who are CPC members. Those perquisites currently include reimbursement of up to \$15,000 annually for tax preparation/financial planning, personal liability insurance, and an executive physical examination program. You will also receive the same paid time off (PTO) benefit as other elected vice presidents, who currently receive ten holidays and accrue PTO at a rate of five weeks per calendar year. You will also be covered by the severance plan applicable to other Corporate Vice Presidents who are CPC members, which currently provides for lump sum severance equivalent to 1.5 years of salary and target bonus, prorated bonus, and continued medical coverage for eighteen months.

5. Insurance Protection

You will also be provided company-paid basic life insurance coverage of 3 x base salary (up to a maximum of \$2 million), company-paid basic AD&D coverage of 6 x base salary (up to a maximum of \$1 million) and an individual Long Term Disability policy of up to 75% of base salary.

6. Retirement Benefits

You will participate in the Officers Retirement Account Contribution Plan (ORAC) that provides enhanced pension benefits in excess of those accrued under a qualified plan or other non-qualified supplemental pension plans. The ORAC currently provides a company contribution of 4% of eligible compensation.

7. Compliance with Section 409A

It is intended that any amounts and benefits payable to you under this offer letter shall comply with and avoid the imputation of any tax, penalty or interest under Section 409A of the Internal Revue Code ("Section 409A"). This offer letter shall be constructed and interpreted consistent with that intent.

8. Company's Right to Change Policies and Plans

Nothing in this offer letter affects or limits the Company's right to amend or terminate its compensation and benefit policies and plans, including, without limitation, the plans listed above or other plans for which you will be eligible.

Blake, the above is a summary of the key compensation and benefit provisions of this offer. This revised conditional offer supersedes all prior offers. Additional information will be sent to you under separate cover following the Effective Date.

If you are in agreement with the terms of this offer, please sign and date this letter below, and return the letter to me. This conditional offer will remain open until January 11, 2018.

I look forward to having you join our senior management team. Sincerely,

/s/ Denise M. Peppard
Corporate Vice President and Chief Human Resources Officer

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I hereby accept Northrop Grumman's offer subject to the terms and conditions as detailed above.

Agreed: /s/ Blake Larson

Date: 1/11/18

**Severance Plan for
Elected and Appointed Officers of
Northrop Grumman Corporation
As amended and restated effective April 1, 2018**

1. Purpose of Plan. The purpose of the Plan is to provide severance benefits for eligible elected and appointed officers of Northrop Grumman Corporation who reside and work in the United States. The terms of this amended and restated Plan are applicable to Qualifying Terminations that occur on or after April 1, 2018.

2. Definitions. The terms defined in this section shall have the meaning given below:

- (a) **“Committee”** means the Compensation Committee of the Board of Directors of the Company or any successor to the Committee.
 - (b) **“Code”** means the Internal Revenue Code of 1986, as amended.
 - (c) **“Company”** means Northrop Grumman Corporation.
 - (d) **“CPC”** means the Corporate Policy Council.
 - (e) **“Disability”** means any disability of an Officer recognized as a disability for purposes of the Company’s long-term disability plan, or similar plan later adopted by the Company in place of such plan.
 - (f) **“Key Employee”** means an employee treated as a “specified employee” as of his Separation from Service under Code section 409A(a)(2)(B)(i) of the Company or its affiliate (i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) if the Company’s stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which Officers are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the twelve (12) month period commencing on April 1 of the following year.
 - (g) **“Officer”** means an elected or appointed officer of Northrop Grumman Corporation, other than the Company’s Chief Executive Officer, who resides and works in the United States.
 - (h) **“Plan”** means this Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation, as it may be amended from time to time.
 - (i) **“Qualifying Termination”** means any one of the following (i) an Officer’s involuntary termination of employment with the Company, other than Termination for Cause or mandatory retirement, or (ii) an Officer’s election to terminate employment with the Company in lieu of accepting a downgrade to a non-Officer position or status. “Qualifying Termination” does not include any change in the Officer’s employment status due to any transfer within the Company or to an affiliate, or to a purchaser of assets or a portion of the business of the Company or an affiliate in connection with the purchase, Disability, voluntary termination or normal retirement.
 - (j) **“Release”** means the Separation Agreement and General Release prepared by the Company at the time of the Officer’s termination of employment, which may include such terms as the Company deems appropriate, including certain post-employment restrictions as a condition of receiving benefits under the Plan.
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- (k) **“Separation from Service”** or **“Separate from Service”** means a “separation from service” within the meaning of Code section 409A.
- (l) **“Termination for Cause”** means an Officer’s termination of employment with the Company because of:
 - (i) The continued failure by the Officer to devote reasonable time and effort to the performance of his duties (other than a failure resulting from the Officer’s incapacity due to physical or mental illness) after written demand for improved performance has been delivered to the Officer by the Company which specifically identifies how the Officer has not devoted reasonable time and effort to the performance of his duties;
 - (ii) The willful engaging by Officer in misconduct which is substantially injurious to the Company, monetarily or otherwise; or
 - (iii) The Officer’s conviction for committing an act of fraud, embezzlement, theft, or other act constituting a felony (other than traffic related offenses or as a result of vicarious liability).

A Termination for Cause shall not include a termination attributable to:

- (i) Bad judgment or negligence on the part of the Officer other than habitual negligence; or
- (ii) An act or omission believed by the Officer in good faith to have been in or not opposed to the best interests of the Company and reasonably believed by the Officer to be lawful.

3. Eligibility Requirements.

- (a) Benefits under the Plan are subject to the Company’s sole discretion and approval.
- (b) To be considered to receive benefits under the Plan an Officer must meet the following conditions:
 - (i) The Officer must experience a Qualifying Termination that results in termination of employment. If, before termination of employment occurs due to the Qualifying Termination event, the Officer voluntarily quits, retires, or experiences a Termination for Cause, the Officer will not receive benefits under this Plan.
 - (ii) The Officer must sign the Release.
 - (iii) The Officer must not be in a class of employees eligible for another severance plan maintained by the Company or an affiliate, including, without limitation, the Orbital ATK Severance Benefit Plan—Grade 21 or the Orbital ATK Executive Severance Plan.

4. Severance Benefits. Upon the Qualifying Termination of any eligible Officer, the terminated Officer shall be entitled to the following benefits under the Plan: (a) a lump-sum severance cash payment, (b) an extension of the Officer’s existing medical and dental coverage, (c) a prorated annual cash bonus payment, and (d) certain other fringe benefits.

- (a) Lump-sum Cash Severance Payment. The designated Appendix describes the lump sum severance benefit available to the Officer.

- (b) Extension of Medical and Dental Benefits. The Company will continue to pay its portion of the Officer's medical and dental benefits for the period of time following the Officer's termination date that is specified in the designated Appendix, provided that for the balance of the month that includes the Officer's termination date and for the immediately following month, the coverage will be at no cost to the Officer. Such continuation coverage shall run concurrently with COBRA continuation coverage (or similar state law). The Officer must continue to pay his portion of the cost of this coverage with after-tax dollars. If rates for active employees increase during this continuation period, the contribution amount will increase proportionately. Also, if medical and dental benefits are modified, terminated or changed in any way for active employees during this continuation period the Officer will also be subject to such modification, termination or change. Following the continuation period specified in the designated Appendix the Officer will be eligible to receive COBRA benefits for any remaining portion of the applicable COBRA period (typically 18 months) at normal COBRA rates. The unreimbursed COBRA period (e.g., the period when the Officer must pay full COBRA rates in order to receive COBRA benefits) starts the first day of the month following the end of the continuation period specified in the designated Appendix.

Example: A Non-CPC Officer receives a layoff notice on June 5, 2017, and his last day of work is June 19, 2017. The Officer's 18-month COBRA period commences June 20, 2017. The Officer will continue to receive medical and dental coverage from June 20, 2017 through July 31, 2017 at no cost to the Officer. The Officer will continue to receive medical and dental coverage from August 1, 2017 through June 19, 2018, as long as the Officer continues to pay the appropriate active employee contribution. Full COBRA rates will apply to the Officer from June 20, 2018 until the end of the remaining COBRA period on December 19, 2018.

If the Officer is not covered by medical and dental benefits at the time of his termination, this section 4(b) will not apply and no continuation coverage will be offered. No health or welfare benefits other than medical and dental will be continued pursuant to the Plan, including but not limited to disability benefits.

The medical and dental benefits to be provided or payments to be made under this section 4(b) shall be reduced to the extent that the Officer is eligible for benefits or payments for the same occurrence under another employer sponsored plan to which the Officer is entitled because of his employment subsequent to the Qualifying Termination.

To the extent the benefits under this section 4(b) are, or ever become, taxable to the Officer and to the extent the benefits continue beyond the period in which the Officer would be entitled (or would, but for the Plan, be entitled) to COBRA continuation coverage if the Officer elected such coverage and paid the applicable premiums, the Company shall administer such continuation of coverage consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv):

- (i) Officer's eligibility for benefits in one year will not affect Officer's eligibility for benefits in any other year;
- (ii) Any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and
- (iii) Officer's right to benefits is not subject to liquidation or exchange for another benefit.

In the event the preceding sentence applies and the Officer is a Key Employee, provision of these benefits after the COBRA period shall commence on the first day of the seventh month following the Officer's Separation from Service (or, if earlier, the first day of the month after the Officer's death).

- (c) Company Performance Related Payment. The Officer will be eligible for a severance payment equal to a pro-rata portion of the bonus he or she would have received under the Company annual incentive plan in which he or she was a participant for the year in which the Qualifying Termination occurred, in addition to the lump-sum cash severance payment described in section 4(a). For this purpose, the pro-rated bonus (if any) will be based on the applicable annual incentive plan payout formula, with any applicable individual performance factor set at 1.00, prorated from the beginning of the performance period (January 1st) to the Officer's date of termination. The severance payment contemplated by this Section 4(c) will be paid when the annual bonuses are paid to active employees between February 15 and March 15 of the year following termination. Notwithstanding anything to the contrary in this section 4(c), if the Officer's bonus opportunity for the fiscal year in which his or her termination occurs is covered by the Company's Incentive Compensation Plan (or similar successor bonus program designed to comply with the performance-based compensation exception under Section 162(m) of the Code), then the Officer's severance payment pursuant to this section 4(c) shall not exceed the maximum bonus the Officer would have been entitled to receive under the Company's Incentive Compensation Plan for that fiscal year, assuming the Officer had been employed through the date bonuses are paid under such plan for that year, and otherwise calculated under the terms of such plan based on actual performance for that fiscal year (but without giving effect to any discretion of the plan administrator to reduce the bonus amount from the maximum otherwise determined in accordance with such plan).
- (d) Other Fringe Benefits. All reimbursements will be within the limits established in the Executive Perquisite Program. These perquisites will cease as of the date of termination except for the following:
 - (i) Financial Planning. If an Officer is eligible for financial planning reimbursement at the time of termination, the Officer will be reimbursed for any financial planning fees as specified in the designated Appendix. For these purposes, "financial planning reimbursement" includes any income tax preparation fee reimbursement the Officer may be entitled to under the financial planning reimbursement terms and conditions applicable to the Officer at the time of termination. The financial planning (including income tax preparation fee) reimbursements contemplated by the Appendices are subject to any other applicable limitations that may apply under the financial planning reimbursement terms and conditions applicable to the Officer at the time of termination (for example, and without limitation, annual caps on amounts that may be used in connection with income tax preparation). All such reimbursements pursuant to this section 4(d)(i) shall be administered consistent with the following additional requirements as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv): (1) Officer's eligibility for benefits in one year will not affect Officer's eligibility for benefits in any other year; (2) any reimbursement of eligible expenses will be made on or before the last day of the year following the year in which the expense was incurred; and (3) Officer's right to benefits is not subject to liquidation or exchange for another benefit. In addition, no reimbursements shall be made to an Officer who is a Key Employee for six months following the Officer's Separation from Service.

- (ii) Outplacement Service. The Officer will be reimbursed for the cost of reasonable outplacement services provided by the Company's outplacement service provider for services provided within one year after the Officer's date of termination; provided, however, that the total reimbursement shall be limited to an amount equal to fifteen percent (15%) of the Officer's base salary as of the date of termination. All services will be subject to the current contract with the provider, and all such expenses shall be reimbursed as soon as practicable, but in no event later than the end of the year following the year the Officer Separates from Service.
- (e) Time and Form of Payment. The severance benefits under section 4(a) will be paid to the eligible Officer in a lump sum as soon as practicable following the Officer's Separation from Service, but in no event beyond thirty (30) days from such date, provided the Officer signs the Release within twenty one (21) days following the Officer's Separation from Service. Notwithstanding the foregoing, if the Officer is a Key Employee, the lump sum payment shall be made on or within thirty (30) days after the first day of the seventh month following the Officer's Separation from Service (or, if earlier, the first day of the month after the Officer's death), provided the Officer signs the Release within twenty-one (21) days following the Officer's Separation from Service. This amount will be paid after all regular taxes and withholdings have been deducted. No payment made pursuant to the Plan is eligible compensation under any of the Company's benefit plans, including without limitation, pension, savings, or deferred compensation plans.

5. Limitation of Plan Benefits. Notwithstanding anything contained in this Plan to the contrary, if upon or following a change in the "ownership or effective control" of the Company or in the "ownership of a substantial portion of the assets" of the Company (each within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies, solely because of such transaction, to any payments, benefits and/or amounts received by the Officer pursuant to the Plan or otherwise, including, without limitation, any amounts received, or deemed received within the meaning of any provision of the Code, by the Officer as a result of (and not by way of limitation) any automatic vesting, lapse of restrictions and/or accelerated target or performance achievement provisions, or otherwise, applicable to outstanding grants or awards to the Officer under any of the Company's incentive plans, including without limitation, the 2001 Long-Term Incentive Stock Plan and the 1993 Long Term Incentive Stock Plan (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Officer is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash severance benefits, then by reducing or eliminating any accelerated vesting of stock options, then by reducing or eliminating any accelerated vesting of other equity awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax. The preceding provisions of this section 5 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Officer's rights and entitlements to any benefits or compensation.

6. Offset for Other Benefits Received. The benefits under the Plan are in lieu of, and not in addition to, any other severance or separation benefits for which the Officer is eligible under any Company plan, policy or arrangements (including but not limited to, severance benefits provided under any employment

agreement, retention incentive agreement, or similar benefits under any individual change in control agreements, plans, policies, arrangements and change in control agreements of acquired companies or business units) (collectively, “severance plans”). If an Officer receives any benefit under any severance plan, such benefit shall cause a corresponding reduction in benefits under this Plan. If, despite any release that the Officer signs in connection with the Plan, such Officer is later awarded and receives benefits under any other severance plan(s), any benefits that the Officer receives under the Plan will be treated as having been received under those other severance plans for purposes of calculating total benefits received under those other severance plans (that is, benefits under those other severance plans will be reduced by amounts received under the Plan).

7. Administration. The Plan shall be administered by the Benefit Plans Administrative Committee (the “Plan Administrator”). The Plan Administrator has sole and absolute discretion to interpret the terms of the Plan, eligibility for benefits, and determine questions of fact. The Plan Administrator may delegate any of its duties or authority to any individual or entity.

8. Claims and Appeals Procedures.

Claims Procedure. If an Officer believes that he or she is entitled to benefits under the Plan and has not received them, the Officer or his authorized representative (each, a “claimant”) may file a claim for benefits. The Vice President of Compensation and Benefits decides claims for benefits under the Plan. The claimant must submit the written claim to the following address:

Vice President of Compensation and Benefits
Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, VA 22042

The letter must state the reason why the claimant believes the Officer is entitled to benefits, and the letter must be received no later than 90 days after the Officer’s termination of employment, or 90 days after a payment was due, whichever comes first.

If the claim is denied, in whole or in part, the claimant will receive a written response within 90 days. This response will include (i) the reason(s) for the denial, (ii) reference(s) to the specific Plan provisions on which denial is based, (iii) a description of any additional information necessary to perfect the claim, and (iv) a description of the Plan’s claims and appeals procedures. In some cases more than 90 days may be needed to make a decision, in which case the claimant will be notified prior to the expiration of the 90 days that more time is needed to review the claim and the date by which the Plan expects to render the decision. In no event will the extension be for more than an additional 90 days.

Appeal of Denied Claim. The claimant may appeal a denied claim by filing an appeal with the Benefit Plans Administrative Committee within 60 days after the claim is denied. The written appeal should be sent to the Benefit Plans Administrative Committee at the following address:

Benefit Plans Administrative Committee
Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, VA 22042

As part of the appeal process the claimant will be given the opportunity to submit written comments and information and be provided, upon request and free or charge, with copies of documents and other

information relevant to the claim. The review on appeal will take into account all information submitted on appeal, whether or not it was submitted or considered in the initial benefit determination. A decision will be made on the appeal within 60 days, unless additional time is needed. If more time is needed, the claimant will be notified prior to the expiration of the 60 days that up to an additional 60 days is needed and the date by which the Plan expects to render the decision. If the claim is denied, in whole or in part, on appeal the claimant will receive a written response which will include (i) the reason(s) for the denial, (ii) references to the specific Plan provisions on which the denial is based, (iii) a statement that the claimant is entitled to receive, upon request and free of charge, copies of all documents and other information relevant to the claim on appeal, and (iv) a description of the Plan's claims and appeals procedures.

If the claim is denied on appeal, the Officer has the right to bring an action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended. Any claimant must pursue all claims and appeals procedures described in the Plan document before seeking any other legal recourse with respect to Plan benefits. In addition, any lawsuit must be filed within six months from the date of the denied appeal, or two years from the Officer's termination date, whichever occurs first.

In exercising their authority and responsibility for deciding claims and appeals, the Vice President of Compensation and Benefits (claims) and the Benefit Plans Administrative Committee (appeals) each have full discretionary authority, including, without limitation, authority to construe the terms of the Plan and to make factual determinations. Their determinations and actions will be conclusive and binding on all persons, and no determination or action will be modified by a court unless the determination or action is proven to be arbitrary or capricious.

9. Amendment. The Company (acting through the Committee) reserves the right at any time to terminate or amend this Plan in any respect and without the consent of any Officer.

10. Unfunded Obligations. All benefits due an Officer or the Officer's beneficiary under this Plan are unfunded and unsecured and are payable out of the general funds of the Company. The Company, in its sole and absolute discretion, may establish a trust associated with the payment of Plan benefits, provided that the trust does not alter the characterization of the Plan as an "unfunded plan" for purposes of the Employee Retirement Income Security Act, as amended. Any such trust shall make distributions in accordance with the terms of the Plan.

11. Transferability of Benefits. The right to receive payment of any benefits under this Plan shall not be transferred, assigned or pledged except by beneficiary designation or by will or under the laws of descent and distribution.

12. Taxes. The Company may withhold from any payment due under this Plan any taxes required to be withheld under applicable federal, state or local tax laws or regulations.

13. Gender. The use of masculine pronouns in this Plan shall be deemed to include both males and females.

14. Construction, Governing Laws. The Plan is intended as (i) a pension plan within the meaning of Section 3(2) of the Employee Retirement Income Security Act, as amended ("ERISA"), and (ii) an unfunded pension plan maintained by the Company for a select group of management or highly compensated employees within the meaning of Department of Labor Regulation 2520.104-23 promulgated under ERISA, and Sections 201, 301, and 401 of ERISA. Nothing in this Plan creates a vested right to benefits in any employee or any right to be retained in the employ of the Company. Except

to the extent that federal legislation or applicable regulation shall govern, the validity and construction of the Plan and each of its provisions shall be subject to and governed by the laws of the Commonwealth of Virginia.

15. Severability. If any provision of the Plan is found, held or deemed to be void, unlawful or unenforceable under any applicable statute or other controlling law, the remainder of the Plan shall continue in full force and effect.

This Amendment and Restatement is contingent upon the occurrence of the merger described in the Agreement and Plan of Merger Among Northrop Grumman Corporation, Neptune Merger, Inc. and Orbital ATK, Inc. dated as of September 17, 2017 (the “Merger”). In the event the Merger does not occur, this Amendment and Restatement shall be null and void.

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of April, 2018.

NORTHROP GRUMMAN CORPORATION

By: /s/ Denise M. Peppard
Denise M. Peppard
Corporate Vice President and Chief Human Resources Officer

Appendix for Corporate Policy Council (CPC) Officers other than the Chief Executive Officer

The following benefits shall apply for purposes of eligible Officers (other than the Company's Chief Executive Officer) who are members of the CPC:

Section 4(a). Lump-sum Cash Severance Payment. The lump sum cash severance payment shall equal one and one half (1.5) times the sum of (A) one year's base salary as in effect on the effective date of the Officer's termination, plus (B) the Officer's target annual bonus established under the Company's annual incentive plan in which he or she was a participant for the fiscal year in which the date of termination occurs. No supplemental bonuses or other bonuses will be combined with the Officer's annual bonus for purposes of this computation.

Section 4(b). Extension of Medical and Dental Benefits. The Company will continue to pay its portion of the Officer's medical and dental benefits for eighteen months following the Officer's termination date.

Section 4(d)(i). Financial Planning. If the Officer is eligible for financial planning reimbursement at the time of termination, the Officer will be reimbursed for any financial planning fees incurred before his termination date. In addition, the Officer will be reimbursed for the following financial planning fees incurred after his termination date: (i) any fees incurred in the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year (including fees incurred before and after the date of termination) shall not exceed \$18,500 and (ii) any fees incurred in the year following the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year shall not exceed \$18,500.

Appendix for non-CPC Officers

The following benefits shall apply for purposes of eligible Officers who are not members of the CPC:

Section 4(a). Lump-sum Cash Severance Payment. The lump sum cash severance payment shall equal the sum of (A) one year's base salary as in effect on the effective date of the Officer's termination, plus (B) the Officer's target annual bonus established under the Company's annual incentive plan in which he or she was a participant for the fiscal year in which the date of termination occurs. No supplemental bonuses or other bonuses will be combined with the Officer's annual bonus for purposes of this computation.

Section 4(b). Extension of Medical and Dental Benefits. The Company will continue to pay its portion of the Officer's medical and dental benefits for one year following the Officer's termination date.

Section 4(d)(i). Financial Planning. If the Officer is eligible for financial planning reimbursement at the time of termination, the Officer will be reimbursed for any financial planning fees incurred before his termination date. In addition, the Officer will be reimbursed for the following financial planning fees incurred after his termination date: (i) any fees incurred in the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year (including fees incurred before and after the date of termination) shall not exceed \$7,500 and (ii) any fees incurred in the year following the year in which the date of termination occurs, provided that the total financial planning reimbursement for such year shall not exceed \$7,500.

NORTHROP GRUMMAN
SAVINGS EXCESS PLAN

(Amended and Restated Effective as of January 1, 2018)

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INTRODUCTION

The Northrop Grumman Savings Excess Plan (the "Plan") was last amended and restated effective as of April 1, 2016. This restatement amends that version of the Plan, and is effective January 1, 2018, except as otherwise provided herein, but is contingent upon the closing of the merger described in that certain Agreement and Plan of Merger, dated as of September 17, 2017, by and among Northrop Grumman Corporation, Neptune Merger, Inc., and Orbital ATK, Inc. (the "Closing"). In the event that the Closing does not occur on or before June 15, 2018, this amended and restated Plan document shall be null and void, and the existing plan terms without regard to such restatement shall continue in effect. Notwithstanding the foregoing or anything to the contrary in the Plan, this amended and restated Plan document does not affect amounts earned and vested under the Plan prior to 2005.

Northrop Grumman Corporation (the "Company") established this Plan for participants in the Northrop Grumman Savings Plan who exceed the limits under sections 401(a)(17) or 415(c) of the Internal Revenue Code. This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder (except with respect to amounts covered by Appendix B), and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

- (a) "Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.
- (b) "Administrative Committee" means the committee in charge of Plan administration, as described in Article VII and Appendix D.
- (c) "Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).
- (d) "Base Salary" shall mean a Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Affiliated Companies and prior to reduction for any salary contributions to a plan established pursuant to section 125 of the Code or qualified pursuant to section 401(k) of the Code.

(e) "Basic Contributions" shall have the same meaning as that term is defined in the NGSP.

(f) "Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(1) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(2) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. Effective January 1, 2007, a Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(3) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person's living parent(s) to act as custodian, (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(4) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

(g) "Board" shall mean the Board of Directors of the Company.

(h) "Bonuses" shall mean the bonuses earned under the Company's formal incentive plans as defined by the Administrative Committee.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(j) "Committees" shall mean the Committees appointed as provided in Article VII.

(k) "Company" shall mean Northrop Grumman Corporation and any successor.

(l) "Company Contributions" shall mean contributions by the Company to a Participant's Account.

(m) "Compensation" shall be Compensation as defined by Section 5.01 of the NGSP.

(n) "Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

(o) "Eligible Compensation" shall mean (1) Compensation prior to January 1, 2009, and (2) after 2008, Base Salary and Bonuses, reduced by the amount of any deferrals made from such amounts under the Northrop Grumman Deferred Compensation Plan. Notwithstanding the foregoing, effective January 1, 2017, Eligible Compensation shall not include any amount paid to an Eligible Employee following the end of the month first following the month in which the Eligible Employee has a Separation from Service.

(p) "Eligible Employee" shall mean any Employee who meets the following conditions:

(1) he or she is eligible to participate in the NGSP;

(2) he or she is classified by the Affiliated Companies as an Employee and not as an independent contractor;

and

(3) he or she meets any additional eligibility criteria set by the Administrative Committee. Additional eligibility criteria established by the Administrative Committee may include specifying classifications of Employees who are eligible to participate and the date as of which various groups of Employees will be eligible to participate. This

includes, for example, Administrative Committee authority to delay eligibility for employees of newly acquired companies who become Employees.

Notwithstanding the foregoing or anything to the contrary in the Plan, and effective as of and contingent upon the Closing, designated employees of Northrop Grumman Innovation Systems, Inc. ("NGIS") who meet the relevant eligibility criteria, shall be eligible to participate in the Plan effective January 1, 2019, and shall be eligible to make an election under Section 3.1 of the Plan during the 2018 Open Enrollment Period to defer Eligible Compensation for the 2019 Plan Year.

(q) "Employee" shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

(r) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

(s) "Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VII.

(t) "Key Employee" means an employee who on the date of his Separation from Service is treated as a "specified employee" under Code section 409A in accordance with a uniform Company policy.

(u) "NGSP" means the Northrop Grumman Savings Plan.

(v) "Open Enrollment Period" means the period designated by the Administrative Committee for electing deferrals for the following Plan Year.

(w) "Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II or any Employee who is a RAC Participant.

(x) "Payment Date" shall mean:

(1) for distributions upon early termination under Section B.1(a), a date after the end of the month in which termination of employment occurs; and

(2) for distributions after Retirement, Disability or death under Section B.1(b), a date after the end of the month in which occurs Retirement, the determination of Disability by the Administrative Committee, or the notification of the Administrative Committee of the Participant's death (or later qualification of the Beneficiary or Beneficiaries), as applicable.

The exact date in each case will be determined by the Administrative Committee to allow time for administrative processing.

(y) "Plan" shall be the Northrop Grumman Savings Excess Plan.

(z) "Plan Year" shall be the calendar year.

(aa) "RAC Contributions" shall mean the Company contributions under Section 3.2(b)(2) and Section 3.2(b)(4).

(bb) "RAC Participant" shall mean an Employee who is eligible to participate in the NGSP, receives Retirement Account Contributions under the NGSP, and is classified by the Affiliated Companies as an Employee and not as an independent contractor. Notwithstanding the foregoing, an Employee who becomes eligible to participate in the Officers Supplemental Executive Retirement Program II ("OSERP II") under the Northrop Grumman Supplemental Plan 2 shall immediately cease to be eligible for RAC Contributions.

(cc) "RAC Subaccount" shall mean the portion of a Participant's Account made up of RAC Contributions and earnings thereon.

(dd) "Retirement" shall mean termination of employment with the Affiliated Companies after reaching age 55.

(ee) "Separation from Service" or "Separates from Service" or "Separating from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 In General

(a) An Eligible Employee may become a Participant by complying with the procedures established by the Administrative Committee for enrolling in the Plan. Anyone who becomes an Eligible Employee will be entitled to become a Participant during an Open Enrollment Period.

(b) A RAC Participant will become a Participant when RAC Contributions are first made to his or her RAC Subaccount.

(c) An individual will cease to be a Participant when he or she no longer has a positive balance to his or her Account under the Plan.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan and enrollment forms or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III

DEFERRAL ELECTIONS

3.1 Elections to Defer Eligible Compensation

(a) Timing. An Eligible Employee who meets the requirements of Section 2.1(a) may elect to defer Eligible Compensation earned in a Plan Year by filing an election in the Open Enrollment Period for the Plan Year. For purposes of determining whether an election filed pursuant to this Section 3.1(a) applies, Eligible Compensation that is Base Salary shall be considered earned in the Plan Year in which, absent such election, it would otherwise be paid. An election to participate for a Plan Year is irrevocable.

(b) Election Rules. An Eligible Employee's election may be made in writing, electronically, or as otherwise specified by the Administrative Committee. Such election shall specify the Eligible Employee's rate of deferral for contributions to the Plan, which shall be between 1% and 50%, and shall address distribution of the deferred amounts as described in Section 6.1. All elections must be made in accordance with the rules, procedures and forms provided by the Administrative Committee. The Administrative Committee may change the rules, procedures and forms from time to time and without prior notice to Participants.

(c) Cancellation of Election. If a Participant becomes disabled (as defined under Code section 409A) during a Plan Year, his deferral election for such Plan Year shall be cancelled.

3.2 Contribution Amounts

(a) Participant Contributions. An Eligible Employee's contributions under the Plan for a Plan Year will begin once his or her Compensation for the Plan Year exceeds the Code section 401(a)(17) limit for the Plan Year. The Participant's elected deferral percentage will be applied to his or her Eligible Compensation for the balance of the Plan Year.

(b) Company Contributions. The Company will make Company Contributions to a Participant's Account as provided in (1), (2) and (3) below.

(1) Matching Contributions. The Company will make a Company Contribution equal to the matching contribution rate for which the Participant is eligible under the NGSP for the Plan Year multiplied by the amount of the Participant's contributions under subsection (a).

(2) RAC Contributions. Effective July 1, 2008, the Company will make RAC Contributions equal to a percentage of a RAC Participant's Compensation for a Plan Year in excess of the Code section 401(a)(17) limit. The percentage used to calculate a RAC Participant's contribution for the 2016 Plan Year and each subsequent Plan Year shall be based on the RAC Participant's age on December 31, 2016 as follows:

- (i) Three percent if not yet age 35.
- (ii) Four percent if 35 or older, but not yet 50.
- (iii) Five percent if age 50 or older.

(3) Make-Up Matching Contributions for Contribution Limitation. If an Eligible Employee's Basic Contributions under the NGSP for a Plan Year are limited by the Code section 415(c) contribution limit before the Eligible Employee's Basic Contributions under the NGSP are limited by the Code section 401(a)(17) compensation limit, the Company will make a Company Contribution equal to the amount of matching contributions for which the Eligible Employee would have been eligible under the NGSP were Code section 415(c) not applied, reduced by the actual amount of matching contributions made for the Plan Year under the NGSP.

(4) Make-Up RAC Contributions for Contribution Limitation. If an Eligible Employee is a RAC Participant and his Retirement Account Contributions under the NGSP for a Plan Year are limited by the Code section 415(c) contribution limit before the RAC Participant's Retirement Account Contributions under the NGSP are limited by the Code section 401(a)(17) compensation limit, the Company will make a Company Contribution equal to the amount of Retirement Account Contributions for which the RAC Participant would have been eligible under the NGSP were Code section 415(c) not applied, reduced by the actual amount of Retirement Account Contributions made for the Plan Year under the NGSP.

3.3 Crediting of Deferrals

Amounts deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as practicable after the amounts would have otherwise been paid to the Participant. Company contributions other than those under Section 3.2(b)(3) and Section 3.2(b)(4) will be credited to Accounts as soon as practicable after each payroll cycle in which they accrue. Company contributions under Section 3.2(b)(3) and Section 3.2(b)(4) will be credited to Accounts as soon as practicable after each Plan Year.

3.4 Investment Elections

(a) The Investment Committee will establish a number of different investment funds or other investment options for the Plan. The Investment Committee may change the funds or other investment options from time to time, without prior notice to Participants.

(b) Participants may elect how their future contributions and existing Account balances will be deemed invested in the various investment funds and may change their elections from time to time. If a Participant does not elect how future contributions will be deemed invested, contributions will be deemed invested in the qualified default investment alternative ("QDIA") that applies to the Participant under the NGSP.

(c) The deemed investments for a RAC Participant's RAC Subaccount must be the same as the deemed investments for the RAC Participant's Company contributions under Section 3.2(b)(1).

(d) Selections of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules that may include, among other matters, limitations on the amounts that may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe valuation rules for purposes of investment elections and transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated expenses. The Administrative Committee may change the methods it uses for valuation from time to time.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules and procedures from time to time and without prior notice to Participants.

(e) Effective January 13, 2011, Participant investment elections involving a Company stock investment fund (e.g., transfers into or out of the fund) may be restricted, including in accordance with Company policies generally applicable to employee transactions in Company stock.

3.5 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of their contributions due to poor investment performance.

ARTICLE IV

ACCOUNTS

4.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

4.2 Valuation of Accounts

The valuation of Participants' recordkeeping Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(a) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(b) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(c) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

4.3 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

ARTICLE V

VESTING AND FORFEITURES

5.1 In General

A Participant's interest in his or her Account will be nonforfeitable, subject to the exceptions in Section 5.2.

5.2 Exceptions

The following exceptions apply to the vesting rule in Section 5.1 above:

(a) A RAC Participant shall become fully vested in his or her RAC Subaccount and earnings thereon upon the earliest of the following dates, provided he or she is

an Employee at such time: (i) the date he or she completes three years of service, (ii) the date of his or her 65th birthday, (iii) the date of his or her death, (iv) the date he or she becomes Disabled, or (v) the date Company Contributions are completely discontinued or the Plan is terminated. Notwithstanding anything to the contrary, if a Participant terminates employment with the Affiliated Companies prior to vesting as set forth in this Section 5.2(a), his or her unvested RAC Subaccount and earnings thereon shall be immediately forfeited upon such termination. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

(b) A Participant whose original date of hire with the Affiliated Companies is after April 30, 2012 shall become fully vested in his or her Company matching contributions under Sections 3.2(b)(1) and (3) and earnings thereon upon the earliest of the following dates, provided he or she is an Employee at such time: (i) the date he or she completes three years of service, (ii) the date of his or her 65th birthday, (iii) the date of his or her death, or (iv) the date he or she becomes Disabled, or (v) the date Company Contributions are completely discontinued or the Plan is terminated. Notwithstanding anything to the contrary, if a Participant terminates employment with the Affiliated Companies prior to vesting as set for in this Section 5.2(b), his or her unvested Company matching contributions under Sections 3.2(b)(1) and (3) and earnings thereon shall be immediately forfeited upon such termination. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

(c) Forfeitures on account of a lost payee. See Section 6.6.

(d) Forfeitures under an escheat law.

(e) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.

(f) Expenses charged to a Participant's Account.

(g) Investment losses.

ARTICLE VI

DISTRIBUTIONS

6.1 Distribution Rules for Non-RAC Amounts

The rules in this Section 6.1 apply to distribution of a Participant's Account other than the RAC Subaccount.

Notwithstanding the foregoing, Appendix B governs the distribution of amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) and are exempt from the

requirements of Code section 409A. Thus, this Section 6.1 does not apply to these pre-2005 deferrals, but does apply to all other amounts deferred under the Plan.

(a) Separate Distribution Election. A Participant must make a separate distribution election for each year's contributions. A Participant generally makes a distribution election at the same time the Participant makes the deferral election, i.e., during the Open Enrollment Period.

(b) Distribution Upon Separation. A Participant may elect on a deferral form to have the vested portion of his Account related to amounts deferred under the deferral form and Company contributions for the same year (and earnings thereon) distributed in a lump sum or in quarterly or annual installments over a period of 1 to 15 years. Lump sum payments under the Plan will be made in the month following the Participant's Separation from Service. Installment payments shall commence in the March, June, September or December next following the month of Separation from Service. If a Participant does not make a distribution election and his vested Account balance (including amounts subject to Appendix B) exceeds \$50,000 and the Participant is age 55 or older at the time the Participant Separates from Service, the Participant will receive quarterly installments over a 10-year period. Otherwise, a Participant not making an election will receive a lump sum payment. Notwithstanding the foregoing, if the Participant's vested Account balance (including amounts subject to Appendix B) is \$50,000 or less or the Participant is under age 55 at the time the Participant Separates from Service, the vested Account balance shall be distributed in a lump sum payment in the month following the Participant's Separation from Service.

Notwithstanding the timing rules in the foregoing paragraph, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). All payments to be made upon the Separation from Service shall be delayed six months in accordance with Treas. Reg. section 1.409-3(i)(2)(ii).

At the discretion of the Administrative Committee, a distribution may commence earlier or later than the date specified above, provided that the timing of any such commencement complies with Treas. Reg. section 1.409A-3(d) or any successor thereto.

(c) Changes in Form of Distribution. A Participant may make up to two subsequent elections to change the form of a distribution for any year's deferrals and Company contributions. Such an election, however, shall be effective only if the following conditions are satisfied:

- (1) The election may not take effect until at least twelve (12) months after the date on which the election is made; and
- (2) The distribution will be made exactly five (5) years from the date the distribution would have otherwise been made.

6.2 Distribution Rules for RAC Subaccount

The full vested balance in a RAC Subaccount shall be distributed in a lump sum upon a RAC Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

At the discretion of the Administrative Committee, a distribution may commence earlier or later than the date specified above, provided that the timing of any such commencement complies with Treas. Reg. section 1.409A-3(d) or any successor thereto.

6.3 Effect of Taxation

If a Participant's benefits under the Plan are includible in income pursuant to Code section 409A, the Company shall have the discretion to accelerate the distribution of all or a portion of such includible benefits to the Participant, provided that the Participant shall not be given a direct or indirect election as to whether such discretion is exercised.

6.4 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Committee's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;
- (c) provided, that any payment delayed pursuant to this Section 6.4 shall be paid in accordance with Code section 409A.

6.5 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Plan. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

6.6 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period.

6.7 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VII

ADMINISTRATION

7.1 Committees

(a) Effective April 27, 2006, the Administrative Committee shall be comprised of the individuals (in their corporate capacity) who are members of the Administrative Committee for Northrop Grumman Deferred Compensation Plan. If no such Administrative Committee exists, the members of the Administrative Committee for the Plan shall be individuals holding the following positions within the Company (as such titles may be modified from time to time), or their successors in office: the Corporate Vice President and Chief Human Resources and Administration Officer; the Corporate Vice President, Controller and Chief Accounting Officer; the Vice President, Taxation; the Vice President, Compensation, Benefits and HRIS; and the Corporate Director, Benefits Administration and Services. A member of the Administrative Committee may resign by delivering a written notice of resignation to the Corporate Vice President and Chief Human Resources and Administration Officer.

(b) Prior to April 27, 2006, the Administrative Committee shall be comprised of the individuals appointed by the Compensation Committee of the Board (the "Compensation Committee").

(c) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

7.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Compensation Committee shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

7.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);
- (g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and

(h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

7.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To select types of investment and the actual investments against which earnings and losses will be measured;
- (b) To oversee any rabbi trust; and
- (c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

7.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

7.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

7.7 Committee Compensation, Expenses and Indemnity

- (a) The members of the Committees shall serve without compensation for their services hereunder.
- (b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.
- (c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims

arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7.8 Disputes

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

ARTICLE VIII

MISCELLANEOUS

8.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

8.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 5.2 will not be treated as violations of this Section.

(c) Notwithstanding the foregoing, all or a portion of a Participant's vested Account balance may be paid to another person as specified in a domestic relations order that the Administrative Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and
- (4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

8.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 8.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

8.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article VI, unless the Company determines in its sole

discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

Notwithstanding the foregoing, no amendment of the Plan shall apply to amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to amounts that are "grandfathered" and exempt from the requirements of Code section 409A.

8.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

8.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

8.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

8.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

8.11 Liabilities Transferred to HII

Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date"). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Plan and the liabilities for these participants' benefits under the Plan were transferred to HII. On and after the HII Distribution Date, the Company and the Plan, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Plan.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 17th day of April, 2018.

NORTHROP GRUMMAN CORPORATION

By: _____
Denise M. Peppard
Corporate Vice President and
Chief Human Resources Officer

APPENDIX A – 2005 TRANSITION RELIEF

The following provisions apply only during 2005, pursuant to transition relief granted in IRS Notice 2005-1:

A.1 Cash-Out

Participants Separating from Service during 2005 for any reason before age 55 will receive an immediate lump sum distribution of their Account balances. Other Participants Separating from Service in 2005 will receive payments in accordance with their prior elections.

A.2 Elections

During the Plan's open enrollment period in June 2005 Participants may fully or partially cancel 2005 deferral elections and receive in 2005 a refund of amounts previously deferred in 2005.

In addition, individuals working in Company facilities impacted by Hurricane Katrina may stop or reduce 2005 elective contributions to the Plan at any time during 2005. All payments under this Section A.2 will be made before the end of calendar year 2005.

A.3 Key Employees

Key Employees Separating from Service on or after July 1, 2005, with distributions subject to Code section 409A and scheduled for payment in 2006 within six months of Separation from Service, may choose I or II below, subject to III:

- I. Delay the distributions described above for six months from the date of Separation from Service. The delayed payments will be paid as a single sum with interest at the end of the six month period, with the remaining payments resuming as scheduled.
- II. Accelerate the distributions described above into a payment in 2005 without interest adjustments.
- III. Key Employees must elect I or II during 2005.

APPENDIX B – DISTRIBUTION RULES FOR PRE-2005 AMOUNTS

Distribution of amounts earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan or a Merged Plan prior to 2005 (and earnings thereon) are exempt from the requirements of Code section 409A and shall be made in accordance with the Plan or the applicable Merged Plan terms as in effect on December 31, 2004 and as summarized in the following provisions, except as otherwise provided in Appendix C.

B.1 Distribution of Contributions

(a) Distributions Upon Early Termination.

(1) Voluntary Termination. If a Participant voluntarily terminates employment with the Affiliated Companies before age 55 or Disability, distribution of his or her Account will be made in a lump sum on the Participant's Payment Date.

(2) Involuntary Termination. If a Participant involuntarily terminates employment with the Affiliated Companies before age 55, distribution of his or her Account will generally be made in quarterly or annual installments over a fixed number of whole years not to exceed 15 years, commencing on the Participant's Payment Date, in accordance with the Participant's original election on his or her deferral election form. Payment will be made in a lump sum if the Participant had originally elected a lump sum, if the Account balance is \$50,000 or less, or if the Administrative Committee so specifies.

(b) Distribution After Retirement, Disability or Death. In the case of a Participant who separates from service with the Affiliated Companies on account of Retirement, Disability or death and has an Account balance of more than \$50,000, the Account shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 10 years commencing on the Participant's Payment Date unless an optional form of benefit has been specified pursuant to Section B.1(b) (1).

(1) An optional form of benefit may be elected by the Participant, on the form provided by Administrative Committee, during his or her initial election period from among those listed below:

(i) A lump sum distribution on the Participant's Payment Date.

(ii) Quarterly installments over a period of at least 1 and no more than 15 years beginning on the Participant's Payment Date.

(iii) Annual installments over a period of at least 2 and no more than 15 years beginning on the Participant's Payment Date.

(2) A Participant from time to time may modify the form of benefit that he or she has previously elected. Upon his or her separation from service, the most recently

elected form of distribution submitted at least 12 months prior to separation will govern. If no such election exists, distributions will be paid under the 10-year installment method.

(3) In the case of a Participant who terminates employment with the Affiliated Companies on account of Retirement, Disability or death with an Account balance of \$50,000 or less, the Account shall be paid to the Participant in a lump sum distribution on the Participant's Payment Date.

(4) In general, upon the Participant's death, payment of any remaining Account balance will be made to the Beneficiary in a lump sum on the Payment Date. But the Beneficiary will receive any remaining installments (starting on the Payment Date) if the Participant was receiving installments, or if the Participant died on or after age 55 with an Account balance over \$50,000 and with an effective installment payout election in place. In such cases, the Beneficiary may still elect a lump sum payment of the remaining Account balance, but only with the Administrative Committee's consent.

(5) In the event that this Plan is terminated, the amounts allocated to a Participant's Account shall be distributed to the Participant or, in the event of his or her death, to his or her Beneficiary in a lump sum.

APPENDIX C – MERGED PLANS

C.1 Plan Mergers

(a) Merged Plans. As of their respective effective dates, the plans listed in (c) (the "Merged Plans") are merged into this Plan. All amounts from those plans that were merged into this Plan are held in their corresponding Accounts.

(b) Accounts. Effective as of the dates below, Accounts are established for individuals who, before the merger, had account balances under the merged plans. These individuals will not accrue benefits under this Plan unless they become Participants by virtue of being hired into a covered position with an Affiliated Company, but they will be considered Participants for purposes of the merged accounts. The balance credited to the Participant's merged plan account will, effective as of the date provided in the table below, be invested in accordance with the terms of this Plan. Except as provided in section C.2 below, amounts merged into this Plan from the merged plans are governed by the terms of this Plan.

(c) Table.

Name of Merged Plans	Merger Effective Dates	Merged Account Names
Northrop Grumman Benefits Equalization Plan	December 10, 2004	NG BEP Account
Northrop Grumman Space & Mission Systems Corp. Deferred Compensation Plan	December 10, 2004	S & MS Deferred Compensation Account
BDM International, Inc. 1997 Executive Deferred Compensation Plan ("BDM Plan")	April 29, 2005	BDM Account
PRC Inc. Executive Deferred Compensation Plan ("PRC Plan")	November 9, 2012	PRC EDCP Account (or Sub-Account, as applicable)

C.2 Merged Plans – General Rule

(a) NG BEP Account and S & MS Deferred Compensation Account. Distributions from Participants' NG BEP and S & MS Deferred Compensation Accounts are made under the provisions of Appendix B, except as provided in this Section.

(1) Amounts in the Participant's NG BEP Account and the S & MS Deferred Compensation Account shall be paid out in accordance with elections made under the Merged Plans.

(2) The Participant's "Payment Date" for amounts in the NG BEP Account and the S & MS Deferred Compensation Account shall be deemed to be the end of January following the Participant's termination of employment.

(3) The reference to \$50,000 in the provisions of Appendix B shall be deemed to be \$5,000 with respect to amounts in the NG BEP Account and the S & MS Deferred Compensation Account.

(4) The Administrative Committee shall assume the rights and responsibilities of the Directors/Committee with respect to determining whether a Participant's NG BEP Account may be paid out in a form other than the automatic form of payment.

(5) The Administrative Committee shall assume the rights and responsibilities of the Committee or Special Committee with respect to determining whether a Participant's S & MS Deferred Compensation Account may be paid out in a form other than the automatic form of payment.

(6) For purposes of determining the time of payment of a Participant's NG BEP Account, a Participant's employment will not be deemed to have terminated following the Participant's layoff until the earlier of the end of the twelve-month period following layoff (without a return to employment with the Affiliated Companies) or the date on which the Participant retires under any pension plan maintained by the Affiliated Companies.

(7) A Participant's S & MS Deferred Compensation Account shall be paid to the Participant no later than the January 5 next preceding the Participant's 80th birthday.

(8) In no event will payments of amounts in the Participant's NG BEP Account and the S & MS Deferred Compensation Account be accelerated or deferred beyond the payment schedule provided under the Merged Plans. However, any election to change the time or form of payment for such an amount may be made based on the terms of the relevant Merged Plan as in effect on October 3, 2004.

(b) BDM Account. Distributions of a Participant's vested BDM Account balance shall be made in accordance with this Section C.2(b), and Article VI shall not apply to such distributions. A Participant shall be vested in his BDM Account balance in accordance with the vesting provisions of the BDM Plan.

(1) Timing of Payment: A Participant's vested BDM Account balance shall be distributed in accordance with elections made under the BDM Plan. For those Participants who have not commenced distributions as of April 29, 2005, payments from the BDM Account will commence at the time designated on his or her BDM enrollment and election form, unless extended prior to such date. However, if such a Participant did not elect a fixed date

(or elect the earlier of a fixed date or termination of employment), his or her vested BDM Account balance will be paid as soon as administratively practicable following termination of employment in the form designated under Section C.2(b)(2) below.

(2) Form of Payment: A Participant's vested BDM Account balance shall be paid in cash. The vested BDM Account balance will be paid in (i) a lump sum, (ii) five (5) or ten (10) substantially equal annual installments (adjusted for gains and losses), or (iii) a combination thereof, as selected by the Participant (or Beneficiary) prior to the date on which amounts are first payable to the Participant (or Beneficiary) under Section C.2(b)(1) above. If the Participant fails to designate properly the manner of payment, such payment will be made in a lump sum.

(3) Death Benefits: If a Participant dies before commencement of payment of his BDM Account balance, the entire Account balance will be paid at the times provided in Section C.2(b)(2) above to his or her Beneficiary. If a Participant dies after commencement but before he or she has received all payments from his vested BDM Account balance, the remaining installments shall be paid annually to the Beneficiary. For purposes of this Section C.2(b), a Participant's Beneficiary, unless subsequently changed, will be the designated beneficiary(ies) under the BDM Plan or if none, the Participant's spouse, if then living, but otherwise the Participant's then living descendants, if any, per stirpes, but, if none, the Participant's estate.

(4) Lost Participant: In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within three years following the payment date under Section C.2(b)(1) above, the amount allocated to the Participant's BDM Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period. In lieu of such a forfeiture, the Administrative Committee has the discretion to direct distribution of the vested BDM Account balance to any one or more or all of the Participant's next of kin, and in the proportions as the Administrative Committee determines.

(5) Committee Rules: All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

(6) Payment Schedule: In no event will payments of amounts in the Participant's BDM Account be accelerated or deferred beyond the payment schedule provided under the BDM Plan.

(7) Application to Trustee: BDM International, Inc. set aside amounts in a grantor trust to assist it in meeting its obligations under the BDM Plan. Notwithstanding Section C.2(b)(5) above and the claims procedures provided in Section 7.8, a Participant may make application for payment of benefits under this Section C.2(b) directly to the trustee of such trust.

(c) PRC EDCP Account. Notwithstanding anything to the contrary, the following provisions in this Section C.2(c) summarize the distribution rules in effect under the PRC Plan with respect to the PRC EDCP Account balances, and those PRC Plan distribution terms shall continue to govern the distributions of the PRC EDCP Account balances. Article VI and Appendix B shall not apply to the PRC EDCP Account balances. Nothing in this Section C.2(c) shall change or alter the distribution terms of the PRC Plan in effect as of any date. All capitalized terms in this Section C.2(c) not otherwise defined in the Plan shall be defined in accordance with the terms of the PRC Plan as in effect immediately prior to the PRC Plan's merger with the Plan on November 9, 2012.

(1) Vesting. All Participants are vested in their PRC EDCP Account balances in accordance with the vesting provisions of the PRC Plan.

(2) Fixed Payment Dates; Termination of Employment. A Participant's vested PRC EDCP Account balance shall be distributed in accordance with his elections made under the PRC Plan. However, if such a Participant did not elect a fixed date or termination of employment with all Employers (or elect the earlier of a fixed date or termination of employment) for any particular portion of his or her vested PRC EDCP Account, such portion of his or her PRC EDCP Account balance will be valued and payable at or commence at such Participant's termination of employment according to the provisions of Sections C.2(c)(4) and (5).

(3) Hardship Distributions. In the event of financial hardship of the Participant, as hereinafter defined, the Participant may apply to the Administrative Committee for the distribution of all or any part of his or her vested PRC EDCP Account. The Administrative Committee shall consider the circumstances of each such case, and the best interests of the Participant and his or her family, and shall have the right, in its sole and absolute discretion, if applicable, to allow such distribution, or, if applicable, to direct a distribution of part of the amount requested, or to refuse to allow any distribution. Upon a finding of financial hardship, the Administrative Committee shall make or cause the appropriate distribution to be made to the Participant from amounts held by the Company or the Trustee in respect of the Participant's vested PRC EDCP Account. In no event shall the aggregate amount of the distribution exceed either the full value of the Participant's vested PRC EDCP Account or the amount determined by the Administrative Committee, in its sole and absolute discretion, to be necessary to alleviate the Participant's financial hardship (which financial hardship may be considered to include any taxes due because of the distribution occurring because of this Section), and which is not reasonably available from other resources of the Participant. For purposes of this Section, the value of the Participant's vested PRC EDCP Account shall be determined as of the date of the distribution. "Financial hardship" means (i) a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Code section 152(a)) of the Participant, (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, each as determined to exist by the Administrative Committee. A distribution may be made under this Section only with the consent of the Administrative Committee.

(4) Amount and Time of Payment. Subject to Section C.2(c)(3), a Participant (or his or her Beneficiary) shall become entitled to receive a vested PRC EDCP Sub-Account balance commencing on the Payment Date for such sub-account. For this purpose, the "Payment Date" will be the relevant date or event triggering payment as provided under Section C.2(c)(2). Notwithstanding the foregoing, a Participant may elect to postpone a Payment Date to a later date, provided the election is made at least 12 months prior to the scheduled Payment Date. For example, a Participant could elect (i) to postpone a fixed payment date to a later fixed payment date, or (ii) elect to postpone the payment date for an amount payable upon termination of employment to a date that necessarily occurs after termination of employment (e.g., two years after termination of employment). There is no limit on the number of such elections a Participant may make. Any payment due hereunder from the Trust which is not paid by the Trust for any reason will be paid by the Employer from its general assets.

(5) Method of Payment.

(i) Form of Payment. Unless otherwise elected by the Participant and permitted by the Trustee in its sole and absolute discretion, a Participant's vested PRC EDCP Account balance shall be paid in cash. In the case of distributions to a Participant or his or her Beneficiary by virtue of an entitlement pursuant to Section C.2(c)(2), an aggregate amount equal to the Participant's vested PRC EDCP Sub-Account will be paid by the Trust or the Employer, as provided by Section C.2(c)(4), in a lump sum or in five (5) or ten (10) substantially equal annual installments (adjusted for gains and losses, and reduced by any required withholding or other deductions from such payments), as selected by the Participant on his or her Participant Enrollment and Election Form for such sub-account. If the Participant fails to designate properly the manner of payment, such payment will be made in a lump sum.

If a Participant receiving installment distributions pursuant to Section C.2(c)(7) is re-employed by the Employer, the remaining distributions due to the Participant shall be suspended until such time as the Participant (or his or her Beneficiary) once again becomes eligible for benefit payments, at which time such distribution shall commence, subject to the limitations and conditions contained in the PRC Plan.

(ii) Subsequent Deferral Elections. Such form of payment may be changed by the Participant provided (A) the election is made at least 12 months prior to the payment date for the PRC EDCP Sub-Account provided under Section C.2(c)(4) and (B) the form of payment is not accelerated (i.e., an election of installments may not be changed to a lump sum and an election of 10 annual installments may not be changed to 5 annual installments). There is no limit on the number of such elections a Participant may make.

(6) Death Benefits. If a Participant dies before terminating his or her employment with the Employer and before the commencement of payments to the Participant hereunder, the entire value of the Participant's PRC EDCP Account (which may include credits for insurance contract death benefits deemed to be received by the PRC EDCP Account) shall be paid, as provided in Section C.2(c)(5), to the Beneficiary designated under the Plan, unless the Employer elects a more rapid form or schedule of distribution.

Upon the death of a Participant after payments hereunder have begun but before he or she has received all payments to which he or she is entitled under the Plan, the remaining benefit payments shall be paid to the Beneficiary designated under the Plan, in the manner in which such benefits were payable to the Participant, unless the Employer elects a more rapid form or schedule of distribution.

(7) Application to Trustee. Notwithstanding Section 6.7 above and the claims procedures provided in Section 7.8, on the date or dates on which a Participant or Beneficiary is entitled to payment under Section C.2(c)(2), the Participant or Beneficiary need not make application for payment to the Administrative Committee, but instead may make application for payment directly to the Trustee who shall, subject to any restrictions or limitations contained in the Trust, pay the Participant or Beneficiary the appropriate amount directly from the Trust without the consent of PRC or the Employer. The Trustee shall report the amount of each such payment, and any withholding thereon, to the Company.

8.12

APPENDIX D – COMMITTEES AND APPOINTMENTS

Notwithstanding anything to the contrary in this Plan, effective October 25, 2011, the Chief Executive Officer of Northrop Grumman Corporation shall appoint, and shall have the power to remove, the members of (1) an Administrative Committee that shall have responsibility for administering the Plan (including as such responsibilities are described in Article VII of the Plan) and (2) an Investment Committee that shall have responsibility for overseeing any rabbi trusts or other informal funding for the Plan.

NORTHROP GRUMMAN
SAVINGS EXCESS PLAN

(Amended and Restated Effective as of June 29, 2018)

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INTRODUCTION

The Northrop Grumman Savings Excess Plan (the "Plan") was last amended and restated effective as of January 1, 2018. This restatement amends that version of the Plan, and is effective June 29, 2018, except as otherwise provided herein. Notwithstanding the foregoing or anything to the contrary in the Plan, this amended and restated Plan document does not affect amounts earned and vested under the Plan prior to 2005.

Northrop Grumman Corporation (the "Company") established this Plan for participants in the Northrop Grumman Savings Plan who exceed the limits under sections 401(a)(17) or 415(c) of the Internal Revenue Code. This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder (except with respect to amounts covered by Appendix B), and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

- (a) "Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.
- (b) "Administrative Committee" means the committee in charge of Plan administration, as described in Article VII and Appendix D.
- (c) "Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).
- (d) "Base Salary" shall mean a Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Affiliated Companies and prior to reduction for any salary contributions to a plan established pursuant to section 125 of the Code or qualified pursuant to section 401(k) of the Code.
- (e) "Basic Contributions" shall have the same meaning as that term is defined in the NGSP.

(f) "Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(1) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(2) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. Effective January 1, 2007, a Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(3) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person's living parent(s) to act as custodian, (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(4) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

(g) "Board" shall mean the Board of Directors of the Company.

(h) "Bonuses" shall mean the bonuses earned under the Company's formal incentive plans as defined by the Administrative Committee.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(j) "Committees" shall mean the Committees appointed as provided in Article VII.

(k) "Company" shall mean Northrop Grumman Corporation and any successor.

(l) "Company Contributions" shall mean contributions by the Company to a Participant's Account.

(m) "Compensation" shall be Compensation as defined by Section 5.01 of the NGSP.

(n) "Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

(o) "Eligible Compensation" shall mean (1) Compensation prior to January 1, 2009, and (2) after 2008, Base Salary and Bonuses, reduced by the amount of any deferrals made from such amounts under the Northrop Grumman Deferred Compensation Plan. Notwithstanding the foregoing, effective January 1, 2017, Eligible Compensation shall not include any amount paid to an Eligible Employee following the end of the month first following the month in which the Eligible Employee has a Separation from Service. Notwithstanding the foregoing, Eligible Compensation shall not include any amount deferred under the OADCP (as such term is defined in Appendix E) that otherwise would be payable in 2019.

(p) "Eligible Employee" shall mean any Employee who meets the following conditions:

(1) he or she is eligible to participate in the NGSP;

(2) he or she is classified by the Affiliated Companies as an Employee and not as an independent contractor;

and

(3) he or she meets any additional eligibility criteria set by the Administrative Committee. Additional eligibility criteria established by the Administrative Committee may include specifying classifications of Employees who are eligible to participate and the date as of which various groups of Employees will be eligible to participate. This includes, for example, Administrative Committee authority to delay eligibility for employees of newly acquired companies who become Employees.

Notwithstanding the foregoing or anything to the contrary in the Plan, and effective as of and contingent upon the Closing, designated employees of Northrop Grumman Innovation Systems, Inc. ("NGIS") who meet the relevant eligibility criteria, shall be eligible to participate in the Plan effective January 1, 2019, and shall be eligible to make an election under Section 3.1 of the Plan during the 2018 Open Enrollment Period to defer Eligible Compensation for the 2019 Plan Year.

(q) "Employee" shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

(r) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

(s) "Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VII.

(t) "Key Employee" means an employee who on the date of his Separation from Service is treated as a "specified employee" under Code section 409A in accordance with a uniform Company policy.

(u) "NGSP" means the Northrop Grumman Savings Plan.

(v) "Open Enrollment Period" means the period designated by the Administrative Committee for electing deferrals for the following Plan Year.

(w) "Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II or any Employee who is a RAC Participant.

(x) "Payment Date" shall mean:

(1) for distributions upon early termination under Section B.1(a), a date after the end of the month in which termination of employment occurs; and

(2) for distributions after Retirement, Disability or death under Section B.1(b), a date after the end of the month in which occurs Retirement, the determination of Disability by the Administrative Committee, or the notification of the Administrative Committee of the Participant's death (or later qualification of the Beneficiary or Beneficiaries), as applicable.

The exact date in each case will be determined by the Administrative Committee to allow time for administrative processing.

(y) "Plan" shall be the Northrop Grumman Savings Excess Plan.

(z) "Plan Year" shall be the calendar year.

(aa) "RAC Contributions" shall mean the Company contributions under Section 3.2(b)(2) and Section 3.2(b)(4).

(bb) "RAC Participant" shall mean an Employee who is eligible to participate in the NGSP, receives Retirement Account Contributions under the NGSP, and is classified by the Affiliated Companies as an Employee and not as an independent contractor. Notwithstanding the foregoing, an Employee who becomes eligible to participate in the Officers Supplemental Executive Retirement Program II ("OSERP II") under the Northrop Grumman Supplemental Plan 2 shall immediately cease to be eligible for RAC Contributions.

(cc) "RAC Subaccount" shall mean the portion of a Participant's Account made up of RAC Contributions and earnings thereon.

(dd) "Retirement" shall mean termination of employment with the Affiliated Companies after reaching age 55.

(ee) "Separation from Service" or "Separates from Service" or "Separating from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 In General

(a) An Eligible Employee may become a Participant by complying with the procedures established by the Administrative Committee for enrolling in the Plan. Anyone who becomes an Eligible Employee will be entitled to become a Participant during an Open Enrollment Period.

(b) A RAC Participant will become a Participant when RAC Contributions are first made to his or her RAC Subaccount.

(c) An individual will cease to be a Participant when he or she no longer has a positive balance to his or her Account under the Plan.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan and enrollment forms or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III

DEFERRAL ELECTIONS

3.1 Elections to Defer Eligible Compensation

(a) Timing. An Eligible Employee who meets the requirements of Section 2.1(a) may elect to defer Eligible Compensation earned in a Plan Year by filing an election in the Open Enrollment Period for the Plan Year. For purposes of determining whether an election filed pursuant to this Section 3.1(a) applies, Eligible Compensation that is Base Salary shall be considered earned in the Plan Year in which, absent such election, it would otherwise be paid. An election to participate for a Plan Year is irrevocable.

(b) Election Rules. An Eligible Employee's election may be made in writing, electronically, or as otherwise specified by the Administrative Committee. Such election shall specify the Eligible Employee's rate of deferral for contributions to the Plan, which shall be between 1% and 50%, and shall address distribution of the deferred amounts as described in Section 6.1. All elections must be made in accordance with the rules, procedures and forms provided by the Administrative Committee. The Administrative Committee may change the rules, procedures and forms from time to time and without prior notice to Participants.

(c) Cancellation of Election. If a Participant becomes disabled (as defined under Code section 409A) during a Plan Year, his deferral election for such Plan Year shall be cancelled.

3.2 Contribution Amounts

(a) Participant Contributions. An Eligible Employee's contributions under the Plan for a Plan Year will begin once his or her Compensation for the Plan Year exceeds the Code section 401(a)(17) limit for the Plan Year. The Participant's elected deferral percentage will be applied to his or her Eligible Compensation for the balance of the Plan Year.

(b) Company Contributions. The Company will make Company Contributions to a Participant's Account as provided in (1), (2) and (3) below.

(1) Matching Contributions. The Company will make a Company Contribution equal to the matching contribution rate for which the Participant is eligible under

the NGSP for the Plan Year multiplied by the amount of the Participant's contributions under subsection (a).

(2) RAC Contributions. Effective July 1, 2008, the Company will make RAC Contributions equal to a percentage of a RAC Participant's Compensation for a Plan Year in excess of the Code section 401(a)(17) limit. The percentage used to calculate a RAC Participant's contribution for the 2016 Plan Year and each subsequent Plan Year shall be based on the RAC Participant's age on December 31, 2016 as follows:

- (i) Three percent if not yet age 35.
- (ii) Four percent if 35 or older, but not yet 50.
- (iii) Five percent if age 50 or older.

(3) Make-Up Matching Contributions for Contribution Limitation. If an Eligible Employee's Basic Contributions under the NGSP for a Plan Year are limited by the Code section 415(c) contribution limit before the Eligible Employee's Basic Contributions under the NGSP are limited by the Code section 401(a)(17) compensation limit, the Company will make a Company Contribution equal to the amount of matching contributions for which the Eligible Employee would have been eligible under the NGSP were Code section 415(c) not applied, reduced by the actual amount of matching contributions made for the Plan Year under the NGSP.

(4) Make-Up RAC Contributions for Contribution Limitation. If an Eligible Employee is a RAC Participant and his Retirement Account Contributions under the NGSP for a Plan Year are limited by the Code section 415(c) contribution limit before the RAC Participant's Retirement Account Contributions under the NGSP are limited by the Code section 401(a)(17) compensation limit, the Company will make a Company Contribution equal to the amount of Retirement Account Contributions for which the RAC Participant would have been eligible under the NGSP were Code section 415(c) not applied, reduced by the actual amount of Retirement Account Contributions made for the Plan Year under the NGSP.

3.3 Crediting of Deferrals

Amounts deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as practicable after the amounts would have otherwise been paid to the Participant. Company contributions other than those under Section 3.2(b)(3) and Section 3.2(b)(4) will be credited to Accounts as soon as practicable after each payroll cycle in which they accrue. Company contributions under Section 3.2(b)(3) and Section 3.2(b)(4) will be credited to Accounts as soon as practicable after each Plan Year.

3.4 Investment Elections

(a) The Investment Committee will establish a number of different investment funds or other investment options for the Plan. The Investment Committee may change the funds or other investment options from time to time, without prior notice to Participants.

(b) Participants may elect how their future contributions and existing Account balances will be deemed invested in the various investment funds and may change their elections from time to time. If a Participant does not elect how future contributions will be deemed invested, contributions will be deemed invested in the qualified default investment alternative ("QDIA") that applies to the Participant under the NGSP.

(c) The deemed investments for a RAC Participant's RAC Subaccount must be the same as the deemed investments for the RAC Participant's Company contributions under Section 3.2(b)(1).

(d) Selections of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules that may include, among other matters, limitations on the amounts that may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe valuation rules for purposes of investment elections and transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated expenses. The Administrative Committee may change the methods it uses for valuation from time to time.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules and procedures from time to time and without prior notice to Participants.

(e) Effective January 13, 2011, Participant investment elections involving a Company stock investment fund (e.g., transfers into or out of the fund) may be restricted, including in accordance with Company policies generally applicable to employee transactions in Company stock.

3.5 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of their contributions due to poor investment performance.

ARTICLE IV

ACCOUNTS

4.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

4.2 Valuation of Accounts

The valuation of Participants' recordkeeping Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(a) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(b) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(c) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

4.3 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

ARTICLE V

VESTING AND FORFEITURES

5.1 In General

A Participant's interest in his or her Account will be nonforfeitable, subject to the exceptions in Section 5.2.

5.2 Exceptions

The following exceptions apply to the vesting rule in Section 5.1 above:

(a) A RAC Participant shall become fully vested in his or her RAC Subaccount and earnings thereon upon the earliest of the following dates, provided he or she is

an Employee at such time: (i) the date he or she completes three years of service, (ii) the date of his or her 65th birthday, (iii) the date of his or her death, (iv) the date he or she becomes Disabled, or (v) the date Company Contributions are completely discontinued or the Plan is terminated. Notwithstanding anything to the contrary, if a Participant terminates employment with the Affiliated Companies prior to vesting as set forth in this Section 5.2(a), his or her unvested RAC Subaccount and earnings thereon shall be immediately forfeited upon such termination. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

(b) A Participant whose original date of hire with the Affiliated Companies is after April 30, 2012 shall become fully vested in his or her Company matching contributions under Sections 3.2(b)(1) and (3) and earnings thereon upon the earliest of the following dates, provided he or she is an Employee at such time: (i) the date he or she completes three years of service, (ii) the date of his or her 65th birthday, (iii) the date of his or her death, or (iv) the date he or she becomes Disabled, or (v) the date Company Contributions are completely discontinued or the Plan is terminated. Notwithstanding anything to the contrary, if a Participant terminates employment with the Affiliated Companies prior to vesting as set for in this Section 5.2(b), his or her unvested Company matching contributions under Sections 3.2(b)(1) and (3) and earnings thereon shall be immediately forfeited upon such termination. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service).

(c) Forfeitures on account of a lost payee. See Section 6.6.

(d) Forfeitures under an escheat law.

(e) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.

(f) Expenses charged to a Participant's Account.

(g) Investment losses.

ARTICLE VI

DISTRIBUTIONS

6.1 Distribution Rules for Non-RAC Amounts

The rules in this Section 6.1 apply to distribution of a Participant's Account other than the RAC Subaccount.

Notwithstanding the foregoing, Appendix B governs the distribution of amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005 (and earnings thereon) and are exempt from the

requirements of Code section 409A. Thus, this Section 6.1 does not apply to these pre-2005 deferrals, but does apply to all other amounts deferred under the Plan.

(a) Separate Distribution Election. A Participant must make a separate distribution election for each year's contributions. A Participant generally makes a distribution election at the same time the Participant makes the deferral election, i.e., during the Open Enrollment Period.

(b) Distribution Upon Separation. A Participant may elect on a deferral form to have the vested portion of his Account related to amounts deferred under the deferral form and Company contributions for the same year (and earnings thereon) distributed in a lump sum or in quarterly or annual installments over a period of 1 to 15 years. Lump sum payments under the Plan will be made in the month following the Participant's Separation from Service. Installment payments shall commence in the March, June, September or December next following the month of Separation from Service. If a Participant does not make a distribution election and his vested Account balance (including amounts subject to Appendix B) exceeds \$50,000 and the Participant is age 55 or older at the time the Participant Separates from Service, the Participant will receive quarterly installments over a 10-year period. Otherwise, a Participant not making an election will receive a lump sum payment. Notwithstanding the foregoing, if the Participant's vested Account balance (including amounts subject to Appendix B) is \$50,000 or less or the Participant is under age 55 at the time the Participant Separates from Service, the vested Account balance shall be distributed in a lump sum payment in the month following the Participant's Separation from Service.

Notwithstanding the timing rules in the foregoing paragraph, distributions may not be made to a Key Employee upon a Separation from Service before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). All payments to be made upon the Separation from Service shall be delayed six months in accordance with Treas. Reg. section 1.409A-3(i)(2)(ii).

At the discretion of the Administrative Committee, a distribution may commence earlier or later than the date specified above, provided that the timing of any such commencement complies with Treas. Reg. section 1.409A-3(d) or any successor thereto.

(c) Changes in Form of Distribution. A Participant may make up to two subsequent elections to change the form of a distribution for any year's deferrals and Company contributions. Such an election, however, shall be effective only if the following conditions are satisfied:

- (1) The election may not take effect until at least twelve (12) months after the date on which the election is made; and
- (2) The distribution will be made exactly five (5) years from the date the distribution would have otherwise been made.

6.2 Distribution Rules for RAC Subaccount

The full vested balance in a RAC Subaccount shall be distributed in a lump sum upon a RAC Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

At the discretion of the Administrative Committee, a distribution may commence earlier or later than the date specified above, provided that the timing of any such commencement complies with Treas. Reg. section 1.409A-3(d) or any successor thereto.

6.3 Effect of Taxation

If a Participant's benefits under the Plan are includible in income pursuant to Code section 409A, the Company shall have the discretion to accelerate the distribution of all or a portion of such includible benefits to the Participant, provided that the Participant shall not be given a direct or indirect election as to whether such discretion is exercised.

6.4 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Committee's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or
- (b) The making of the payment would violate Federal securities laws or other applicable law;
- (c) provided, that any payment delayed pursuant to this Section 6.4 shall be paid in accordance with Code section 409A.

6.5 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Plan. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

6.6 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period.

6.7 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VII

ADMINISTRATION

7.1 Committees

(a) Effective April 27, 2006, the Administrative Committee shall be comprised of the individuals (in their corporate capacity) who are members of the Administrative Committee for Northrop Grumman Deferred Compensation Plan. If no such Administrative Committee exists, the members of the Administrative Committee for the Plan shall be individuals holding the following positions within the Company (as such titles may be modified from time to time), or their successors in office: the Corporate Vice President and Chief Human Resources and Administration Officer; the Corporate Vice President, Controller and Chief Accounting Officer; the Vice President, Taxation; the Vice President, Compensation, Benefits and HRIS; and the Corporate Director, Benefits Administration and Services. A member of the Administrative Committee may resign by delivering a written notice of resignation to the Corporate Vice President and Chief Human Resources and Administration Officer.

(b) Prior to April 27, 2006, the Administrative Committee shall be comprised of the individuals appointed by the Compensation Committee of the Board (the "Compensation Committee").

(c) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

7.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or

herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Compensation Committee shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

7.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);
- (g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and
- (h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

7.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To select types of investment and the actual investments against which earnings and losses will be measured;
- (b) To oversee any rabbi trust; and
- (c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

7.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

7.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

7.7 Committee Compensation, Expenses and Indemnity

- (a) The members of the Committees shall serve without compensation for their services hereunder.
- (b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.
- (c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or

provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

7.8 Disputes

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" shall apply in handling claims and appeals under this Plan.

ARTICLE VIII

MISCELLANEOUS

8.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

8.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 5.2 will not be treated as violations of this Section.

(c) Notwithstanding the foregoing, all or a portion of a Participant's vested Account balance may be paid to another person as specified in a domestic relations order that the Administrative Committee determines is qualified (a "Qualified Domestic Relations Order").

For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and
- (4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

8.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 8.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

8.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article VI, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

Notwithstanding the foregoing, no amendment of the Plan shall apply to amounts that were earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan prior to 2005, unless the amendment specifically provides that it applies to such amounts. The purpose of this restriction is to prevent a Plan amendment from resulting in an inadvertent "material modification" to amounts that are "grandfathered" and exempt from the requirements of Code section 409A.

8.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

8.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

8.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

8.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

8.11 Liabilities Transferred to HII

Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date").

Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Plan and the liabilities for these participants' benefits under the Plan were transferred to HII. On and after the HII Distribution Date, the Company and the Plan, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Plan.

* * *

IN WITNESS WHEREOF, this Amendment and Restatement is hereby executed by a duly authorized officer on this 29th day of June, 2018.

NORTHROP GRUMMAN CORPORATION

By: /s/ Denise M. Peppard
Denise M. Peppard
Corporate Vice President and
Chief Human Resources Officer

APPENDIX A – 2005 TRANSITION RELIEF

The following provisions apply only during 2005, pursuant to transition relief granted in IRS Notice 2005-1:

A.1 Cash-Out

Participants Separating from Service during 2005 for any reason before age 55 will receive an immediate lump sum distribution of their Account balances. Other Participants Separating from Service in 2005 will receive payments in accordance with their prior elections.

A.2 Elections

During the Plan's open enrollment period in June 2005 Participants may fully or partially cancel 2005 deferral elections and receive in 2005 a refund of amounts previously deferred in 2005.

In addition, individuals working in Company facilities impacted by Hurricane Katrina may stop or reduce 2005 elective contributions to the Plan at any time during 2005. All payments under this Section A.2 will be made before the end of calendar year 2005.

A.3 Key Employees

Key Employees Separating from Service on or after July 1, 2005, with distributions subject to Code section 409A and scheduled for payment in 2006 within six months of Separation from Service, may choose I or II below, subject to III:

- I. Delay the distributions described above for six months from the date of Separation from Service. The delayed payments will be paid as a single sum with interest at the end of the six month period, with the remaining payments resuming as scheduled.
- II. Accelerate the distributions described above into a payment in 2005 without interest adjustments.
- III. Key Employees must elect I or II during 2005.

APPENDIX B – DISTRIBUTION RULES FOR PRE-2005 AMOUNTS

Distribution of amounts earned and vested (within the meaning of Code section 409A and regulations thereunder) under the Plan or a Merged Plan prior to 2005 (and earnings thereon) are exempt from the requirements of Code section 409A and shall be made in accordance with the Plan or the applicable Merged Plan terms as in effect on December 31, 2004 and as summarized in the following provisions, except as otherwise provided in Appendix C.

B.1 Distribution of Contributions

(a) Distributions Upon Early Termination.

(1) Voluntary Termination. If a Participant voluntarily terminates employment with the Affiliated Companies before age 55 or Disability, distribution of his or her Account will be made in a lump sum on the Participant's Payment Date.

(2) Involuntary Termination. If a Participant involuntarily terminates employment with the Affiliated Companies before age 55, distribution of his or her Account will generally be made in quarterly or annual installments over a fixed number of whole years not to exceed 15 years, commencing on the Participant's Payment Date, in accordance with the Participant's original election on his or her deferral election form. Payment will be made in a lump sum if the Participant had originally elected a lump sum, if the Account balance is \$50,000 or less, or if the Administrative Committee so specifies.

(b) Distribution After Retirement, Disability or Death. In the case of a Participant who separates from service with the Affiliated Companies on account of Retirement, Disability or death and has an Account balance of more than \$50,000, the Account shall be paid to the Participant (and after his or her death to his or her Beneficiary) in substantially equal quarterly installments over 10 years commencing on the Participant's Payment Date unless an optional form of benefit has been specified pursuant to Section B.1(b) (1).

(1) An optional form of benefit may be elected by the Participant, on the form provided by Administrative Committee, during his or her initial election period from among those listed below:

(i) A lump sum distribution on the Participant's Payment Date.

(ii) Quarterly installments over a period of at least 1 and no more than 15 years beginning on the Participant's Payment Date.

(iii) Annual installments over a period of at least 2 and no more than 15 years beginning on the Participant's Payment Date.

(2) A Participant from time to time may modify the form of benefit that he or she has previously elected. Upon his or her separation from service, the most recently

elected form of distribution submitted at least 12 months prior to separation will govern. If no such election exists, distributions will be paid under the 10-year installment method.

(3) In the case of a Participant who terminates employment with the Affiliated Companies on account of Retirement, Disability or death with an Account balance of \$50,000 or less, the Account shall be paid to the Participant in a lump sum distribution on the Participant's Payment Date.

(4) In general, upon the Participant's death, payment of any remaining Account balance will be made to the Beneficiary in a lump sum on the Payment Date. But the Beneficiary will receive any remaining installments (starting on the Payment Date) if the Participant was receiving installments, or if the Participant died on or after age 55 with an Account balance over \$50,000 and with an effective installment payout election in place. In such cases, the Beneficiary may still elect a lump sum payment of the remaining Account balance, but only with the Administrative Committee's consent.

(5) In the event that this Plan is terminated, the amounts allocated to a Participant's Account shall be distributed to the Participant or, in the event of his or her death, to his or her Beneficiary in a lump sum.

APPENDIX C – MERGED PLANS

C.1 Plan Mergers

(a) Merged Plans. As of their respective effective dates, the plans listed in (c) (the "Merged Plans") are merged into this Plan. All amounts from those plans that were merged into this Plan are held in their corresponding Accounts.

(b) Accounts. Effective as of the dates below, Accounts are established for individuals who, before the merger, had account balances under the merged plans. These individuals will not accrue benefits under this Plan unless they become Participants by virtue of being hired into a covered position with an Affiliated Company, but they will be considered Participants for purposes of the merged accounts. The balance credited to the Participant's merged plan account will, effective as of the date provided in the table below, be invested in accordance with the terms of this Plan. Except as provided in section C.2 below, amounts merged into this Plan from the merged plans are governed by the terms of this Plan.

(c) Table.

Name of Merged Plans	Merger Effective Dates	Merged Account Names
Northrop Grumman Benefits Equalization Plan	December 10, 2004	NG BEP Account
Northrop Grumman Space & Mission Systems Corp. Deferred Compensation Plan	December 10, 2004	S & MS Deferred Compensation Account
BDM International, Inc. 1997 Executive Deferred Compensation Plan ("BDM Plan")	April 29, 2005	BDM Account
PRC Inc. Executive Deferred Compensation Plan ("PRC Plan")	November 9, 2012	PRC EDCP Account (or Sub-Account, as applicable)

C.2 Merged Plans – General Rule

(a) NG BEP Account and S & MS Deferred Compensation Account. Distributions from Participants' NG BEP and S & MS Deferred Compensation Accounts are made under the provisions of Appendix B, except as provided in this Section.

(1) Amounts in the Participant's NG BEP Account and the S & MS Deferred Compensation Account shall be paid out in accordance with elections made under the Merged Plans.

(2) The Participant's "Payment Date" for amounts in the NG BEP Account and the S & MS Deferred Compensation Account shall be deemed to be the end of January following the Participant's termination of employment.

(3) The reference to \$50,000 in the provisions of Appendix B shall be deemed to be \$5,000 with respect to amounts in the NG BEP Account and the S & MS Deferred Compensation Account.

(4) The Administrative Committee shall assume the rights and responsibilities of the Directors/Committee with respect to determining whether a Participant's NG BEP Account may be paid out in a form other than the automatic form of payment.

(5) The Administrative Committee shall assume the rights and responsibilities of the Committee or Special Committee with respect to determining whether a Participant's S & MS Deferred Compensation Account may be paid out in a form other than the automatic form of payment.

(6) For purposes of determining the time of payment of a Participant's NG BEP Account, a Participant's employment will not be deemed to have terminated following the Participant's layoff until the earlier of the end of the twelve-month period following layoff (without a return to employment with the Affiliated Companies) or the date on which the Participant retires under any pension plan maintained by the Affiliated Companies.

(7) A Participant's S & MS Deferred Compensation Account shall be paid to the Participant no later than the January 5 next preceding the Participant's 80th birthday.

(8) In no event will payments of amounts in the Participant's NG BEP Account and the S & MS Deferred Compensation Account be accelerated or deferred beyond the payment schedule provided under the Merged Plans. However, any election to change the time or form of payment for such an amount may be made based on the terms of the relevant Merged Plan as in effect on October 3, 2004.

(b) BDM Account. Distributions of a Participant's vested BDM Account balance shall be made in accordance with this Section C.2(b), and Article VI shall not apply to such distributions. A Participant shall be vested in his BDM Account balance in accordance with the vesting provisions of the BDM Plan.

(1) Timing of Payment: A Participant's vested BDM Account balance shall be distributed in accordance with elections made under the BDM Plan. For those Participants who have not commenced distributions as of April 29, 2005, payments from the BDM Account will commence at the time designated on his or her BDM enrollment and election form, unless extended prior to such date. However, if such a Participant did not elect a fixed date

(or elect the earlier of a fixed date or termination of employment), his or her vested BDM Account balance will be paid as soon as administratively practicable following termination of employment in the form designated under Section C.2(b)(2) below.

(2) Form of Payment: A Participant's vested BDM Account balance shall be paid in cash. The vested BDM Account balance will be paid in (i) a lump sum, (ii) five (5) or ten (10) substantially equal annual installments (adjusted for gains and losses), or (iii) a combination thereof, as selected by the Participant (or Beneficiary) prior to the date on which amounts are first payable to the Participant (or Beneficiary) under Section C.2(b)(1) above. If the Participant fails to designate properly the manner of payment, such payment will be made in a lump sum.

(3) Death Benefits: If a Participant dies before commencement of payment of his BDM Account balance, the entire Account balance will be paid at the times provided in Section C.2(b)(2) above to his or her Beneficiary. If a Participant dies after commencement but before he or she has received all payments from his vested BDM Account balance, the remaining installments shall be paid annually to the Beneficiary. For purposes of this Section C.2(b), a Participant's Beneficiary, unless subsequently changed, will be the designated beneficiary(ies) under the BDM Plan or if none, the Participant's spouse, if then living, but otherwise the Participant's then living descendants, if any, per stirpes, but, if none, the Participant's estate.

(4) Lost Participant: In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within three years following the payment date under Section C.2(b)(1) above, the amount allocated to the Participant's BDM Account shall be forfeited. If, after such forfeiture and prior to termination of the Plan, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings for the forfeiture period. In lieu of such a forfeiture, the Administrative Committee has the discretion to direct distribution of the vested BDM Account balance to any one or more or all of the Participant's next of kin, and in the proportions as the Administrative Committee determines.

(5) Committee Rules: All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

(6) Payment Schedule: In no event will payments of amounts in the Participant's BDM Account be accelerated or deferred beyond the payment schedule provided under the BDM Plan.

(7) Application to Trustee: BDM International, Inc. set aside amounts in a grantor trust to assist it in meeting its obligations under the BDM Plan. Notwithstanding Section C.2(b)(5) above and the claims procedures provided in Section 7.8, a Participant may make application for payment of benefits under this Section C.2(b) directly to the trustee of such trust.

(c) PRC EDCP Account. Notwithstanding anything to the contrary, the following provisions in this Section C.2(c) summarize the distribution rules in effect under the PRC Plan with respect to the PRC EDCP Account balances, and those PRC Plan distribution terms shall continue to govern the distributions of the PRC EDCP Account balances. Article VI and Appendix B shall not apply to the PRC EDCP Account balances. Nothing in this Section C.2(c) shall change or alter the distribution terms of the PRC Plan in effect as of any date. All capitalized terms in this Section C.2(c) not otherwise defined in the Plan shall be defined in accordance with the terms of the PRC Plan as in effect immediately prior to the PRC Plan's merger with the Plan on November 9, 2012.

(1) Vesting. All Participants are vested in their PRC EDCP Account balances in accordance with the vesting provisions of the PRC Plan.

(2) Fixed Payment Dates; Termination of Employment. A Participant's vested PRC EDCP Account balance shall be distributed in accordance with his elections made under the PRC Plan. However, if such a Participant did not elect a fixed date or termination of employment with all Employers (or elect the earlier of a fixed date or termination of employment) for any particular portion of his or her vested PRC EDCP Account, such portion of his or her PRC EDCP Account balance will be valued and payable at or commence at such Participant's termination of employment according to the provisions of Sections C.2(c)(4) and (5).

(3) Hardship Distributions. In the event of financial hardship of the Participant, as hereinafter defined, the Participant may apply to the Administrative Committee for the distribution of all or any part of his or her vested PRC EDCP Account. The Administrative Committee shall consider the circumstances of each such case, and the best interests of the Participant and his or her family, and shall have the right, in its sole and absolute discretion, if applicable, to allow such distribution, or, if applicable, to direct a distribution of part of the amount requested, or to refuse to allow any distribution. Upon a finding of financial hardship, the Administrative Committee shall make or cause the appropriate distribution to be made to the Participant from amounts held by the Company or the Trustee in respect of the Participant's vested PRC EDCP Account. In no event shall the aggregate amount of the distribution exceed either the full value of the Participant's vested PRC EDCP Account or the amount determined by the Administrative Committee, in its sole and absolute discretion, to be necessary to alleviate the Participant's financial hardship (which financial hardship may be considered to include any taxes due because of the distribution occurring because of this Section), and which is not reasonably available from other resources of the Participant. For purposes of this Section, the value of the Participant's vested PRC EDCP Account shall be determined as of the date of the distribution. "Financial hardship" means (i) a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Code section 152(a)) of the Participant, (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, each as determined to exist by the Administrative Committee. A distribution may be made under this Section only with the consent of the Administrative Committee.

(4) Amount and Time of Payment. Subject to Section C.2(c)(3), a Participant (or his or her Beneficiary) shall become entitled to receive a vested PRC EDCP Sub-Account balance commencing on the Payment Date for such sub-account. For this purpose, the "Payment Date" will be the relevant date or event triggering payment as provided under Section C.2(c)(2). Notwithstanding the foregoing, a Participant may elect to postpone a Payment Date to a later date, provided the election is made at least 12 months prior to the scheduled Payment Date. For example, a Participant could elect (i) to postpone a fixed payment date to a later fixed payment date, or (ii) elect to postpone the payment date for an amount payable upon termination of employment to a date that necessarily occurs after termination of employment (e.g., two years after termination of employment). There is no limit on the number of such elections a Participant may make. Any payment due hereunder from the Trust which is not paid by the Trust for any reason will be paid by the Employer from its general assets.

(5) Method of Payment.

(i) Form of Payment. Unless otherwise elected by the Participant and permitted by the Trustee in its sole and absolute discretion, a Participant's vested PRC EDCP Account balance shall be paid in cash. In the case of distributions to a Participant or his or her Beneficiary by virtue of an entitlement pursuant to Section C.2(c)(2), an aggregate amount equal to the Participant's vested PRC EDCP Sub-Account will be paid by the Trust or the Employer, as provided by Section C.2(c)(4), in a lump sum or in five (5) or ten (10) substantially equal annual installments (adjusted for gains and losses, and reduced by any required withholding or other deductions from such payments), as selected by the Participant on his or her Participant Enrollment and Election Form for such sub-account. If the Participant fails to designate properly the manner of payment, such payment will be made in a lump sum.

If a Participant receiving installment distributions pursuant to Section C.2(c)(7) is re-employed by the Employer, the remaining distributions due to the Participant shall be suspended until such time as the Participant (or his or her Beneficiary) once again becomes eligible for benefit payments, at which time such distribution shall commence, subject to the limitations and conditions contained in the PRC Plan.

(ii) Subsequent Deferral Elections. Such form of payment may be changed by the Participant provided (A) the election is made at least 12 months prior to the payment date for the PRC EDCP Sub-Account provided under Section C.2(c)(4) and (B) the form of payment is not accelerated (i.e., an election of installments may not be changed to a lump sum and an election of 10 annual installments may not be changed to 5 annual installments). There is no limit on the number of such elections a Participant may make.

(6) Death Benefits. If a Participant dies before terminating his or her employment with the Employer and before the commencement of payments to the Participant hereunder, the entire value of the Participant's PRC EDCP Account (which may include credits for insurance contract death benefits deemed to be received by the PRC EDCP Account) shall be paid, as provided in Section C.2(c)(5), to the Beneficiary designated under the Plan, unless the Employer elects a more rapid form or schedule of distribution.

Upon the death of a Participant after payments hereunder have begun but before he or she has received all payments to which he or she is entitled under the Plan, the remaining benefit payments shall be paid to the Beneficiary designated under the Plan, in the manner in which such benefits were payable to the Participant, unless the Employer elects a more rapid form or schedule of distribution.

(7) Application to Trustee. Notwithstanding Section 6.7 above and the claims procedures provided in Section 7.8, on the date or dates on which a Participant or Beneficiary is entitled to payment under Section C.2(c)(2), the Participant or Beneficiary need not make application for payment to the Administrative Committee, but instead may make application for payment directly to the Trustee who shall, subject to any restrictions or limitations contained in the Trust, pay the Participant or Beneficiary the appropriate amount directly from the Trust without the consent of PRC or the Employer. The Trustee shall report the amount of each such payment, and any withholding thereon, to the Company.

APPENDIX D – COMMITTEES AND APPOINTMENTS

Notwithstanding anything to the contrary in this Plan, effective October 25, 2011, the Chief Executive Officer of Northrop Grumman Corporation shall appoint, and shall have the power to remove, the members of (1) an Administrative Committee that shall have responsibility for administering the Plan (including as such responsibilities are described in Article VII of the Plan) and (2) an Investment Committee that shall have responsibility for overseeing any rabbi trusts or other informal funding for the Plan.

APPENDIX E – Eligible OADCP Participants

E.1 The following words and phrases used in this Appendix E, with the first letter capitalized, shall have the meanings specified below:

- (a) "Eligible OADCP Participant" means an employee of NGIS who is employed as of December 31, 2018 and has elected to defer Performance Cash under the OADCP that otherwise would be payable in 2019.
- (b) "OADCP" means the Orbital ATK, Inc. Nonqualified Deferred Compensation Plan.
- (c) "Performance Cash" shall have the meaning assigned to such term under the OADCP.

E.2 Notwithstanding anything to the contrary in this Plan, effective June 29, 2018 an Eligible OADCP Participant shall become a Participant in the Plan.

E.3 An Eligible OADCP Participant shall receive:

- (a) A Company Contribution equal to the matching contribution rate for which the Eligible OADCP Participant is eligible under the NGSP for 2019 multiplied by the amount of Performance Cash deferred by the Eligible OADCP Participant under the OADCP for Performance Cash otherwise payable in 2019; and
- (b) A Company Contribution equal to the nonelective company contribution amount that the Eligible OADCP Participant would have received under the NGSP had the Performance Cash otherwise payable in 2019 not been deferred under the OADCP.

E.4 An Eligible OADCP Participant shall be vested in his or her Company Contributions under Section E.3 pursuant to the rules set forth in Section 5.2(b) of the Plan.

**NORTHROP GRUMMAN
OFFICERS RETIREMENT ACCOUNT CONTRIBUTION PLAN**

(Amended and Restated Effective as of January 1, 2018)

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INTRODUCTION

The Northrop Grumman Officers Retirement Account Contribution Plan (the "Plan") was adopted effective as of October 1, 2009. The Plan is hereby amended and restated effective as of January 1, 2018, except as otherwise provided herein, but is contingent upon the closing of the merger described in that certain Agreement and Plan of Merger, dated as of September 17, 2017, by and among Northrop Grumman Corporation, Neptune Merger, Inc., and Orbital ATK, Inc. (the "Closing"). In the event that the Closing does not occur, this amended and restated Plan document shall be null and void, and the existing plan terms without regard to such restatement shall continue in effect. This restatement amends the April 1, 2016 restatement of the Plan.

This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder, and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE I

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

"Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.

"Administrative Committee" means the committee in charge of Plan administration, as described in Article VI.

"Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

"Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(a) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(b) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. A Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(c) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (1) to that person's living parent(s) to act as custodian, (2) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (3) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(d) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

"Board" shall mean the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committees" shall mean the Committees appointed as provided in Article VI.

"Company" shall mean Northrop Grumman Corporation and any successor.

"Company Contributions" shall mean credits to a Participant's Account, as described in Section 3.2.

"Compensation" shall be "compensation" as defined by Section 5.01 of the NGSP.

"Compensation Committee" shall mean the Compensation Committee of the Company's Board of Directors.

"Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

"Eligible Employee" shall mean any Employee who meets the following conditions:

(a) Prior to January 1, 2015:

(1) he or she is an elected or appointed officer of an Affiliated Company other than Vinnell Corporation, Component Technologies or Premier America Credit Union;

(2) he or she is eligible to participate in the Northrop Grumman Savings Plan;

(3) he or she is not eligible to actively accrue benefits under Appendix F ("CPC SERP"), Appendix G ("OSERP"), or Appendix I ("OSERP II") of the Northrop Grumman Supplemental Plan 2; and

(4) he or she is not otherwise designated as being ineligible to participate in the Plan.

Notwithstanding the foregoing, effective October 14, 2013, a country executive outside the U.S. reporting to the Corporate Global Business Development Officer who is employed by a U.S. entity, on a U.S. payroll and participating in U.S. benefit plans and who will serve as an expatriate on an overseas assignment in this role shall be treated as an Eligible Employee.

(b) On or after January 1, 2015:

(1) he or she is an elected or appointed officer of an Affiliated Company other than Vinnell Corporation, Component Technologies or Premier America Credit Union; and

(2) he or she is eligible to participate in the Northrop Grumman Savings Plan; and

(3) he or she is not otherwise designated as being ineligible to participate in the Plan.

Notwithstanding the foregoing, (i) a country executive outside the U.S. reporting to the Corporate Global Business Development Officer who is employed by a U.S. entity, on a U.S. payroll and participating in U.S. benefit plans and who will serve as an expatriate on an overseas assignment in this role shall be treated as an Eligible Employee, and (ii) an executive on U.S. payroll who was serving as a Company Vice President and continues employment as an executive but in a non-Vice President position during secondment to an affiliated company shall be treated as an Eligible Employee able to continue participation in the Plan at the same level as appointed officers of the Company, subject to a designation of eligibility (or subsequent ineligibility) by either the Company's Chief Human Resources Officer or the Vice President of Compensation (as such titles may be modified from time to time).

Further, and notwithstanding the foregoing, the following officers of NGIS shall be eligible to participate in the Plan, effective as of and contingent upon the Closing: (i) Corporate Vice President and President of NGIS, and (ii) each of three Group Presidents who report directly to the Corporate Vice President and President of NGIS. For the avoidance of doubt, the titles in the preceding sentence include any successor titles.

"Employee" shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

"Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VI.

"Key Employee" means an employee who on the date of his Separation from Service is treated as a "specified employee" under Code section 409A in accordance with a uniform Company policy.

"NGIS" means Northrop Grumman Innovation Systems, Inc.

"NGIS Participants" means the four officers of NGIS described in the definition of Eligible Employee.

"NGSP" means the Northrop Grumman Savings Plan.

"Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II.

"Plan" shall be the Northrop Grumman Officers Retirement Account Contribution Plan.

"Separation from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 In General

(a) An Employee shall automatically become a Participant and eligible for Company Contributions as of the later of October 1, 2009 or the date the Employee becomes an Eligible Employee.

(b) An individual will cease to be a Participant when he or she no longer has a positive balance in his or her Account.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III

CREDITS TO ACCOUNTS

3.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

3.2 Company Contribution Credits

If a Participant qualifies as an Eligible Employee during a payroll period, the Participant's Account shall be credited with a Company Contribution as soon as practicable after the end of the payroll period. The Company Contribution for a payroll period shall equal 4% of the Participant's Compensation for the payroll period.

3.3 Investment Elections

(a) The Investment Committee will establish a number of different investment funds or other investment options for the Plan. The Investment Committee may change the funds or other investment options from time to time, without prior notice to Participants.

(b) Participants may elect how future contributions and existing Account balances will be deemed invested in the various investment funds and may change their elections from time to time. If a Participant does not elect how future contributions will be deemed invested, contributions will be deemed invested in the qualified default investment alternative ("QDIA") that would apply to the Participant under the NGSP.

(c) Selections of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules that may include, among other matters, limitations on the amounts that may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe valuation rules for purposes of investment elections and transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated expenses. The Administrative Committee may change the methods it uses for valuation from time to time.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules and procedures from time to time and without prior notice to Participants.

(d) Participant investment elections involving a Company stock investment fund (e.g., transfers into or out of the fund) may be restricted, including in accordance with Company policies generally applicable to employee transactions in Company stock.

3.4 Valuation of Accounts

(a) The valuation of Participants' Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(b) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(c) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(d) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

3.5 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

3.6 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of the Company Contributions credited to their Accounts due to poor investment performance.

ARTICLE IV

VESTING AND FORFEITURES

4.1 In General

Except as provided in Section 4.2 below, a Participant shall become fully vested in his or her Account balance upon the earliest of the following dates, provided he or she is an Employee at such time: (i) the date he or she completes three years of service, (ii) the date of his or her 65th birthday, (iii) the date of his or her death, (iv) the date he or she becomes Disabled, or (v) the date Company Contributions are completely discontinued or the Plan is terminated. Notwithstanding the foregoing, any elected or appointed officer of an Affiliated Company as of December 31, 2011 shall be 100% vested in his or her Account balance upon entry to the Plan if the officer becomes a Participant in the Plan on January 1, 2015. Notwithstanding anything to the contrary, if a Participant terminates employment with the Affiliated Companies prior to vesting as set forth in this Section 4.1, his or her unvested Account balance and earnings thereon shall be immediately forfeited upon such termination. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service). Notwithstanding the foregoing, and effective as of and contingent upon the Closing, with respect to the NGIS Participants, years of service under the Plan for vesting purposes shall also include such NGIS Participants' years of service with Orbital ATK, Inc. (and its subsidiaries companies).

4.2 Exceptions

The following exceptions apply to the vesting rules in Sections 4.1 above:

- (a) Forfeitures on account of a lost payee. See Section 5.5.
- (b) Forfeitures under an escheat law.
- (c) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.
- (d) Expenses charged to a Participant's Account.
- (e) Investment losses.
- (f) Forfeitures due to certain competitive activities under Article VIII.

ARTICLE V

DISTRIBUTIONS

5.1 Normal Distribution Rules

The vested balance in a Participant's Account shall be distributed in a lump sum upon a Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

At the discretion of the Administrative Committee, distribution may be made earlier or later than the date specified above, provided that the timing of any such distribution complies with Treas. Reg. section 1.409A-3(d) or any successor thereto.

5.2 Effect of Taxation

If a Participant's benefits under the Plan are includible in income pursuant to Code section 409A, the Company shall have the discretion to accelerate the distribution of all or a portion of such includible benefits to the Participant, provided that the Participant shall not be given a direct or indirect election as to whether such discretion is exercised.

5.3 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Administrative Committee's reasonable anticipation of one or more of the following events:

- 162(m); or
- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 409A.
 - (b) The making of the payment would violate Federal securities laws or other applicable law;
 - (c) provided, that any payment delayed pursuant to this Section 5.3 shall be paid in accordance with Code section 409A.

5.4 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Company. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

5.5 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited.

5.6 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VI

ADMINISTRATION

6.1 Committees

- (a) The Administrative Committee shall be appointed by the Company.
- (b) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

6.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Company shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

6.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);
- (g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and

(h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

6.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To select types of investment and the actual investments against which earnings and losses will be measured;
- (b) To oversee any rabbi trust; and
- (c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

6.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

6.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

6.7 Committee Compensation, Expenses and Indemnity

- (a) The members of the Committees shall serve without compensation for their services hereunder.
- (b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.
- (c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims

arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

6.8 Claims

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" (the "Claims Procedures") shall apply in handling claims and appeals under this Plan.

ARTICLE VII

MISCELLANEOUS

7.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

7.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 4.2 will not be treated as violations of this Section.

(c) Notwithstanding the foregoing, all or a portion of a Participant's vested Account balance may be paid to another person as specified in a domestic relations order that the Administrative Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and
- (4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

7.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 7.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

7.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

7.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article V, unless the Company determines in its sole

discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

7.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

7.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

7.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

7.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

7.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

7.11 Liabilities Transferred to HII

Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date"). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Plan and the liabilities for these participants' benefits under the Plan were transferred to HII. On and after the HII Distribution Date, the Company and the Plan, and any successors thereto, shall

have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Plan.

ARTICLE VIII

FORFEITURE OF BENEFITS

8.1 In General

Notwithstanding any other provision of this Plan, this Article VIII applies to the portion of a Participant's Account balance accrued after 2011.

8.2 Determination of a Forfeiture Event

The Compensation Committee or its delegate will, in its sole discretion, determine whether a Forfeiture Event (as defined in Section 8.4) has occurred; provided that no Forfeiture Event shall be incurred by a Participant who has a termination of employment due to mandatory retirement pursuant to Company policy. Such a determination may be made by the Compensation Committee or its delegate for up to one year following the date that the Compensation Committee has actual knowledge of the circumstances that could constitute a Forfeiture Event.

8.3 No Forfeiture Event for Certain Terminations after Change in Control

Notwithstanding the foregoing, no Forfeiture Event shall be incurred by a Participant who, within the two year period following a Change in Control (as defined in the Northrop Grumman 2011 Long-Term Incentive Stock Plan or successor plan in effect at the time the relevant event occurs ("LTISP")), is involuntarily terminated for reasons other than Cause or voluntarily terminates for Good Reason. The terms "Cause" and "Good Reason" shall be defined in accordance with the LTISP and its associated grant certificates. This Article VIII may not be amended during the two year period commencing on the date of such a Change in Control.

8.4 Forfeiture Event Defined

A "Forfeiture Event" means that, while employed by any of the Affiliated Companies or at any time in the two year period immediately following the Participant's last day of employment by one of the Affiliated Companies, the Participant, either directly or indirectly through any other person, is employed by, renders services (as a director, consultant or otherwise) to, has any ownership interest in, or otherwise participates in the financing, operation, management or control of, any business that is then in competition with the business of any of the Affiliated Companies. A Participant will not, however, be considered to have incurred a Forfeiture Event solely by reason of owning up to (and not more than) two percent (2%) of any class of capital stock of a corporation that is registered under the Securities Exchange Act of 1934.

8.5 Amount of Forfeiture

(a) If the Compensation Committee or its delegate determines that a Forfeiture Event has occurred, the relevant Participant may forfeit up to 100% of his or her Account balance accrued after 2011. The amount forfeited, if any, will be determined by the Compensation Committee or its delegate in its sole discretion, and may consist of all or a portion of the Account balance accrued after 2011 and not yet paid.

(b) Any forfeiture pursuant to this Article VIII will also apply with respect to survivor benefits or benefits assigned under a Qualified Domestic Relations Order.

8.6 Notice and Claims Procedure

(a) The Company will provide timely notice to any Participant who incurs a forfeiture pursuant to this Article VIII. Any delay by the Company in providing such notice will not otherwise affect the amount or timing of any forfeiture determined by the Compensation Committee or its delegate.

(b) The procedures set forth in the Claims Procedures will apply to any claims and appeals arising out of or related to any forfeiture under this Article VIII, except as provided below:

(1) The Compensation Committee, or its delegate, will serve in place of the designated decision-makers on any such claims and appeals.

(2) After a claimant has exhausted his remedies under the Claims Procedures, including the appeal stage, the claimant forgoes any right to file a civil action under ERISA section 502(a), but instead may present any claims arising out of or related to any forfeiture under this Article VIII to final and binding arbitration in the manner described below:

(A) A claimant must file a demand for arbitration no later than one year following a final decision on the appeal under the Claims Procedures. After such period, no claim for arbitration may be filed, and the decision becomes final. A claimant must deliver a demand for arbitration to the Company's General Counsel.

(B) Any claims presented shall be settled by arbitration consistent with the Federal Arbitration Act, and consistent with the then-current Arbitration Rules and Procedures for Employment Disputes, or equivalent, established by JAMS, a provider of private dispute resolution services.

(C) The parties will confer to identify a mutually acceptable arbitrator. If the parties are unable to agree on an arbitrator, the parties will request a list of proposed arbitrators from JAMS and:

(i) If there is an arbitrator on the list acceptable to both parties, that person will be selected. If there is more than one arbitrator on the list acceptable to both parties, each party will rank each arbitrator in order of preference, and the arbitrator with the highest combined ranking will be selected.

(ii) If there is no arbitrator acceptable to both parties on the list, the parties will alternately strike names from the list until only one name remains, who will be selected.

(D) The fees and expenses of the arbitrator will be borne equally by the claimant and the Company. Each side will be entitled to use a representative, including an attorney, at the arbitration. Each side will bear its own deposition, witness, expert, attorneys' fees, and other expenses to the same extent as if the matter were being heard in court. If, however, any party prevails on a claim, which (if brought in court) affords the prevailing party attorneys' fees and/or costs, then the arbitrator may award reasonable fees and/or costs to the prevailing party to the same extent as would apply in court. The arbitrator will resolve any dispute as to who is the prevailing party and as to the reasonableness of any fee or cost.

(E) The arbitrator will take into account all comments, documents, records, other information, arguments, and theories submitted by the claimant relating to the claim, or considered by the Compensation Committee or its delegate relating to the claim, but only to the extent that it was previously provided as part of the initial decision or appeal request on the claim.

The arbitrator may grant a claimant's claim only if the arbitrator determines it is justified based on: (i) the Compensation Committee, or its delegate erred upon an issue of law in the appeal request, or (ii) the Compensation Committee's, or its delegate's, findings of fact during the appeal process were not supported by the evidence.

(F) The arbitrator shall issue a written opinion to the parties stating the essential findings and conclusions upon which the arbitrator's award is based. The decision of the arbitrator will be final and binding upon the claimant and the Company. A reviewing court may only confirm, correct, or vacate an award in accordance with the standards set forth in the Federal Arbitration Act, 9 U.S.C. §§ 1-16.

(G) In the event any court finds any portion of this procedure to be unenforceable, the unenforceable section(s) or provision(s) will be severed from the rest, and the remaining section(s) or provisions(s) will be otherwise enforced as written.

8.7 Application

Should a Forfeiture Event occur, this Article VIII is in addition to, and does not in any way limit, any other right or remedy of the Affiliated Companies, at law or otherwise, in connection with such Forfeiture Event.

* * *

IN WITNESS WHEREOF, this Plan is hereby executed by a duly authorized officer on this 17th day of April, 2018.

NORTHROP GRUMMAN CORPORATION

By: /s/ Denise M. Peppard
Denise M. Peppard
Corporate Vice President and
Chief Human Resources Officer

APPENDIX A – COMMITTEES AND APPOINTMENTS

Notwithstanding anything to the contrary in this Plan, effective as of October 25, 2011, the Chief Executive Officer of the Company shall appoint, and shall have the power to remove, the members of (1) an Administrative Committee that shall have responsibility for administering the Plan (including as such responsibilities are described in Article VI of the Plan) and (2) an Investment Committee that shall have responsibility for overseeing any rabbi trusts or other informal funding for the Plan.

**NORTHROP GRUMMAN
OFFICERS RETIREMENT ACCOUNT CONTRIBUTION PLAN**

(Amended and Restated Effective as of June 29, 2018)

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INTRODUCTION

The Northrop Grumman Officers Retirement Account Contribution Plan (the "Plan") was adopted effective as of October 1, 2009. The Plan is hereby amended and restated effective as of June 29, 2018, except as otherwise provided herein. This restatement amends the January 1, 2018 restatement of the Plan.

This Plan is intended (1) to comply with section 409A of the Internal Revenue Code, as amended (the "Code") and official guidance issued thereunder, and (2) to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

ARTICLE 1

DEFINITIONS

1.1 Definitions

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

"Account" shall mean the recordkeeping account set up for each Participant to keep track of amounts to his or her credit.

"Administrative Committee" means the committee in charge of Plan administration, as described in Article VI.

"Affiliated Companies" shall mean the Company and any entity affiliated with the Company under Code sections 414(b) or (c).

"Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Administrative Committee to receive the benefits specified hereunder in the event of the Participant's death.

(a) No Beneficiary designation shall become effective until it is filed with the Administrative Committee.

(b) Any designation shall be revocable at any time through a written instrument filed by the Participant with the Administrative Committee with or without the consent of the previous Beneficiary.

No designation of a Beneficiary other than the Participant's spouse shall be valid unless consented to in writing by such spouse. If there is no such designation or if there is

no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Administrative Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Administrative Committee that they are legally entitled to receive the benefits specified hereunder. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company. A Participant will automatically revoke a designation of a spouse as primary beneficiary upon the dissolution of their marriage.

(c) In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (1) to that person's living parent(s) to act as custodian, (2) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (3) if no parent of that person is then living, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan, the Administrative Committee and the Company.

(d) Payment by the Affiliated Companies pursuant to any unrevoked Beneficiary designation, or to the Participant's estate if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of the Affiliated Companies.

"Board" shall mean the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committees" shall mean the Committees appointed as provided in Article VI.

"Company" shall mean Northrop Grumman Corporation and any successor.

"Company Contributions" shall mean credits to a Participant's Account, as described in Section 3.2.

"Compensation" shall be "compensation" as defined by Section 5.01 of the NGSP. Notwithstanding the foregoing, for purposes of this Plan, a Participant's "Compensation" shall

also include bonus amounts otherwise payable during the 2019 calendar year deferred at such Participant's election under the Orbital ATK, Inc. Nonqualified Deferred Compensation Plan.

"Compensation Committee" shall mean the Compensation Committee of the Company's Board of Directors.

"Disability" or "Disabled" shall mean the Participant's inability to perform each and every duty of his or her occupation or position of employment due to illness or injury as determined in the sole and absolute discretion of the Administrative Committee.

"Eligible Employee" shall mean any Employee who meets the following conditions:

(a) Prior to January 1, 2015:

(1) he or she is an elected or appointed officer of an Affiliated Company other than Vinnell Corporation, Component Technologies or Premier America Credit Union;

(2) he or she is eligible to participate in the Northrop Grumman Savings Plan;

(3) he or she is not eligible to actively accrue benefits under Appendix F ("CPC SERP"), Appendix G ("OSERP"), or Appendix I ("OSERP II") of the Northrop Grumman Supplemental Plan 2; and

(4) he or she is not otherwise designated as being ineligible to participate in the Plan.

Notwithstanding the foregoing, effective October 14, 2013, a country executive outside the U.S. reporting to the Corporate Global Business Development Officer who is employed by a U.S. entity, on a U.S. payroll and participating in U.S. benefit plans and who will serve as an expatriate on an overseas assignment in this role shall be treated as an Eligible Employee.

(b) On or after January 1, 2015:

(1) he or she is an elected or appointed officer of an Affiliated Company other than Vinnell Corporation, Component Technologies or Premier America Credit Union; and

(2) he or she is eligible to participate in the Northrop Grumman Savings Plan; and

(3) he or she is not otherwise designated as being ineligible to participate in the Plan.

Notwithstanding the foregoing, (i) a country executive outside the U.S. reporting to the Corporate Global Business Development Officer who is employed by a U.S. entity, on a U.S. payroll and participating in U.S. benefit plans and who will serve as an expatriate on an overseas assignment in this role shall be treated as an Eligible Employee, and (ii) an executive on U.S. payroll who was serving as a Company Vice President and continues employment as an executive but in a non-Vice President position during secondment to an affiliated company shall be treated as an Eligible Employee able to continue participation in the Plan at the same level as appointed officers of the Company, subject to a designation of eligibility (or subsequent ineligibility) by either the Company's Chief Human Resources Officer or the Vice President of Compensation (as such titles may be modified from time to time).

Further, and notwithstanding the foregoing, the following officers of NGIS shall be eligible to participate in the Plan, effective as of and contingent upon the Closing: (i) Corporate Vice President and President of NGIS, and (ii) each of three Group Presidents who report directly to the Corporate Vice President and President of NGIS. For the avoidance of doubt, the titles in the preceding sentence include any successor titles.

"Employee" shall mean any common law employee of the Affiliated Companies who is classified as an employee by the Affiliated Companies.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

"Investment Committee" means the committee in charge of investment aspects of the Plan, as described in Article VI.

"Key Employee" means an employee who on the date of his Separation from Service is treated as a "specified employee" under Code section 409A in accordance with a uniform Company policy.

"NGIS" means Northrop Grumman Innovation Systems, Inc.

"NGIS Participants" means the four officers of NGIS described in the definition of Eligible Employee.

"NGSP" means the Northrop Grumman Savings Plan.

"Participant" shall mean any Eligible Employee who participates in this Plan in accordance with Article II.

"Plan" shall be the Northrop Grumman Officers Retirement Account Contribution Plan.

"Separation from Service" means a "separation from service" within the meaning of Code section 409A.

ARTICLE II

PARTICIPATION

2.1 In General

(a) An Employee shall automatically become a Participant and eligible for Company Contributions as of the later of October 1, 2009 or the date the Employee becomes an Eligible Employee.

(b) An individual will cease to be a Participant when he or she no longer has a positive balance in his or her Account.

2.2 Disputes as to Employment Status

(a) Because there may be disputes about an individual's proper status as an Employee or non-Employee, this Section describes how such disputes are to be handled with respect to Plan participation.

(b) The Affiliated Companies will make the initial determination of an individual's employment status.

(1) If an individual is not treated by the Affiliated Companies as a common law employee, then the Plan will not consider the individual to be an "Eligible Employee" and he or she will not be entitled to participate in the Plan.

(2) This will be so even if the individual is told he or she is entitled to participate in the Plan and given a summary of the plan or other actions are taken indicating that he or she may participate.

(c) Disputes may arise as to an individual's employment status. As part of the resolution of the dispute, an individual's status may be changed by the Affiliated Companies from non-Employee to Employee. Such Employees are not Eligible Employees and will not be entitled to participate in the Plan.

ARTICLE III

CREDITS TO ACCOUNTS

3.1 Accounts

The Administrative Committee shall establish and maintain a recordkeeping Account for each Participant under the Plan.

3.2 Company Contribution Credits

If a Participant qualifies as an Eligible Employee during a payroll period, the Participant's Account shall be credited with a Company Contribution as soon as practicable after the end of the payroll period. The Company Contribution for a payroll period shall equal 4% of the Participant's Compensation for the payroll period.

3.3 Investment Elections

(a) The Investment Committee will establish a number of different investment funds or other investment options for the Plan. The Investment Committee may change the funds or other investment options from time to time, without prior notice to Participants.

(b) Participants may elect how future contributions and existing Account balances will be deemed invested in the various investment funds and may change their elections from time to time. If a Participant does not elect how future contributions will be deemed invested, contributions will be deemed invested in the qualified default investment alternative ("QDIA") that would apply to the Participant under the NGSP.

(c) Selections of investments, changes and transfers must be made according to the rules and procedures of the Administrative Committee.

(1) The Administrative Committee may prescribe rules that may include, among other matters, limitations on the amounts that may be transferred and procedures for electing transfers.

(2) The Administrative Committee may prescribe valuation rules for purposes of investment elections and transfers. Such rules may, in the Administrative Committee's discretion, use averaging methods to determine values and accrue estimated expenses. The Administrative Committee may change the methods it uses for valuation from time to time.

(3) The Administrative Committee may prescribe the periods and frequency with which Participants may change deemed investment elections and make transfers.

(4) The Administrative Committee may change its rules and procedures from time to time and without prior notice to Participants.

(d) Participant investment elections involving a Company stock investment fund (e.g., transfers into or out of the fund) may be restricted, including in accordance with Company policies generally applicable to employee transactions in Company stock.

3.4 Valuation of Accounts

(a) The valuation of Participants' Accounts will reflect earnings, losses, expenses and distributions, and will be made in accordance with the rules and procedures of the Administrative Committee.

(b) The Administrative Committee may set regular valuation dates and times and also use special valuation dates and times and procedures from time to time under unusual circumstances and to protect the financial integrity of the Plan.

(c) The Administrative Committee may use averaging methods to determine values and accrue estimated expenses.

(d) The Administrative Committee may change its valuation rules and procedures from time to time and without prior notice to Participants.

3.5 Use of a Trust

The Company may set up a trust to hold any assets or insurance policies that it may use in meeting its obligations under the Plan. Any trust set up will be a rabbi trust and any assets placed in the trust shall continue for all purposes to be part of the general assets of the Company and shall be available to its general creditors in the event of the Company's bankruptcy or insolvency.

3.6 Investment Return Not Guaranteed

Investment performance under the Plan is not guaranteed at any level. Participants may lose all or a portion of the Company Contributions credited to their Accounts due to poor investment performance.

ARTICLE IV

VESTING AND FORFEITURES

4.1 In General

Except as provided in Section 4.2 below, a Participant shall become fully vested in his or her Account balance upon the earliest of the following dates, provided he or she is an Employee at such time: (i) the date he or she completes three years of service, (ii) the date of his or her 65th birthday, (iii) the date of his or her death, (iv) the date he or she becomes Disabled, or (v) the date Company Contributions are completely discontinued or the Plan is terminated. Notwithstanding the foregoing, any elected or appointed officer of an Affiliated Company as of December 31, 2011 shall be 100% vested in his or her Account balance upon entry to the Plan if the officer becomes a Participant in the Plan on January 1, 2015. Notwithstanding anything to the contrary, if a Participant terminates employment with the Affiliated Companies prior to vesting as set forth in this Section 4.1, his or her unvested Account balance and earnings thereon shall be immediately forfeited upon such termination. For this purpose, years of service shall be calculated in the same manner as for purposes of determining vesting in Retirement Account Contributions under the NGSP (including the treatment of a break in service). Notwithstanding the foregoing, and effective as of and contingent upon the Closing, with respect to the NGIS Participants, years of service under the Plan for vesting purposes shall also include such NGIS Participants' years of service with Orbital ATK, Inc. (and its subsidiaries companies).

4.2 Exceptions

The following exceptions apply to the vesting rules in Sections 4.1 above:

- (a) Forfeitures on account of a lost payee. See Section 5.5.
- (b) Forfeitures under an escheat law.
- (c) Recapture of amounts improperly credited to a Participant's Account or improperly paid to or with respect to a Participant.
- (d) Expenses charged to a Participant's Account.
- (e) Investment losses.
- (f) Forfeitures due to certain competitive activities under Article VIII.

ARTICLE V

DISTRIBUTIONS

5.1 Normal Distribution Rules

The vested balance in a Participant's Account shall be distributed in a lump sum upon a Participant's Separation from Service. Notwithstanding the foregoing, distribution will not be made to a Key Employee upon a Separation from Service until the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee).

At the discretion of the Administrative Committee, distribution may be made earlier or later than the date specified above, provided that the timing of any such distribution complies with Treas. Reg. section 1.409A-3(d) or any successor thereto.

5.2 Effect of Taxation

If a Participant's benefits under the Plan are includible in income pursuant to Code section 409A, the Company shall have the discretion to accelerate the distribution of all or a portion of such includible benefits to the Participant, provided that the Participant shall not be given a direct or indirect election as to whether such discretion is exercised.

5.3 Permitted Delays

Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Administrative Committee's reasonable anticipation of one or more of the following events:

- (a) The Company's deduction with respect to such payment would be eliminated by application of Code section 162(m); or

- (b) The making of the payment would violate Federal securities laws or other applicable law;
- (c) provided, that any payment delayed pursuant to this Section 5.3 shall be paid in accordance with Code section

409A.

5.4 Payments Not Received At Death

In the event of the death of a Participant before receiving a payment, payment will be made to his or her estate if death occurs on or after the date of a check that has been issued by the Company. Otherwise, payment of the amount will be made to the Participant's Beneficiary.

5.5 Inability to Locate Participant

In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited.

5.6 Committee Rules

All distributions are subject to the rules and procedures of the Administrative Committee. The Administrative Committee may also require the use of particular forms. The Administrative Committee may change its rules, procedures and forms from time to time and without prior notice to Participants.

ARTICLE VI

ADMINISTRATION

6.1 Committees

(a) The Administrative Committee shall be appointed by the Company.

(b) An Investment Committee (referred to together with the Administrative Committee as, the "Committees"), comprised of one or more persons, shall be appointed by and serve at the pleasure of the Board (or its delegate). The number of members comprising the Investment Committee shall be determined by the Board, which may from time to time vary the number of members. A member of the Investment Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Investment Committee shall be filled promptly by the Board.

6.2 Committee Action

Each Committee shall act at meetings by affirmative vote of a majority of the members of that Committee. Any determination of action of a Committee may be made or taken by a majority of a quorum present at any meeting thereof, or without a meeting, by resolution or

written memorandum signed by a majority of the members of the Committee then in office. A member of a Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of each Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee of which he or she is a member.

The Company shall appoint a Chairman from among the members of the Administrative Committee and a Secretary who may or may not be a member of the Administrative Committee. The Administrative Committee shall conduct its business according to the provisions of this Article and the rules contained in the current edition of Robert's Rules of Order or such other rules of order the Administrative Committee may deem appropriate. The Administrative Committee shall hold meetings from time to time in any convenient location.

6.3 Powers and Duties of the Administrative Committee

The Administrative Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and make all factual determinations;
- (b) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (c) To maintain all records that may be necessary for the administration of the Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (f) To appoint a Plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Administrative Committee may from time to time prescribe (including the power to subdelegate);
- (g) To exercise powers granted the Administrative Committee under other Sections of the Plan; and
- (h) To take all actions necessary for the administration of the Plan, including determining whether to hold or discontinue insurance policies purchased in connection with the Plan.

6.4 Powers and Duties of the Investment Committee

The Investment Committee shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To select types of investment and the actual investments against which earnings and losses will be measured;
- (b) To oversee any rabbi trust; and
- (c) To appoint agents, and to delegate to them such powers and duties in connection with its duties as the Investment Committee may from time to time prescribe (including the power to subdelegate).

6.5 Construction and Interpretation

The Administrative Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, to make factual determinations and to remedy possible inconsistencies and omissions. The Administrative Committee's interpretations, constructions and remedies shall be final and binding on all parties, including but not limited to the Affiliated Companies and any Participant or Beneficiary. The Administrative Committee shall administer such terms and provisions in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to the Plan.

6.6 Information

To enable the Committees to perform their functions, the Affiliated Companies adopting the Plan shall supply full and timely information to the Committees on all matters relating to the compensation of all Participants, their death or other events that cause termination of their participation in this Plan, and such other pertinent facts as the Committees may require.

6.7 Committee Compensation, Expenses and Indemnity

- (a) The members of the Committees shall serve without compensation for their services hereunder.
- (b) The Committees are authorized to employ such accounting, consultants or legal counsel as they may deem advisable to assist in the performance of their duties hereunder.
- (c) To the extent permitted by ERISA and applicable state law, the Company shall indemnify and hold harmless the Committees and each member thereof, the Board and any delegate of the Committees who is an employee of the Affiliated Companies against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or

provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under ERISA and state law.

6.8 Claims

The Company's standardized "Northrop Grumman Nonqualified Retirement Plans Claims and Appeals Procedures" (the "Claims Procedures") shall apply in handling claims and appeals under this Plan.

ARTICLE VII

MISCELLANEOUS

7.1 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Affiliated Companies. No assets of the Affiliated Companies shall be held in any way as collateral security for the fulfilling of the obligations of the Affiliated Companies under this Plan. Any and all of the Affiliated Companies' assets shall be, and remain, the general unpledged, unrestricted assets of the Affiliated Companies. The obligation under the Plan of the Affiliated Companies adopting the Plan shall be merely that of an unfunded and unsecured promise of those Affiliated Companies to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Affiliated Companies that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

7.2 Restriction Against Assignment

(a) The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Administrative Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Administrative Committee shall direct.

(b) The actions considered exceptions to the vesting rule under Section 4.2 will not be treated as violations of this Section.

(c) Notwithstanding the foregoing, all or a portion of a Participant's vested Account balance may be paid to another person as specified in a domestic relations order that the

Administrative Committee determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which is:

- (1) issued pursuant to a State's domestic relations law;
- (2) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant;
- (3) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan; and
- (4) meets such other requirements established by the Administrative Committee.

The Administrative Committee shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Administrative Committee may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant.

7.3 Restriction Against Double Payment

If a court orders an assignment of benefits despite Section 7.2, the affected Participant's benefits will be reduced accordingly. The Administrative Committee may use any reasonable actuarial assumptions to accomplish the offset under this Section.

7.4 Withholding

There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes, which are required to be withheld by the Affiliated Companies in respect to such payment or this Plan. The Affiliated Companies shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

7.5 Amendment, Modification, Suspension or Termination

The Company may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part for any reason. Notwithstanding the foregoing, no amendment or termination of the Plan shall reduce the amount of a Participant's Account balance as of the date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article V, unless the Company determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A.

7.6 Governing Law

To the extent not preempted by ERISA, this Plan shall be construed, governed and administered in accordance with the laws of Delaware.

7.7 Receipt and Release

Any payment to a payee in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan, the Committees and the Affiliated Companies. The Administrative Committee may require such payee, as a condition precedent to such payment, to execute a receipt and release to such effect.

7.8 Payments on Behalf of Persons Under Incapacity

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Administrative Committee and the Company.

7.9 Limitation of Rights and Employment Relationship

Neither the establishment of the Plan, any trust nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Affiliated Companies or any trustee except as provided in the Plan and any trust agreement; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan and any trust agreement.

7.10 Headings

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

7.11 Liabilities Transferred to HII

Northrop Grumman Corporation distributed its interest in Huntington Ingalls Industries, Inc. ("HII") to its shareholders on March 31, 2011 (the "HII Distribution Date"). Pursuant to an agreement between Northrop Grumman Corporation and HII, on the HII Distribution Date certain employees and former employees of HII ceased to participate in the Plan and the liabilities for these participants' benefits under the Plan were transferred to HII. On and after the HII Distribution Date, the Company and the Plan, and any successors thereto, shall have no further obligation or liability to any such participant with respect to any benefit, amount, or right due under the Plan.

ARTICLE VIII

FORFEITURE OF BENEFITS

8.1 In General

Notwithstanding any other provision of this Plan, this Article VIII applies to the portion of a Participant's Account balance accrued after 2011.

8.2 Determination of a Forfeiture Event

The Compensation Committee or its delegate will, in its sole discretion, determine whether a Forfeiture Event (as defined in Section 8.4) has occurred; provided that no Forfeiture Event shall be incurred by a Participant who has a termination of employment due to mandatory retirement pursuant to Company policy. Such a determination may be made by the Compensation Committee or its delegate for up to one year following the date that the Compensation Committee has actual knowledge of the circumstances that could constitute a Forfeiture Event.

8.3 No Forfeiture Event for Certain Terminations after Change in Control

Notwithstanding the foregoing, no Forfeiture Event shall be incurred by a Participant who, within the two year period following a Change in Control (as defined in the Northrop Grumman 2011 Long-Term Incentive Stock Plan or successor plan in effect at the time the relevant event occurs ("LTISP")), is involuntarily terminated for reasons other than Cause or voluntarily terminates for Good Reason. The terms "Cause" and "Good Reason" shall be defined in accordance with the LTISP and its associated grant certificates. This Article VIII may not be amended during the two year period commencing on the date of such a Change in Control.

8.4 Forfeiture Event Defined

A "Forfeiture Event" means that, while employed by any of the Affiliated Companies or at any time in the two year period immediately following the Participant's last day of employment by one of the Affiliated Companies, the Participant, either directly or indirectly through any other person, is employed by, renders services (as a director, consultant or otherwise) to, has any ownership interest in, or otherwise participates in the financing, operation, management or control of, any business that is then in competition with the business of any of the Affiliated Companies. A Participant will not, however, be considered to have incurred a Forfeiture Event solely by reason of owning up to (and not more than) two percent (2%) of any class of capital stock of a corporation that is registered under the Securities Exchange Act of 1934.

8.5 Amount of Forfeiture

(a) If the Compensation Committee or its delegate determines that a Forfeiture Event has occurred, the relevant Participant may forfeit up to 100% of his or her Account balance accrued after 2011. The amount forfeited, if any, will be determined by the

Compensation Committee or its delegate in its sole discretion, and may consist of all or a portion of the Account balance accrued after 2011 and not yet paid.

(b) Any forfeiture pursuant to this Article VIII will also apply with respect to survivor benefits or benefits assigned under a Qualified Domestic Relations Order.

8.6 Notice and Claims Procedure

(a) The Company will provide timely notice to any Participant who incurs a forfeiture pursuant to this Article VIII. Any delay by the Company in providing such notice will not otherwise affect the amount or timing of any forfeiture determined by the Compensation Committee or its delegate.

(b) The procedures set forth in the Claims Procedures will apply to any claims and appeals arising out of or related to any forfeiture under this Article VIII, except as provided below:

(1) The Compensation Committee, or its delegate, will serve in place of the designated decision-makers on any such claims and appeals.

(2) After a claimant has exhausted his remedies under the Claims Procedures, including the appeal stage, the claimant forgoes any right to file a civil action under ERISA section 502(a), but instead may present any claims arising out of or related to any forfeiture under this Article VIII to final and binding arbitration in the manner described below:

(A) A claimant must file a demand for arbitration no later than one year following a final decision on the appeal under the Claims Procedures. After such period, no claim for arbitration may be filed, and the decision becomes final. A claimant must deliver a demand for arbitration to the Company's General Counsel.

(B) Any claims presented shall be settled by arbitration consistent with the Federal Arbitration Act, and consistent with the then-current Arbitration Rules and Procedures for Employment Disputes, or equivalent, established by JAMS, a provider of private dispute resolution services.

(C) The parties will confer to identify a mutually acceptable arbitrator. If the parties are unable to agree on an arbitrator, the parties will request a list of proposed arbitrators from JAMS and:

(i) If there is an arbitrator on the list acceptable to both parties, that person will be selected. If there is more than one arbitrator on the list acceptable to both parties, each party will rank each arbitrator in order of preference, and the arbitrator with the highest combined ranking will be selected.

(ii) If there is no arbitrator acceptable to both parties on the list, the parties will alternately strike names from the list until only one name remains, who will be selected.

(D) The fees and expenses of the arbitrator will be borne equally by the claimant and the Company. Each side will be entitled to use a representative, including an attorney, at the arbitration. Each side will bear its own deposition, witness, expert, attorneys' fees, and other expenses to the same extent as if the matter were being heard in court. If, however, any party prevails on a claim, which (if brought in court) affords the prevailing party attorneys' fees and/or costs, then the arbitrator may award reasonable fees and/or costs to the prevailing party to the same extent as would apply in court. The arbitrator will resolve any dispute as to who is the prevailing party and as to the reasonableness of any fee or cost.

(E) The arbitrator will take into account all comments, documents, records, other information, arguments, and theories submitted by the claimant relating to the claim, or considered by the Compensation Committee or its delegate relating to the claim, but only to the extent that it was previously provided as part of the initial decision or appeal request on the claim.

The arbitrator may grant a claimant's claim only if the arbitrator determines it is justified based on: (i) the Compensation Committee, or its delegate erred upon an issue of law in the appeal request, or (ii) the Compensation Committee's, or its delegate's, findings of fact during the appeal process were not supported by the evidence.

(F) The arbitrator shall issue a written opinion to the parties stating the essential findings and conclusions upon which the arbitrator's award is based. The decision of the arbitrator will be final and binding upon the claimant and the Company. A reviewing court may only confirm, correct, or vacate an award in accordance with the standards set forth in the Federal Arbitration Act, 9 U.S.C. §§ 1-16.

(G) In the event any court finds any portion of this procedure to be unenforceable, the unenforceable section(s) or provision(s) will be severed from the rest, and the remaining section(s) or provisions(s) will be otherwise enforced as written.

8.7 Application

Should a Forfeiture Event occur, this Article VIII is in addition to, and does not in any way limit, any other right or remedy of the Affiliated Companies, at law or otherwise, in connection with such Forfeiture Event.

* * *

IN WITNESS WHEREOF, this Plan is hereby executed by a duly authorized officer on this 29th day of June, 2018.

NORTHROP GRUMMAN CORPORATION

By: /s/ Denise M. Peppard
Denise M. Peppard
Corporate Vice President and
Chief Human Resources Officer

APPENDIX A – COMMITTEES AND APPOINTMENTS

Notwithstanding anything to the contrary in this Plan, effective as of October 25, 2011, the Chief Executive Officer of the Company shall appoint, and shall have the power to remove, the members of (1) an Administrative Committee that shall have responsibility for administering the Plan (including as such responsibilities are described in Article VI of the Plan) and (2) an Investment Committee that shall have responsibility for overseeing any rabbi trusts or other informal funding for the Plan.

TRUST AGREEMENT
FOR ALLIANT TECHSYSTEMS INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

FIRST AMENDMENT

This **FIRST AMENDMENT** to the Trust Agreement for Alliant Techsystems Inc. Nonqualified Deferred Compensation Plan (the "Trust Agreement") is entered into as of this 28th day of January 2013 by Alliant Techsystems Inc., as grantor, ("ATK") and U.S. Bank National Association, as trustee (the "Trustee").

ATK and the Trustee entered into the Trust Agreement as of *January 1, 2003*; Section 9.1 of the Trust Agreement provides, *inter alia*, that the Trust Agreement can be amended by a written instrument executed by ATK and the Trustee; and the Trust Agreement has never been amended.

ATK wishes to amend the Trust Agreement to clarify and streamline the administrative process by which benefits can be paid to participants from the trust fund under the Trust Agreement.

ATK hereby certifies that no Change of Control (as defined in Section 1.3 of the Trust Agreement) has occurred as of the date first written above.

Effective as of the date first written above, Section 6.5 is hereby amended to add a new Section 6.5(c) to read as follows:

“(c) upon receipt of a written certification from ATK (or, after a Change of Control, from the independent public accountants for ATK) on or before January 31st of any year that ATK paid a specified dollar amount of benefits directly to Participants or their Beneficiaries as they became due under the terms of the Plan (pursuant to Section 6.1 hereof) within the prior calendar year, the Trustee shall distribute such specified dollar amount to ATK as a reimbursement for such direct payments.”

In all respects not amended, the Trust Agreement is hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by their duly authorized officers as of the date first written above.

ALLIANT TECHSYSTEMS INC.

By: /s/Judith Mares _____
Judith Mares

Title: Chief Investment Officer

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Nic Malone _____
Nic Maylone

Title: Vice President and Relationship Manager

**ORBITAL ATK, INC. DEFINED BENEFIT
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

As Amended and Restated Effective January 1, 2016

**ORBITAL ATK, INC. DEFINED BENEFIT
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

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**ORBITAL ATK, INC. DEFINED BENEFIT
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
As Amended and Restated January 1, 2016**

SECTION 1

INTRODUCTION

1.1. **Purposes of Plan.** The purposes of the Orbital ATK, Inc. Defined Benefit Supplemental Executive Retirement Plan (formerly known as the "Alliant Techsystems Inc. Defined Benefit Supplemental Executive Retirement Plan") are: (1) to restore the benefit amounts that would be payable to select participants in certain tax-qualified defined benefit pension plans sponsored by Orbital ATK, Inc. ("Orbital ATK") as described in Section 3.2 hereof (the "Pension Plans") absent the limitations in sections 401(a)(17) and 415 of the Internal Revenue Code of 1986, as amended (the "Code"), and absent a participant's election to voluntarily defer compensation, (2) to pay frozen benefits under certain frozen plans as described in Appendix B, Appendix C and Appendix D, and (3) in certain cases, to provide additional benefits pursuant to employment agreements or other similar agreements between Orbital ATK and employees who are members of a select group of management or highly compensated employees as described in Appendices E and F.

1.2. **History.** Orbital ATK has heretofore adopted tax-qualified defined benefit Pension Plans called: "ORBITAL ATK, INC. PENSION AND RETIREMENT PLAN," and the "THIOKOL PROPULSION PENSION PLAN" (the "Pension Plans") for the purpose of providing retirement benefits to certain of its employees and employees of certain affiliates. The Pension Plans are subject to the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), and are intended to qualify under section 401(a) of the Code. By operation of section 401(a) of the Code, benefits under the Pension Plans are restricted so that they do not exceed maximum benefits allowed under section 415 of the Code. In addition, the maximum amount of annual compensation which may be taken into account for any plan participant may not exceed a fixed dollar amount which is established under section 401(a)(17) of the Code.

In 1990, Alliant Techsystems Inc. ("Alliant"), the predecessor of Orbital ATK, was spun-off from Honeywell Inc. and, in connection therewith, established the Alliant Techsystems Inc. Retirement Plan as a "spin-off" from the Honeywell Inc. Retirement Benefit Plan. Effective September 28, 1990, for the purpose of paying the benefits Participating Employees would have been entitled to if Code section 415 and Code section 401(a)(17) limitations were not in effect and, also, to pay certain employees transferred from Honeywell Inc. benefits already accrued under the nonqualified plans sponsored by Honeywell Inc., Alliant adopted a plan known as the "ALLIANT TECHSYSTEMS INC. SUPPLEMENTARY RETIREMENT PLAN (SRP)" by adoption of a document entitled the "Honeywell Supplementary Retirement Plan (SRP)," and a plan known as the "ALLIANT TECHSYSTEMS INC. SUPPLEMENTARY EXECUTIVE RETIREMENT PLAN FOR COMPENSATION IN EXCESS OF \$200,000 (\$200K SERP)" by adoption of a document entitled the "Honeywell Supplementary Executive Retirement Plan for Compensation in Excess of \$200,000 (\$200K SERP) (Amended through April 17, 1990)." In addition, Alliant adopted a plan

known as the “ALLIANT TECHSYSTEMS INC. SUPPLEMENTARY EXECUTIVE RETIREMENT PLAN FOR CECP PARTICIPANTS” by adoption of a document entitled the “Honeywell Supplementary Executive Retirement Plan for CECP Participants (Amended Through April 17, 1990)” as a frozen plan with benefits only for certain employees acquired from Honeywell Inc. who were participants in the Plan while employed by Honeywell Inc. Alliant also adopted a plan known as the “ALLIANT TECHSYSTEMS INC. SUPPLEMENTARY EXECUTIVE RETIREMENT PLAN FOR BENEFITS IN EXCESS OF LIMITS UNDER TAX REFORM ACT OF 1986” by adoption of a document entitled the “Honeywell Supplementary Executive Retirement Plan for Benefits in Excess of Limits under Tax Reform Act of 1986” as a frozen plan with benefits only for certain employees acquired from Honeywell Inc. who were participants in the Plan while employed by Honeywell Inc.

Pursuant to the subsequent acquisition of certain assets, employees and pension plan assets and obligations from Hercules Incorporated (the “Hercules Acquisition”), effective March 15, 1995, Alliant adopted a plan known as the “ALLIANT TECHSYSTEMS INC. AEROSPACE PENSION RESTORATION PLAN” by adoption of the portion of a document entitled the “Hercules Employee Pension Restoration Plan Effective October 1, 1990” that provides benefits based on the Hercules Incorporated Retirement Income Plan and its successor plans, including the Hercules Incorporated Retirement Income Plan (Government-Owned, Corporation-Operated) and the Hercules Incorporated Pension Plan.

Alliant also adopted, pursuant to the Hercules Acquisition, the ALLIANT TECHSYSTEMS INC. DEFERRED COMPENSATION PLAN (a plan which is memorialized in a document entitled the “Hercules Deferred Compensation Plan”) as a frozen plan with frozen benefits for certain employees acquired from Hercules Incorporated.

Effective September 1, 1999, Alliant adopted a nonqualified deferred compensation plan known as the “ALLIANT TECHSYSTEMS INC. MANAGEMENT DEFERRED COMPENSATION PLAN” which provides that certain employees can voluntarily defer compensation pursuant to a prior irrevocable agreement. Effective as of January 1, 2003, Alliant amended and restated its nonqualified deferred compensation plan by the adoption of a document entitled “ALLIANT TECHSYSTEMS INC. NONQUALIFIED DEFERRED COMPENSATION PLAN.”

Pursuant to the acquisition of certain assets, employees and pension plan assets and obligations from Alcoa, Inc. (the “Thiokol Acquisition”), Alliant adopted a plan known as the THIOKOL CORPORATION EXCESS PENSION PLAN (a plan which is memorialized in a document entitled “Thiokol Corporation Excess Pension Plan (Restated Effective October 1, 1990)”) that provides benefits based on the Thiokol Propulsion Pension Plan for certain Thiokol Propulsion employees acquired from Alcoa, Inc. The Thiokol Corporation Excess Pension Plan was merged with and into this Alliant Techsystems Inc. Supplemental Executive Pension Plan effective January 1, 2003.

Alliant also adopted, pursuant to the Thiokol Acquisition, the CORDANT TECHNOLOGIES INC. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (a plan which is memorialized in a document entitled “CORDANT TECHNOLOGIES INC. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN Amended and Restated Effective July 22, 1999”), as a frozen plan with frozen benefits for certain employees acquired from Alcoa, Inc. The Cordant Technologies Inc.

Supplemental Executive Retirement Plan was merged with and into the Alliant Techsystems Inc. Supplemental Executive Pension Plan effective January 1, 2003.

1.3. **Adoption of Plan.** Effective January 1, 2003, Alliant adopted a document entitled "ALLIANT TECHSYSTEMS INC. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN" as a complete amendment and restatement of the Alliant Techsystems Inc. Supplementary Retirement Plan, the Alliant Techsystems Inc. Supplementary Executive Retirement Plan for Compensation in Excess of \$200,000, the Alliant Techsystems Inc. Supplementary Executive Retirement Plan for CECP Participants, the Alliant Techsystems Inc. Supplementary Executive Retirement Plan for Benefits in Excess of Limits under Tax Reform Act of 1986, the Alliant Techsystems Inc. Aerospace Pension Restoration Plan, the Alliant Techsystems Inc. Deferred Compensation Plan, the Thiokol Corporation Excess Pension Plan and the Cordant Technologies Inc. Supplemental Executive Retirement Plan for employees who retire, die or otherwise terminate employment on or after January 1, 2003.

The Alliant Techsystems Inc. Supplementary Executive Retirement Plan for CECP Participants is attached as Appendix A and incorporated herein for purposes of paying the benefits due thereunder, effective January 1, 2003. It applies only to those Participating Employees who were participants in the Honeywell Inc. CECP Plan and who are entitled to a "grandfathered" benefit under the Alliant Techsystems Inc. Retirement Plan.

The Alliant Techsystems Inc. Supplementary Executive Retirement Plan for Benefits in Excess of Limits under Tax Reform Act of 1986 is attached as Appendix B and incorporated herein for purposes of paying the benefits due thereunder, effective January 1, 2003. It applies only to those Participating Employees who were participants in such plan and who are entitled to a "grandfathered" benefit under Alliant Techsystems Inc. Retirement Plan.

The Alliant Techsystems Inc. Deferred Compensation Plan is attached as Appendix C and incorporated herein for purposes of paying frozen benefits for certain employees acquired from Hercules Incorporated.

The Cordant Technologies Supplemental Executive Retirement Plan is attached as Appendix D and incorporated herein for purposes of paying any benefit obligations acquired under that plan, which will be paid hereunder.

This Plan was amended and restated effective January 1, 2005 to comply with section 409A of the Code, to add certain benefits/distribution options for persons in Schedules 1 and 2, and to provide certain additional benefits as described in Appendix F.

This Plan was amended and restated effective July 1, 2013 to rename it the "ALLIANT TECHSYSTEMS INC. DEFINED BENEFIT SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN" and to reflect certain changes to the Pension Plans.

This Plan was amended and restated effective February 2, 2015 to take into account the spinoff of Vista Outdoor Inc.

This Plan is amended and restated effective January 1, 2016 to reflect the merger of Alliant with Orbital Sciences Corporation, effective February 9, 2015.

SECTION 2

PLAN NAME

This plan shall be referred to as the ORBITAL ATK, INC. DEFINED BENEFIT SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (the "Plan").

SECTION 3

PARTICIPATING EMPLOYEES

3.1. **Participating Employees.** The individuals eligible to participate in and receive benefits under the Plan ("Participating Employees") are those employees of Orbital ATK, Inc. and its affiliates:

- (a) who are participants in the Alliant Techsystems, Inc. Nonqualified Deferred Compensation Plan or any other nonqualified deferred compensation plan maintained by Orbital ATK and its affiliates; or
- (b) whose individual employment agreement or other separate written agreement between Orbital ATK (or an affiliate of Orbital ATK) and such employee specifies that such employee is eligible to receive benefits under this Plan; or
- (c) who are Participants in one of the Pension Plans (as described in Section 3.2 below) and (i) who are actively employed by Orbital ATK, Inc. or its affiliates or on approved leave of absence, and (ii) whose benefits under the applicable Pension Plan would be greater if computed without regard to the limits imposed under Code sections 401(a)(17) and 415; or
- (d) who are affirmatively selected for participation in this Plan by the Chief Executive Officer ("CEO") of Orbital ATK (or any person authorized to act on behalf of the CEO by the Board of Directors of Alliant Techsystems Inc. (the "Board of Directors") and, for a Section 16 Officer, by the Compensation and Human Resources Committee of the Board of Directors).

For purposes of this Plan, a Section 16 Officer is an officer of Orbital ATK (or an affiliate of Orbital ATK) who is subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended. Notwithstanding anything apparently to the contrary contained in this Plan, the Plan shall be construed and administered to prevent the duplication of benefits provided under this Plan and

any other qualified or nonqualified plan maintained in whole or in part by Orbital ATK or any predecessor, successor or affiliate.

Notwithstanding anything apparently to the contrary contained in this Plan, no individual hired or rehired as an employee of Orbital ATK, its predecessor, or any of its affiliates on or after January 1, 2007 shall be a Participating Employee with respect to any period of employment beginning on or after January 1, 2007, except as and in accordance with such terms as may be specified by the Personnel and Compensation Committee of the Board of Directors of Orbital ATK.

3.2. **Applicable Pension Plans.** For purposes of this Plan, the “Pension Plans” are:

(a)Orbital ATK, Inc. Pension and Retirement Plan, including the benefit structures under such plan known as the Alliant Techsystems Inc. Retirement Formula, the Alliant Techsystems Inc. Aerospace Pension Formula, the ATK SEG Retirement Formula, the Federal Cartridge Company Pension Formula, the ATK Pension Equity Formula, the Alliant Lake City Retirement Formula, the Alliant Techsystems Inc. Retirement Income Formula (GOCO), and the ATK Cash Balance Formula; and

(b)Thiokol Propulsion Pension Plan, including the benefit structures known as the Former Thiokol Propulsion Pension Plan Formula, the Thiokol Pension Equity Formula, and the Thiokol Cash Balance Formula.

3.3. **Overriding Exclusion.** Notwithstanding anything apparently to the contrary in this Plan or in any written communication, summary, resolution or document or oral communication, no individual shall be a Participating Employee in this Plan, develop benefits under this Plan or be entitled to receive benefits under this Plan (either for the employee or his or her survivors) unless such individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA). If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participating Employee in this Plan at any time. If any person not so defined has been erroneously treated as a Participating Employee in this Plan, upon discovery of such error such person’s erroneous participation shall immediately terminate *ab initio* and upon demand such person shall be obligated to reimburse Alliant for all amounts erroneously paid to him or her.

SECTION 4

BENEFITS PAYABLE

4.1. Benefit for Participating Employees

4.1.1. **Amount of Benefit.** This Plan shall pay to Participating Employees the excess, if any, of

(a) the amount that would have been payable under the applicable Pension Plan if such benefit had been determined:

(i) without regard to the benefit limitations under section 415 of the Code, and

(ii) without regard to compensation limitation of section 401(a)(17) of the Code, and

(iii) by including in Recognized Compensation, Earnings and Final Average Earnings (as defined under the applicable Pension Plan) amounts not otherwise included because they were deferred at the election of the Participating Employee under the Alliant Techsystems Inc. Nonqualified Deferred Compensation Plan or any other nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer; and

(iv) as adjusted pursuant to the terms of any employment agreement or any separate written agreement between Orbital ATK (or an affiliate of Orbital ATK) and the Participating Employee; minus

(b) the amount actually paid from the applicable Pension Plan.

Notwithstanding anything to the contrary in the Plan, if the Participating Employee is a Participant in the Orbital ATK, Inc. Pension and Retirement Plan under the benefit structure formerly known as the ATK SEG Retirement Plan or the Federal Cartridge Company Pension Plan, any service of such Participating Employee before December 7, 2001, shall be disregarded for benefit accrual purposes in determining any excess benefit provided under this Plan.

Notwithstanding anything to the contrary in the Plan, this Plan shall pay to Participating Employees identified on Schedule 1 attached to the Plan who terminate employment at or after age 55 the greater of (i) the amount determined under this Section 4.1.1 or (ii) the amount determined under this Section 4.1.1 as of June 30, 2013 as if the applicable Pension Plan were the benefit structure known as the ATK Pension Equity Formula under the Orbital ATK, Inc. Pension and Retirement Plan plus the amount otherwise determined under Section 4.1.1 with respect to service beginning July 1, 2013.

Notwithstanding anything apparently to the contrary in this Plan, no benefit of a Participating Employee who is a former employee of Alliant or any of its affiliates and who is rehired by Orbital ATK, its predecessor, or any of its affiliates on or after January 1, 2007 shall be attributable in whole or in part to employment, services or compensation after such rehire date, except as and in accordance with such terms as may be specified by the Personnel and Compensation Committee of the Board of Directors of Orbital ATK.

4.1.2. Form of Payment.

- (a) Except as otherwise provided in this Section 4.1.2, for any Participating Employee who terminates employment and receives or begins to receive benefits under the applicable Pension Plan on or before December 31, 2006, the benefit under this Plan (minus any withholding and payroll taxes which must be deducted therefrom) shall be paid to the Participating Employee in the same manner, at the same time, for the same duration and in the same form as if such benefit has been paid directly from the applicable Pension Plan. All elections and optional forms of settlement in effect and all other rules governing the payment of benefits under the applicable Pension Plan shall, to the extent practicable, be given effect under this Plan so that the Participating Employee will receive from a combination of the applicable Pension Plan and this Plan the same benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) which would have been received under the applicable Pension Plan if this Plan benefit had been paid from the applicable Pension Plan.
- (b) The provisions of subsection (a) of this Section 4.1.2 shall apply to any Participating Employee who terminated employment before January 1, 2005 and accrued no benefit under this Plan after December 31, 2004, but who does not receive or begin to receive benefits under the applicable Pension Plan on or before December 31, 2006.
- (c) Each Participating Employee identified on Schedule 2 attached to this Plan shall be permitted to elect on or before December 31, 2005 to receive benefits under this Plan in the form of a lump sum or any other form of payment available under the applicable Pension Plan. Lump sum payments shall be calculated as of the first day of the month following termination of employment, using the interest rate and mortality table described in section 417(e) of the Code, as in effect under the Pension Plan on the first day of the month following termination of employment. Such payment shall be or begin to be made on the first day of the seventh month following the month in which the Participating Employee terminates employment if the Participating Employee is a "key employee," within the meaning of section 416(i) of the Code (disregarding section 416(i)(5)), or on the first day of the first month following termination of employment if the Participating Employee is not such a "key employee," but in no event later than the later of (i) the ninetieth

day after whichever such date applies, or (ii) the last day of the calendar year in which such date occurs. Lump sum payments to "key employees" shall be credited with simple interest from the first day of the month following termination of employment to the date of payment at the interest rate described in section 417(e) of the Code, as in effect under the Pension Plan on the first day of the month following termination of employment. In the case of payments in a form other than a lump sum, the first such payment to a Participating Employee who is a "key employee" shall include the amounts of the monthly payments for the preceding six months. If a Participating Employee identified in Schedule 2 elects a joint and survivor annuity, and the Participating Employee's joint annuitant dies before payments begin, amounts otherwise payable as a joint and survivor annuity shall be paid in the form of a single life annuity.

(d) Each Participating Employee not described in subsections (a), (b) or (c) of this Section 4.1.2, who terminates employment on or before December 31, 2006, shall receive payment of benefits under this Plan in the form of a lump sum on the later of (i) the earliest date after January 1, 2007 on which payment is administratively practicable, or (ii) the first day of the seventh month following termination of employment, but in neither case later than December 31, 2007. Lump sum payments shall be calculated as of January 1, 2007, using the mortality table described in section 417(e) of the Code and an interest rate that is the greater of 6% or the rate described in section 417(e) of the Code, as in effect under the Pension Plan on that date, except that lump sums for Participating Employees covered by the benefit structures known as (A) the Alliant Techsystems Inc. Retirement Formula, the ATK Pension Equity Formula or the ATK Cash Balance Formula under the Orbital ATK, Inc. Pension and Retirement Plan, or (B) the Thiokol Pension Equity Formula or Thiokol Cash Balance Formula under the Thiokol Propulsion Pension Plan, shall be their Account Balances (as that term is defined under those benefit structures, respectively). Lump sum payments made after January 31, 2007 shall be credited with simple interest for the period from January 1, 2007 until the date of payment at a rate equal to the greater of 6% or the rate described in section 417(e) of the Code, as in effect under the Pension Plan on January 1, 2007.

(e) Each Participating Employee not described in subsections (a), (b), (c), or (d) of this Section 4.1.2 shall receive payment of benefits under this Plan in the form of a lump sum on the later of (i) the first day of the seventh month following the month in which the Participating Employee terminates employment or (ii) February 1 of the calendar year following the calendar year in which the Participating Employee terminates employment, but in neither case later than the last day of the calendar year following the calendar year in which the Participating Employee terminates employment. All lump sum amounts paid under this Subsection (e) shall be determined as of the

date of termination of employment, based on the mortality table described in section 417(e) of the Code and an interest rate that is the greater of 6% or the interest rate described in section 417(e) of the Code (as in effect under the Pension Plan on the first day of the month following termination of employment), except that lump sums for Participating Employees covered by the benefit structures known as (A) the Alliant Techsystems Inc. Retirement Formula, the ATK Pension Equity Formula or the ATK Cash Balance Formula under the Orbital ATK, Inc. Pension and Retirement Plan, or (B) the Thiokol Pension Equity Formula or Thiokol Cash Balance Formula under the Thiokol Propulsion Pension Plan, shall be their Account Balances (as that term is defined under those benefit structures, respectively). Simple interest will be credited for the period from the first day of the month following termination of employment until the date of payment, at a rate equal to the greater of 6% or the rate described in section 417(e) of the Code, as in effect under the Pension Plan on the first day of the month following termination of employment.

(f) For purposes of Section 4.6.2 and subsections (d) and (e) of this Section 4.1.2, for lump sums calculated using the stated interest and mortality factors, lump sum amounts shall be determined on the basis of (i) the immediate annuity to which the Participating Employee is entitled under the applicable Pension Plan in the case of a Participating Employee who is entitled to an immediate annuity under the applicable Pension Plan, or (ii) the annuity to which the Participating Employee is entitled at Normal Retirement Age (as that term is defined in the applicable Pension Plan) under the applicable Pension Plan in the case of a Participating Employee who is not entitled to an immediate annuity under the applicable Pension Plan.

(g) Any reference in this Plan to termination of employment shall mean the separation from service with Alliant and all entities treated as members of the same controlled group with Alliant under section 414(b) or (c) of the Code. Controlled group membership shall be determined by substituting "at least 50 percent" for "at least 80 percent" each place it appears in section 1563(a)(1), (2) and (3) of the Code, and by substituting "at least 50 percent" for "at least 80 percent" each place it appears in Treas. Reg. § 1.414(c)-2.

4.2. **Benefit to Beneficiaries.**

4.2.1. **Amount of Benefit.** Unless the Participating Employee (i) is identified on Schedule 2 attached to this Plan and has received or begun to receive his or her benefits under this Plan prior to death, or (ii) has received a lump sum under Section 4.1 hereof, there shall be paid under this Plan to the surviving spouse or other joint or contingent annuitant or beneficiary the excess, if any, of

(a) the amount which would have been payable under the applicable Pension Plan if such benefit had been determined:

- (i) without regard to the benefit limitations of section 415 of the Code, and
- (ii) without regard to compensation limitation of section 401(a)(17) of the Code, and
- (iii) by including in Recognized Compensation, Earnings and Final Average Earnings (as defined under the applicable Pension Plan) amounts not otherwise included because they were deferred at the election of the Participating Employee under the Alliant Techsystems Inc. Nonqualified Deferred Compensation Plan or any other nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer; and
- (iv) as adjusted pursuant to the terms of any employment agreement or any separate written agreement between Orbital ATK and the Participating Employee; minus

(b) the amount actually paid from the applicable Pension Plan.

4.2.2. **Form of Payment.** Except as may be specifically provided in this Plan, this benefit (minus any withholding and payroll taxes which must be deducted therefrom) shall be paid to such person in the same manner, at the same time, for the same duration and in the same form as if such benefit has been paid directly from the applicable Pension Plan. All elections and optional forms of settlement in effect and all other rules governing the payment of benefits under the applicable Pension Plan shall, to the extent practicable, be given effect under this Plan so that such person will receive from a combination of the applicable Pension Plan and this Plan the same benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) if this Plan benefit had been paid from the applicable Pension Plan. Notwithstanding the foregoing provisions of this Section 4.2.2, in the event of the death of any Participating Employee who (i) is not described in subsections (a), (b), or (c) of Section 4.1.2 or (ii) is described in subsection (c) of Section 4.1.2 but dies before payment under this Plan has been made or begun, payment of any benefits under this Section 4.2 shall be made in a lump sum, determined in accordance with Section 4.1.2(d) or (e), as applicable, as soon as administratively practicable after the Participating Employee's death, but in no event later than the later of the ninetieth day after the Participating Employee's death or the last day of the calendar year in which the Participating Employee's death occurs.

4.3. **Special Rule for CECP.** This Plan shall pay to Participating Employees who are also entitled to benefits under the Alliant Techsystems Inc. Supplementary Executive Retirement Plan for CECP Participants (see Appendix A) the excess, if any, of:

- (i) the amount that would have been payable under the applicable Pension Plan if such benefit had been determined without regard to the benefit limitations under section 415 of the Code and without regard to compensation limitation of section 401(a)(17) of the Code plus, if applicable, the amount that would have been payable if the

amount of any deferred incentive award in the year in which the award would otherwise have been paid by the Honeywell Inc. Corporate Executive Compensation Plan would have been included under the definition of "Earnings" for purposes of arriving at "Final Average Earnings," over

- (ii) the amount actually paid from the applicable Pension Plan after taking into account the benefit limitations under section 415 of the Code and the compensation limitation of section 401(a)(17) of the Code plus, if applicable, the amount actually paid from the Honeywell Inc. Corporate Executive Compensation Plan for CECP Participants (Appendix A).

This benefit (minus any withholding and payroll taxes which must be deducted therefrom) shall be paid to the Participating Employee in the same manner, at the same time, for the same duration and in the same form as if such benefit has been paid directly from the applicable Pension Plan. All elections and optional forms of settlement in effect and all other rules governing the payment of benefits under the applicable Pension Plan shall, to the extent practicable, be given effect under this Plan so that the Participating Employee will receive from a combination of the applicable Pension Plan and this Plan the same benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) which would have been received under the applicable Pension Plan if the limitation on benefits under section 415 of the Code, the compensation limitation of section 401(a)(17) of the Code and the exclusion from the definition of "Earnings" of the amount of any deferred incentive award had not been in effect.

4.4. **Vesting.** The benefit of a Participating Employee under this Plan shall vest when the applicable Pension Plan vests, including any full (100%) vesting due to a Change in Control (as defined under the applicable Pension Plan), or, if earlier, pursuant to the terms of any employment agreement or separate written agreement between Orbital ATK (or an affiliate of Orbital ATK) and the Participating Employee.

4.5. **General Distribution Rules.**

4.5.1. **Section 162(m) Determination.** If a Participating Employee will receive a lump sum under the Plan pursuant to Section 4.1 or Section 4.3 and if the PRC (or, for any Section 16 Officer, the Board of Directors) determines that delaying the time such payment is made would increase the probability that such payment would be fully deductible for federal or state income tax purposes, Orbital ATK may unilaterally delay the time of the making of such payment or any portion of such payment until the earliest year during which Orbital ATK reasonably anticipates that the payment will be fully deductible, but not later than twenty-four (24) months after the date such payment would otherwise be payable.

4.5.2. **Exception for Small Benefits.** Notwithstanding any other provision of this Plan to the contrary, Orbital ATK shall pay any benefit which is payable under this Plan to a Participating Employee or a Beneficiary in a lump sum payment, at the time otherwise required under the terms of this Plan, if the present value of the benefit (as determined under the actuarial

factors for the applicable Pension Plan for such Participating Employee or Beneficiary) is \$50,000 or less, and the Participating Employee or Beneficiary either has accrued a benefit under this Plan after December 31, 2004 or is not receiving benefit payments under this Plan on or before December 31, 2005. In the case of any Participating Employee or Beneficiary who accrued no benefit under this Plan after December 31, 2004 and is receiving benefit payments under this Plan on or before December 31, 2005, Orbital ATK, in its discretion, may pay any remaining benefit which is payable under this Plan in a lump sum payment if the present value of the benefit (as determined under the actuarial factors for the applicable Pension Plan for such Participating Employee or Beneficiary) is \$50,000 or less. Notwithstanding any provisions of this Section 4.6.2 to the contrary, lump sums for Participating Employees covered by the benefit structures known as (A) the Alliant Techsystems Inc. Retirement Formula, the ATK Pension Equity Formula or the ATK Cash Balance Formula under the Orbital ATK, Inc. Pension and Retirement Plan, or (B) the Thiokol Pension Equity Formula or Thiokol Cash Balance Formula under the Thiokol Propulsion Pension Plan, shall be their Account Balances (as that term is defined under those benefit structures, respectively).

SECTION 5

FUNDING

5.1. **Funding.** Alliant shall be responsible for paying all benefits due hereunder. Until all payments due under Section 4 are paid in full and for the purpose of facilitating the payment of benefits due under those Sections, Orbital ATK may (but shall not be required to) establish and maintain a grantor trust pursuant to an agreement between Orbital ATK and a trustee selected by Orbital ATK; provided, however, that any such grantor trust must be structured so that it does not result in any federal income tax consequences to any Participating Employee until such employee actually receives payments due under Section 4. Orbital ATK may contribute to a grantor trust thereby created such amounts as it may from time to time determine.

5.2. **Corporate Obligation.** Neither Orbital ATK's officers nor any member of its Board of Directors nor any member of the PRC in any way secures or guarantees the payment of any benefit or amount which may become due and payable hereunder to or with respect to any Participating Employee. Each Participating Employee and other person entitled at any time to payments hereunder shall look solely to the assets of Orbital ATK for such payments as an unsecured, general creditor. After benefits shall have been paid to or with respect to a Participating Employee and such payment purports to cover in full the benefit hereunder, such former Participating Employee or other person or persons, as the case may be, shall have no further right or interest in the other assets of Orbital ATK in connection with this Plan. Neither Orbital ATK nor any of its officers nor any member of its Boards of Directors nor any member of the PRC shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the Plan by reason of the insolvency of Orbital ATK.

SECTION 6

GENERAL MATTERS

6.1. **Amendment and Termination.** Orbital ATK reserves the power to amend or terminate this Plan either prospectively or retroactively or both:

(a) in any respect by resolution of the Board of Directors of Orbital ATK; or

(b) in any respect by action of the Personnel and Compensation Committee of the Board of Directors of Alliant (or any successor committee); or

(c) in any respect by action of any other committee or person determined by the Board of Directors of Orbital ATK;

at any time and for any reason deemed sufficient by it without notice to any person affected by this Plan and may likewise terminate or curtail the benefits of this Plan both with regard to persons expecting to receive benefits in the future and persons already receiving benefits at the time of such action; provided, however, that Orbital ATK may not amend or terminate the Plan with respect to benefits that have accrued and are vested pursuant to Section 4.3, the applicable Pension Plan or an individual agreement between Orbital ATK and the Participating Employee. No modification of the terms of this Plan shall be effective unless it is in writing and signed on behalf of Orbital ATK by a person authorized to execute such writing. No oral representation concerning the interpretation or effect of this Plan shall be effective to amend the Plan.

6.2. **Limited Benefits.** This Plan shall not provide any benefits with respect to any defined contribution plan.

6.3. **Spendthrift Provision.** No Participating Employee, surviving spouse, joint or contingent annuitant or beneficiary shall have the power to transmit, assign, alienate, dispose of, pledge or encumber any benefit payable under this Plan before its actual payment to such person. The PRC shall not recognize any such effort to convey any interest under this Plan. No benefit payable under this Plan shall be subject to attachment, garnishment, execution following judgment or other legal process before actual payment to such person.

6.4. **Errors in Computations.** Orbital ATK shall not be liable or responsible for any error in the computation of any benefit payable to or with respect to any Participating Employee resulting from any misstatement of fact made by the Participating Employee or by or on behalf of any survivor to whom such benefit shall be payable, directly or indirectly, to Orbital ATK, and used by Orbital ATK in determining the benefit. Orbital ATK shall not be obligated or required to increase the benefit payable to or with respect to such Participating Employee which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participating Employee. However, the benefit of any Participating Employee which is overstated by reason of any such misstatement or any other reason shall be reduced to the amount appropriate in view of the truth (and to recover any prior overpayment).

6.5. **Correction of Errors.** If any Participating Employee in any written statement required under the Plan document shall misstate such Participating Employee's age or the age of any person upon whose survival the payment of any benefit in respect of such Participating Employee is contingent or any other fact the misstatement of which would affect the amount of a benefit payable hereunder, the accrual of benefits in respect of such Participating Employee shall not be invalidated, but the amount of the benefit to be available with respect to such Participating Employee will be adjusted retroactively to the amount which would have been payable if such fact or facts had not been misstated. It is recognized that errors may occur during the administration of the Plan which may result in incorrect statement or payment of benefits. If an administrative error occurs, the amount of benefits available to such Participating Employee shall be the correct amount determined under the Plan document and future benefits to such Participating Employee shall be adjusted to reflect any prior mistakes under rules adopted by Orbital ATK. If no further benefits are payable under the Plan, Orbital ATK will take whatever steps it determines are reasonable to collect such overpayments on behalf of the Plan. In no event will the Plan be liable to pay any greater benefit in respect of any Participating Employee than that which would have been payable on the basis of the truth and the provisions of this Plan document.

SECTION 7

FORFEITURE OF BENEFITS

All unpaid benefits under this Plan shall be permanently forfeited upon the determination by Orbital ATK that the Participating Employee, either before or after termination of employment:

- (a) engaged in a criminal or fraudulent conduct resulting in material harm to Orbital ATK or an affiliate of Orbital ATK; or
- (b) made an unauthorized disclosure to any competitor of any material confidential information, trade information or trade secrets of Orbital ATK or an affiliate of Orbital ATK; or
- (c) provided Orbital ATK or an affiliate of Orbital ATK with materially false reports concerning his or her business interests or employment; or
- (d) made materially false representations which are relied upon by Orbital ATK or an affiliate of Orbital ATK in furnishing information to an affiliate, partner, shareholders, accountants, auditor, a stock exchange, the Securities and Exchange Commission or any regulatory or governmental agency; or
- (e) maintained an undisclosed, unauthorized and material conflict of interest in the discharge of the duties owed by him or her to Orbital ATK or an affiliate of Orbital ATK; or
- (f) engaged in conduct causing a serious violation of state and federal law by Orbital ATK or an affiliate of Orbital ATK; or

- (g)engaged in theft of assets or funds of Orbital ATK or an affiliate of Orbital ATK; or
- (h)has been convicted of any crime which directly or indirectly arose out of his her employment relationship with Orbital ATK or an affiliate of Orbital ATK or materially affected his or her ability to discharge the duties of his or her employment with Orbital ATK or an affiliate of Orbital ATK; or
- (i)engaged during his or her employment or within two (2) years after termination of employment in any employment with a competitor, or engaged in any activity in competition with Orbital ATK, without the consent of Orbital ATK.

SECTION 8

DETERMINATIONS AND CLAIMS PROCEDURE

8.1. **Determinations.** The Personnel and Compensation Committee of Orbital ATK’s Board of Directors (the “Committee”) and the Orbital ATK Pension and Retirement Committee (“PRC”) shall make such determinations as may be required from time to time in the administration of the Plan. The Committee and the PRC shall have the final and conclusive discretionary authority and responsibility to interpret and construe the Plan and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Participating Employees and Beneficiaries, and the amounts of their respective interests. Each interested party may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

8.2. **Claims Procedure.** Until modified by the Committee, the claims procedure set forth in this Section 8 shall be the mandatory claims and review procedure for the resolution of disputes and disposition of claims filed under the Plan.

8.2.1. **Original Claim.** Any person may, if he or she so desires, file with the PRC (or in the case of a Section 16 officer, the Committee) a written claim for benefits under this Plan. Within ninety (90) days after the filing of such a claim, the PRC (or the Committee for a Section 16 officer) shall notify the claimant in writing whether the claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred eighty (180) days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the PRC (or the Committee for a Section 16 officer) shall state in writing:

- (a)the specific reasons for the denial;
- (b)the specific references to the pertinent provisions of the Plan on which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(d) an explanation of the claims review procedure set forth in this section.

8.2.2. **Review of Denied Claim.** Within sixty (60) days after receipt of notice that the claim has been denied in whole or in part, the claimant may file with the Committee a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the Committee shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty (120) days from the date the request for review was filed) to reach a decision on the request for review.

8.2.3. **General Rules.**

(a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The PRC may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the PRC upon request.

(b) All decisions on original claims shall be made by the PRC (or the Committee for a Section 16 officer) and all decisions on requests for a review of denied claims shall be made by the Committee.

(c) The PRC and the Committee may, in their discretion, hold one or more hearings on a claim or a request for a review of a denied claim.

(d) A claimant may be represented by a lawyer or other representative (at the claimant's own expense), but the PRC and the Committee reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled, upon request, to copies of all notices given to the claimant.

(e) The decision of the PRC (or the Committee for a Section 16 officer) on a claim and a decision of the Committee on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.

(f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of the Plan and all other pertinent documents in the possession of the PRC and the Committee.

(g)The PRC and the Committee may permanently or temporarily delegate its responsibilities under this claims procedure to an individual or a committee of individuals.

8.3. Limitations and Exhaustion.

8.3.1. **Limitations.** No claim shall be considered under these administrative procedures unless it is filed with the PRC (or the Committee for a Section 16 officer) within one (1) year after the claimant knew (or reasonably should have known) of the principal facts on which the claim is based. Every untimely claim shall be denied by the PRC (or the Committee for a Section 16 officer) without regard to the merits of the claim. No legal action (whether arising under section 502 or section 510 of ERISA or under any other statute or non-statutory law) may be brought by any claimant on any matter pertaining to this Plan unless the legal action is commenced in the proper forum before the earlier of:

(a)two (2) years after the claimant knew (or reasonably should have known) of the principal facts on which the claim is based, or

(b)ninety (90) days after the claimant has exhausted these administrative procedures.

Knowledge of all facts that a Participating Employee knew (or reasonably should have known) shall be imputed to each claimant who is or claims to be a Beneficiary of the Participating Employee (or otherwise claims to derive an entitlement by reference to a Participating Employee) for the purpose of applying the one (1) year and two (2) year periods.

8.3.2. **Exhaustion Required.** The exhaustion of these administrative procedures is mandatory for resolving every claim and dispute arising under this Plan. As to such claims and disputes:

(a)no claimant shall be permitted to commence any legal action relating to any such claim or dispute (whether arising under section 502 or section 510 of ERISA or under any other statute or non-statutory law) unless a timely claim has been filed under these administrative procedures and these administrative procedures have been exhausted; and

(b)in any such legal action all explicit and implicit determinations by the PRC and the Committee (including, but not limited to, determinations as to whether the claim was timely filed) shall be afforded the maximum deference permitted by law.

SECTION 9

PLAN ADMINISTRATION

9.1. **Committee.** Except as otherwise provided herein, functions generally assigned to Orbital ATK shall be discharged by the Committee or delegated and allocated as provided herein.

9.2. **Senior Vice President of Human Resources.** The most senior executive responsible for the human resources function (“Senior Vice President of Human Resources”) shall:

- (a) keep all books of account, records and other data as may be necessary for the proper administration of the Plan; notify Orbital ATK of any action taken by the PRC and, when required, notify any other interested person or persons;
- (b) determine from the records of Orbital ATK the compensation, status and other facts regarding Participating Employees and other employees;
- (c) prescribe forms to be used for distributions, notifications, etc., as may be required in the administration of the Plan;
- (d) set up such rules, applicable to all Participating Employees similarly situated, as are deemed necessary to carry out the terms of this Plan;
- (e) perform all other acts reasonably necessary for administering the Plan and carrying out the provisions of this Plan and performing the duties imposed on it by the Board of Directors;
- (f) resolve all questions of administration of the Plan not specifically referred to in this section; and
- (g) delegate or redelegate to one or more persons, jointly or severally, such functions assigned to the Senior Vice President of Human Resources hereunder as it may from time to time deem advisable.

9.3. **PRC.** If there shall at any time be three (3) or more members of the PRC serving hereunder who are qualified to perform a particular act, the same may be performed, on behalf of all, by a majority of those qualified, with or without the concurrence of the minority. No person who failed to join or concur in such act shall be held liable for the consequences thereof, except to the extent that liability is imposed under ERISA.

9.4. **Delegation.** The Committee and the members of the Committee and PRC shall not be liable for an act or omission of another person with regard to a responsibility that has been allocated to or delegated to such other person pursuant to the terms of the Plan or pursuant to procedures set forth in the Plan Statement.

9.5. **Conflict of Interest.** If any individual to whom authority has been delegated or redelegated hereunder shall also be a Participating Employee in this Plan, such Participating Employee shall have no authority with respect to any matter specially affecting such Participating Employee's individual rights hereunder or the interest of a person superior to him or her in the organization (as distinguished from the rights of all Participating Employees and Beneficiaries or a broad class of Participating Employees and Beneficiaries), all such authority being reserved exclusively to other individuals as the case may be, to the exclusion of such Participating Employee, and such Participating Employee shall act only in such Participating Employee's individual capacity in connection with any such matter.

9.6. **Administrator.** Orbital ATK shall be the administrator for purposes of section 3(16)(A) of ERISA.

9.7. **Service of Process.** In the absence of any designation to the contrary by the PRC, the General Counsel of Orbital ATK is designated as the appropriate and exclusive agent for the receipt of process directed to this Plan in any legal proceeding, including arbitration, involving this Plan.

9.8. **Expenses.** All expenses of administering this Plan shall be borne by Orbital ATK.

9.9. **Tax Withholding.** Orbital ATK shall withhold the amount of any federal, state or local income tax or other tax required to be withheld by Orbital ATK under applicable law with respect to any amount payable under this Plan.

9.10. **Certifications.** Information to be supplied or written notices to be made or consents to be given by the Board of Directors or the PRC pursuant to any provision of this Plan may be signed in the name of the Board of Directors, the Committee or the PRC by any officer who has been authorized to make such certification or to give such notices or consents.

9.11. **Rules and Regulations.** Any rule not in conflict or at variance with the provisions hereof may be adopted by the PRC.

SECTION 10

CONSTRUCTION

10.1. **Defined Terms.** Words and phrases used in this Plan with initial capital letters, which are defined in the applicable Pension Plans' documents and which are not separately defined in this Plan shall have the same meaning ascribed to them in the applicable Pension Plans' documents unless in the context in which they are used it would be clearly inappropriate to do so.

10.2. **ERISA Status.** This Plan is maintained with the understanding that it is a nonqualified deferred compensation plan for the benefit of a select group of management or highly compensated employees within the meaning of section 201(2), section 301(3) and section 401(a)(1) of ERISA. Each provision shall be interpreted and administered accordingly. If any individually contracted supplemental retirement arrangement with any Section 16 Officer is deemed to be covered by

ERISA, such arrangement shall be included in the Plan but only to the extent that such inclusion is necessary to comply with ERISA.

10.3. **IRC Status.** This Plan is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) *et. seq.* of the Code shall not apply to this Plan. The rules of section 3121(v) and section 3306(r)(2) of the Code shall apply to this Plan.

10.4. **Effect on Other Plans.** This Plan shall not alter, enlarge or diminish any person's employment rights or obligations or rights or obligations under the Pension Plans or any other plan. It is specifically contemplated that the Pension Plans will, from time to time, be amended and possibly terminated. All such amendments and termination shall be given effect under this Plan (it being expressly intended that this Plan shall not lock in the benefit structures of the Pension Plans as they exist at the adoption of this Plan or upon the commencement of participation, or commencement of benefits by any Participating Employee).

10.5. **Disqualification.** Notwithstanding any other provision of this Plan or any election or designation made under the Plan, any individual who feloniously and intentionally kills a Participating Employee shall be deemed for all purposes of this Plan and all elections and designations made under this Plan to have died before such Participating Employee. A final judgment of conviction of felonious and intentional killing is conclusive for this purpose. In the absence of a conviction of felonious and intentional killing, the PRC shall determine whether the killing was felonious and intentional for this purpose.

10.6. **Rules of Document Construction.** Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular paragraph or Section of this Plan unless the context clearly indicates to the contrary. The titles given to the various Sections of this Plan are inserted for convenience of reference only and are not part of this Plan, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof.

10.7. **References to Laws.** Any reference in this Plan to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation.

10.8. **Effect on Employment.** Neither the terms of this Plan nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. Except as provided in Section 6.1, Alliant shall not be obliged to continue the Plan. The terms of this Plan shall not give any employee the right to be retained in the employment of any Employer.

10.9. **Choice of Law.** This instrument has been executed and delivered in the Commonwealth of Virginia and has been drawn in conformity to the laws of that Commonwealth and shall, except to the extent that federal law is controlling, be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

This Plan, as amended and restated herein, was adopted by the Personnel and Compensation Committee of the Board of Directors of Orbital ATK, Inc. on this 22nd day of December, 2015.

ORBITAL ATK, INC.

By: /s/ Christine A.

Wolf

Christine A. Wolf

Its: Senior Vice President Human Resources and Administrative

Services

SCHEDULE 1

SERP

A. Executive Officers (as defined under the Securities Exchange Act of 1934)

Blake Larson

ORBITAL ATK, INC. Exhibit 10.14
Defined Contribution Supplemental Executive Retirement Plan
Master Plan Document

As Amended and Restated

Effective January 1, 2016

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ORBITAL ATK, INC.
DEFINED CONTRIBUTION SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
As Amended and Restated Effective January 1, 2016

Statement of Plan

ORBITAL ATK, INC. (formerly known as Alliant Techsystems, Inc.), a Delaware corporation (hereinafter, the “Company”), hereby creates a nonqualified, unfunded, deferred compensation plan for the benefit of a select group of management and highly compensated employees whose Company contributions for a Plan Year under the 401(k) Plan are limited by section 401(a)(17) of the Code or as a result of the Participant’s deferrals under the Nonqualified Deferred Compensation Plan.

The purpose of this Plan is to provide specified benefits to a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of the Company and its subsidiaries. This Plan is nonqualified and unfunded for tax purposes and for purposes of Title I of ERISA.

In connection with the Company’s spin-off of its sporting business, the Company underwent an internal reorganization and incorporated Vista Outdoor Inc. Vista Outdoor Inc. was spun-off on or around February 9, 2015 (the “Spin-Off”) pursuant to the Transaction Agreement, dated as of April 28, 2014 (the “Agreement”). Effective as of the Spin-Off, Vista Outdoor Inc. became an independent, publicly traded corporation.

Coincident with the Spin-Off and as described in the Agreement, Vista Outdoor Inc. established the Vista Outdoor Inc. Defined Contribution Supplemental Executive Retirement Plan (the “Vista Plan”), an unfunded nonqualified deferred compensation plan that generally mirrors the Plan, to provide for the benefits of the following Employees who were Participants immediately prior to the date such Employee transferred to employment with Vista Outdoor Inc. from the Company:

- (a) An Employee (including an Employee who was on an approved leave of absence from the Company) who transferred to employment with Vista Outdoor Inc., or one of its subsidiaries, from the Company on or before the Spin-Off Date; and
- (b) An Employee who transferred to employment with Vista Outdoor Inc., or one of its subsidiaries, from the Company in accordance with the Agreement.

As described in the Agreement, Vista Outdoor Inc. assumed the obligation to pay all benefits accrued under the Plan for the benefit of each Employee who transferred to employment with Vista Outdoor Inc. as described in this Section (a “Vista Participant”). As a result of the Spin-Off, a Vista Participant ceased to have any benefit under the Plan following his transfer of employment to Vista Outdoor Inc., and instead participated under the Vista Plan. To the maximum extent permitted by Treas. Reg. §1.409A-1(h)(4), a Vista Participant was not considered to have incurred a Termination of Employment for purposes of the Plan or a separation from service as defined in Section 409A solely as a result of the transfer described above.

ARTICLE 1

Definitions

For the purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

- 1.1 “Account Balance” shall mean, with respect to a Participant, an entry on the records of the Employer equal to the sum of the Participant’s Annual Accounts under this Plan. The Account Balance shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.
- 1.2 “Administrator” shall mean the Company, the Committee, and any person or committee of persons responsible for performing administrative functions under this Plan.
- 1.3 “Annual Accounts” shall mean, with respect to a Participant, an entry on the records of the Employer equal to the following amount, the sum of: (i) the Participant’s Company 401(k) NEC Contribution Amount and the Company 401(k) Matching Contribution Amount for any one Plan Year, plus (ii) amounts credited or debited to such amounts pursuant to this Plan, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Annual Accounts for such Plan Year. The Annual Accounts shall be bookkeeping entries only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.
- 1.4 “Beneficiary” shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 5, that are entitled to receive benefits under this Plan upon the death of a Participant.
- 1.5 “Beneficiary Designation Form” shall mean the form, which may be in electronic format, established from time to time by the Senior Vice President of Human Resources that a Participant completes, signs and returns to the Company to designate one or more Beneficiaries.
- 1.6 “Benefit Distribution Date” shall mean the date that triggers distribution of a Participant’s vested Account Balance.

A Participant’s Benefit Distribution Date shall be the earliest to occur of any one of the following:

- (a) If the Participant experiences a Termination of Employment, his or her Benefit Distribution Date shall be the later of (i) the first day of the seventh month following the month in which the Participant experiences a Termination of Employment or (ii) the February 1 of the calendar year following the calendar year in which the Participant experiences a Termination of Employment; or

- (b) As soon as administratively practicable after the Company is provided with proof that is satisfactory to the Senior Vice President of Human Resources of the Participant's death, if the Participant dies prior to the complete distribution of his or her vested Account Balance.
- 1.7 "Board" shall mean the board of directors of the Company.
- 1.8 "Claimant" shall have the meaning set forth in Section 11.1.
- 1.9 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.10 "Committee" shall mean the Compensation and Human Resources Committee of the Board of Directors of the Company or any successor committee of the Board.
- 1.11 "Company" shall mean ORBITAL, ATK INC., a Delaware corporation, and any successor to all or substantially all of the Company's assets or business. Prior to February 9, 2015, the Company was known as Alliant Techsystems, Inc.
- 1.12 "Company Contribution Account" shall mean (i) the sum of the Participant's Company 401(k) NEC Contributions and Company 401(k) Matching Contributions under this Plan, plus (ii) amounts credited or debited to the Participant's Company Contribution Account in accordance with this Plan, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Contribution Account
- 1.13 "Company Contribution Amounts" shall mean, for any one Plan Year, the amount determined in accordance with Section 3.1.
- 1.14 "Company 401(k) Matching Contributions" shall mean the sum of the Participant's Company 401(k) Matching Contribution Amounts under this Plan for all Plan Years.
- 1.15 "Company 401(k) Matching Contribution Amounts" shall mean, for any one Plan Year, the amount determined in accordance with Section 3.1(b).
- 1.16 "Company 401(k) NEC Contributions" shall mean the sum of the Participant's Company 401(k) NEC Contribution Amounts under this Plan for all Plan Years.
- 1.17 "Company 401(k) NEC Contribution Amounts" shall mean, for any one Plan Year, the amount determined in accordance with Section 3.1(a).
- 1.18 "Deduction Limitation" shall mean the limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan, as set forth in Section 12.15.
- 1.19 "Employee" shall mean a person who is an employee of any Employer.
- 1.20 "Employer(s)" shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have employees who participate in the Plan.

- 1.21 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.22 “401(k) Plan Before Tax Contributions” shall mean elective salary reduction deferral amounts made on a before tax basis on behalf of eligible participants under the 401(k) Plan.
- 1.23 “401(k) Plan Matching Contributions” shall mean employer contributions made on behalf of eligible participants in the 401(k) Plan, which are based on a specified percentage of the Participant’s 401(k) Plan Before Tax Contributions and Roth 401(k) Plan Contributions, if any, under the 401(k) Plan.
- 1.24 “401(k) Plan NEC” shall mean any non-elective contribution made on behalf of eligible participants under the 401(k) Plan that is based on age and service points.
- 1.25 “401(k) Plan NEC Percentage” shall mean the percentage of Recognized Compensation used for purposes of determining an eligible participant’s 401(k) NEC (as may be amended under the 401(k) Plan from time to time), as applicable, and which is currently one of the following:

Points (As defined in the 401(k) Plan)	Percentage
Less than 40	2.5%
40 to 59	3.0%
60 or more	4.0%

- 1.26 “401(k) Plan” shall mean the ORBITAL ATK, INC. 401(k) Plan, as amended from time to time.
- 1.27 “Investment Election Form” shall mean the form, which may be in electronic format, established from time to time by the PRC that a Participant completes, signs and returns to the Company to make an election under the Plan.
- 1.28 “Nonqualified Deferred Compensation Plan” shall mean the ORBITAL ATK, INC. Nonqualified Deferred Compensation Plan, as amended from time to time.
- 1.29 “Participant” shall mean any Employee who is eligible to participate in the Plan.
- 1.30 “Plan” shall mean the ORBITAL ATK, INC. Defined Contribution Supplemental Executive Retirement Plan, which shall be evidenced by this instrument, as it may be amended from time to time. Prior to January 1, 2016, the Plan was named the “ALLIANT TECHSYSTEMS INC. Defined Contribution Supplemental Executive Retirement Plan.”
- 1.31 “Plan Year” shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.
- 1.32 “PRC” shall mean the ORBITAL ATK Pension and Retirement Committee.

- 1.33 “Recognized Compensation” shall mean, for the period in which such amounts are paid, Recognized Compensation as defined under the 401(k) Plan (as amended from time to time); provided, however, that in determining a Participant’s Recognized Compensation for purposes of this Plan there shall be included: (i) deferrals under the Nonqualified Deferred Compensation Plan to the extent that such compensation would have been recognized as Recognized Compensation under the 401(k) Plan in the Plan Year that it would have been paid had there been no deferral, and (ii) compensation that would have been recognized as Recognized Compensation under the 401(k) Plan for the Plan Year in which paid without regard to the dollar limitation in effect under section 401(a)(17) of the Code.
- 1.34 “Roth 401(k) Plan Contributions” shall mean elective salary reduction deferral amounts made on a Roth 401(k) after tax basis on behalf of eligible participants under the 401(k) Plan.
- 1.35 “Section 16 Officer” shall mean an “officer” of the Company as defined in the rules promulgated under Section 16 of the Securities Exchange Act of 1934, as amended.
- 1.36 “Senior Vice President of Human Resources” shall mean the most senior officer of the Company in charge of the human resources function at the time the action is taken with respect to the Plan.
- 1.37 “Terminate the Plan” or “Termination of the Plan” shall mean a determination by the Committee that all Participants shall no longer be eligible to participate in the Plan and that Participants shall no longer be eligible to receive Company contributions under this Plan.
- 1.38 “Termination of Employment” shall mean the separation from service with all Employers and all entities treated as members of the same controlled group with any Employer under Section 414(b) or (c) of the Code, voluntarily or involuntarily, for any reason other than death or an authorized leave of absence. Controlled group membership shall be determined by substituting “at least 50 percent” for “at least 80 percent” each place it appears in section 1563(a)(1), (2) and (3) of the Code, and by substituting “at least 50 percent” for “at least 80 percent” each place it appears in Treas. Reg. §1.414(c)-2.
- 1.39 “Trust” shall mean one or more trusts established by the Company in accordance with Article 10.
- 1.40 “Vesting Service” shall mean an Employee’s period of “Vesting Service” as determined under the 401(k) Plan.

ARTICLE 2

Eligibility

- 2.1 Eligibility. An employee of the Employer shall be eligible to receive a credit in accordance with Section 3.1 for a Plan Year if the employee: (i) is a participant in the 401(k) Plan and his or her 401(k) Plan NEC for the Plan Year is reduced by section 401(a)(17) of the Code; (ii) is a participant in the 401(k) Plan and the Nonqualified Deferred Compensation Plan and his or her 401(k) Plan NEC for the Plan Year is reduced due to the employee's deferrals under the Nonqualified Deferred Compensation Plan, or (iii) is a participant in the 401(k) Plan whose combined 401(k) Plan Before Tax Contributions and Roth 401(k) Plan Contributions under the 401(k) Plan equal or exceed the "applicable dollar amount" under Section 402(g)(i)(B) of the Code for a given Plan Year and whose Recognized Compensation for that Plan Year exceeds the annual compensation limit in effect for such Plan Year under Section 401(a)(17) of the Code.
- 2.2 Termination of a Participant's Eligibility. In the event that a Participant is no longer eligible to receive credits under this Plan, the Participant's Account Balance shall continue to be governed by the terms of this Plan until such time as the Participant's Account Balance is paid in accordance with the terms of this Plan.

ARTICLE 3

Company Contribution Amounts; Vesting; Crediting; Taxes

- 3.1 Company Contribution Amounts. The Company shall make contributions to the Plan as follows:
- (a) Company 401(k) NEC Contribution Amounts. If a Participant is eligible for a 401(k) Plan NEC for any Plan Year, a Participant's Company 401(k) NEC Contribution Amount under this Plan for that Plan Year shall be equal to:
- (1) a credit equal to the Participant's 401(k) Plan NEC Percentage multiplied by the Participant's Recognized Compensation for the Plan Year, if any, in excess of the annual compensation limit in effect for such Plan Year under section 401(a)(17) of the Code; and
 - (2) a credit equal to the Participant's 401(k) Plan NEC Percentage multiplied by the Recognized Compensation, if any, the Participant deferred under the Nonqualified Deferred Compensation Plan to the extent that such compensation would have been recognized as "Recognized Compensation" under the 401(k) Plan in the Plan Year that it would have been paid had there been no deferral under the Nonqualified Deferred Compensation Plan.
- (b) Company 401(k) Matching Contribution Amounts. If a Participant's 401(k) Plan Before Tax and Roth 401(k) Plan Contributions to the 401(k) Plan equal or exceed the maximum "applicable dollar amount" as in effect under Section 402(g)(i)(B) of the Code for a given

Plan Year (without regard to any additional “catch up” contributions permitted under Section 414(v) of the Code), the Participant’s Company 401(k) Matching Contribution Amount under this Plan for the Plan Year shall be equal to four and one-half percent (4½%) of the Participant’s Recognized Compensation for the Plan Year, if any, in excess of the annual compensation limit in effect for such Plan Year under Section 401(a)(17) of the Code. If the Participant has not contributed the maximum applicable dollar amount in effect under Code §402(g) for the Plan Year, the Participant’s Company 401(k) Matching Contribution Amount under this Plan for the Plan Year is zero (0).

3.2 Crediting of Amounts after Benefit Distribution. Notwithstanding any provision in this Plan to the contrary, if the complete distribution of a Participant’s vested Account Balance occurs prior to the date on which any portion of the Company Contribution Amount would otherwise be credited to the Participant’s Account Balance, such amounts shall not be credited to the Participant’s Account Balance, but shall be paid to the Participant in a single lump sum as soon as administratively practicable after the amount can be determined.

3.3 Vesting. If a Participant either dies, attains age 65 or becomes Totally Disabled (as defined in the 401(k) Plan) while employed by the Company, he or she shall be fully (100%) vested in his or her Account Balance under the Plan. In addition, all Participants who are actively employed by the Company shall become fully (100%) vested in their Account Balance under the Plan if the Company experiences a “Change in Control” (as defined in the Orbital ATK, Inc. Pension & Retirement Plan).

Otherwise, a Participant shall become vested in his or her Company NEC Contributions under this Plan (adjusted as provided in Sec. 3.4 herein) in accordance with the following schedule:

Years of Vesting Service Completed	NEC Vested Percentage
Less than three	0%
Three or more	100%

Also, a Participant shall otherwise become vested in his or her Company Matching Contributions under this Plan (adjusted as provided in Sec. 3.4 herein) in accordance with the following schedule:

Years of Vesting Service Completed	Matching Contribution Vested Percentage
Less than one	0%
One or more	100%

Notwithstanding the foregoing, all benefits under this Plan shall be permanently forfeited upon the determination by the PRC (or by the Committee for Section 16 Officers) that the Participant, either before or after Termination of Employment:

- (a) engaged in a criminal or fraudulent conduct resulting in material harm to the Company or an affiliate of the Company; or
- (b) made an unauthorized disclosure to any competitor of any material confidential information, trade information or trade secrets of the Company or an affiliate of the Company; or
- (c) provided Company or an affiliate of Company with materially false reports concerning his or her business interests or employment; or
- (d) made materially false representations which are relied upon by Company or an affiliate of Company in furnishing information to an affiliate, partner, stockholders, accountants, auditor, a stock exchange, the Securities and Exchange Commission or any regulatory or governmental agency; or
- (e) maintained an undisclosed, unauthorized and material conflict of interest in the discharge of the duties owed by him or her to the Company or an affiliate of the Company; or
- (f) engaged in conduct causing a serious violation of state or federal law by Company or an affiliate of Company; or
- (g) engaged in theft of assets or funds of the Company or an affiliate of the Company; or
- (h) has been convicted of any crime which directly or indirectly arose out of his her employment relationship with the Company or an affiliate of the Company or materially affected his or her ability to discharge the duties of his or her employment with the Company or an affiliate of the Company; or
- (i) engaged during his or her employment with an Employer or within two (2) years after termination of employment with an Employer in any employment with a competitor, or engaged in any activity in competition with the Company, without the consent of the Company.

3.4 Crediting and Debiting of Account Balances. In accordance with, and subject to, the rules and procedures that are established from time to time by the PRC, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

- (a) Measurement Funds. The Participant may elect one or more of the measurement funds selected by the PRC, in its sole discretion, which are based on certain mutual funds or other collective investment vehicles (the "Measurement Funds"), for the purpose of crediting or debiting additional amounts to his or her Account Balance. As necessary, the PRC may, in its sole discretion, discontinue, substitute or add a Measurement Fund. Each such action will take effect as of the first day of the first calendar quarter that begins at least 30 days after the day on which the PRC gives

Participants advance written notice of such change. Notwithstanding the above, no Measurement Fund shall be based primarily on common stock or other securities of the Company.

- (b) Election of Measurement Funds. A Participant, in connection with his or her initial commencement of participation in the Plan, shall elect, on the Investment Election Form, one or more Measurement Fund(s) (as described in Section 3.4(a) above) to be used to determine the amounts to be credited or debited to his or her Account Balance. If a Participant does not elect any of the Measurement Funds as described in the previous sentence, the Participant's Account Balance shall automatically be allocated into the Measurement Fund as determined by the PRC from time to time, in its sole discretion. The Participant may (but is not required to) elect, by submitting an Investment Election Form to the Company that is accepted by the Company, to add or delete one or more Measurement Fund(s) to be used to determine the amounts to be credited or debited to his or her Account Balance, or to change the portion of his or her Account Balance allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall apply as of the first business day that is administratively practicable, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence.
- (c) Proportionate Allocation. In making any election described in Section 3.4(b) above, the Participant shall specify on the Investment Election Form, in increments of 1%, the percentage of his or her Account Balance or Measurement Fund, as applicable, to be allocated/reallocated.
- (d) Crediting or Debiting Method. The performance of each Measurement Fund (either positive or negative) will be determined on a daily basis based on the manner in which such Participant's Account Balance has been hypothetically allocated among the Measurement Funds by the Participant.
- (e) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation of his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the investments on which the Measurement Funds are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any

investment made on his or her behalf by the Company or the Trust; the Participant shall at all times remain an unsecured creditor of the Company.

3.5 FICA and Other Taxes.

- (a) Company Contribution Account. When a Participant's Annual Account is credited with a Company Contribution Amount (or, if such amount is subject to a vesting schedule, when such Participant is vested in such amount), the Participant's Employer(s) shall withhold, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Company Contribution Amount. If necessary, the Company may reduce the vested portion of the Participant's Company Contribution Account, as applicable, in order to comply with this Section 3.5.
- (b) Distributions. The Participant's Employer(s), or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust.

ARTICLE 4

Distribution of Benefits

- 4.1 Benefit Distribution Date. A Participant who dies or experiences a Termination of Employment shall receive his or her vested Account Balance, calculated as of the close of business on the Participant's Benefit Distribution Date. If the calculation date is not a business day, then such calculation shall be made on the immediately preceding business day.
- 4.2 Actual Payment Date. The Account Balance shall be paid to the Participant (or the Participant's Beneficiary(ies), as applicable) in a lump sum payment no later than 60 days after the Participant's Benefit Distribution Date in the event of a Termination of Employment, and in the event of death, no later than the later of 90 days after the date of death or the last day of the calendar year in which death occurs.
- 4.3 Payment in Cash. Payment of a Participant's Account Balance shall be made in cash.

ARTICLE 5

Beneficiary Designation

- 5.1 Beneficiary. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under

this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.

- 5.2 Beneficiary Designation; Change; Spousal Consent. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Company. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Company's rules and procedures, as in effect from time to time. If the Participant names someone other than his or her spouse as a Beneficiary, the Senior Vice President of Human Resources may, in his or her sole discretion, determine that spousal consent is required to be provided in a form designated by the Senior Vice President of Human Resources, executed by such Participant's spouse and returned to the Company. Upon the acceptance by the Company of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Company shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Company prior to his or her death.
- 5.3 Receipt. No designation or change in designation of a Beneficiary shall be effective until received by the Company in accordance with rules established by the Company.
- 5.4 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in Sections 5.1, 5.2 and 5.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 5.5 Doubt as to Beneficiary. If the Senior Vice President of Human Resources has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, he or she shall have the right, exercisable in his or her discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to his or her satisfaction.
- 5.6 Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary (as the Beneficiary is determined by the Senior Vice President of Human Resources) shall fully and completely discharge the Company, the Employer, the Committee, the PRC and the Vice President of Human Resources from all further obligations under this Plan with respect to the Participant.

ARTICLE 6

Leave of Absence

- 6.1 Paid Leave of Absence. If a Participant is authorized by the Participant's Employer to take a paid leave of absence from the employment of the Employer, the Participant shall remain

in the Plan until the Participant becomes eligible for the benefits as provided in Article 4 in accordance with the provisions of that Article.

- 6.2 Unpaid Leave of Absence. If a Participant is authorized by the Participant's Employer to take an unpaid leave of absence from the employment of the Employer for any reason, the Participant shall remain in the Plan until the Participant becomes eligible for the benefits as provided in Article 4 in accordance with the provisions of that Article.

ARTICLE 7

Termination of Plan, Amendment or Modification

- 7.1 Termination of Plan. Although the Company anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that the Company will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, the Company reserves the right to Terminate the Plan (as defined in Section 1.37). In the event of a Termination of the Plan, the Measurement Funds available to Participants following the Termination of the Plan shall be comparable in number and type to those Measurement Funds available to Participants in the Plan Year preceding the Plan Year in which the Termination of the Plan is effective. Following a Termination of the Plan, Participant Account Balances shall remain in the Plan until the Participant becomes eligible for the benefits provided in Article 4 in accordance with the provisions of that Article. The Termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; provided, however, the Company shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to immediately pay all benefits in a lump sum following such Termination of the Plan, if (i)(A) Termination is not proximate to a downturn in the financial health of the Company, (B) the Company terminates all arrangements required to be aggregated with the Plan pursuant to Code Section 409A, (C) lump sum payments are made between 12 and 24 months following Termination of the Plan, and (D) the Company does not establish a new plan that would have been aggregated with the Plan for purposes of Code Section 409A within three years following Termination of the Plan, or (ii) Termination is in connection with dissolution or change in control of the Company, or such other circumstances permitted by applicable guidance, and in accordance with such other corresponding conditions required by Code Section 409A and regulations or other guidance issued thereunder.

- 7.2 Amendment.

- (a) The Committee may, at any time, amend or modify the Plan in whole or in part. Notwithstanding the foregoing, no amendment shall be effective to decrease the value of a Participant's vested Account Balance in existence at the time the amendment is made. In no event shall the Company, the Employer, the PRC or the Committee be responsible for any decline in a Participant's Account Balance as a result of the selection, discontinuation, addition, substitution, crediting or debiting of the Measurement Funds pursuant to Section 3.4.

- (b) Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any provision of the Plan may cause amounts deferred under the Plan to become immediately taxable to any Participant under Code Section 409A, and related guidance, the Committee may (i) adopt such amendments to the Plan and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the Plan benefits provided by the Plan and/or (ii) take such other actions as the Committee determines necessary or appropriate to comply with the requirements of Code Section 409A, and related guidance.

- 7.3 Effect of Payment. The full payment of the Participant's vested Account Balance under Article 4 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan.

ARTICLE 8

Administration

- 8.1 Committee Duties. Except as otherwise provided in this Plan, this Plan shall be administered by the Committee. The Committee shall also have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. When making a determination or calculation, the Company, Committee and the Senior Vice President of Human Resources, as applicable, shall be entitled to rely on information furnished by a Participant.
- 8.2 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.
- 8.3 Binding Effect of Decisions. The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 8.4 Indemnity. All Employers shall indemnify and hold harmless the members of the Committee, the PRC, the Senior Vice President of Human Resources, any Employee to whom duties have been or may be delegated under this Plan, and the Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of an individual's willful misconduct.
- 8.5 Employer Information. To enable the Committee and/or Administrator to perform its functions, the Company and each Employer shall supply full and timely information to the Committee and/or Administrator, as the case may be, on all matters relating to the

compensation of its Participants, the date and circumstances of the death or Termination of Employment of its Participants, and such other pertinent information as the Committee or Administrator may reasonably require.

ARTICLE 9

Other Benefits and Agreements

- 9.1 Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 10

Trust

- 10.1 Establishment of the Trust. In order to provide assets from which to fulfill the obligations of the Participants and their beneficiaries under the Plan, the Company may establish a trust by a trust agreement with a third party, the trustee, to which each Employer may, in its discretion, contribute cash or other property to provide for the benefit payments under the Plan, (the "Trust").
- 10.2 Interrelationship of the Plan and the Trust. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Company to the assets transferred to the Trust. The Company shall at all times remain liable to carry out its obligations under the Plan.
- 10.3 Distributions From the Trust. The Company's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Company's obligations under this Plan.

ARTICLE 11

Claims Procedures

- 11.1 Presentation of Claim. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the PRC (or in the case of a Section 16 Officer, the Committee) a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

- 11.2 Notification of Decision. The PRC (or in the case of a Section 16 Officer, the Committee) shall consider a Claimant's claim within a reasonable time, but no later than 90 days after receiving the claim. If the PRC or the Committee, as applicable, determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 90-day period. In no event shall such extension exceed a period of 90 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the PRC or the Committee expects to render the benefit determination. The PRC or the Committee, as applicable, shall notify the Claimant in writing:
- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) that the PRC or the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
 - (i) the specific reason(s) for the denial of the claim, or any part of it;
 - (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
 - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;
 - (iv) an explanation of the claim review procedure set forth in Section 11.3 below; and
 - (v) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.
- 11.3 Review of a Denied Claim. On or before 60 days after receiving a notice from the PRC (or in the case of a Section 16 Officer, the Committee) that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the PRC or the Committee, as applicable, a written request for a review of the denial of the claim. The Claimant (or the Claimant's duly authorized representative):
- (a) may, upon request and free of charge, have reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;
 - (b) may submit written comments or other documents; and/or
 - (c) may request a hearing, which the PRC or the Committee (as applicable), in its sole discretion, may grant.

- 11.4 Decision on Review. The PRC (or in the case of a Section 16 Officer, the Committee) shall render its decision on review promptly, and no later than 60 days after the receipt of the Claimant's written request for a review of the denial of the claim. If the PRC or the Committee, as applicable, determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 60-day period. In no event shall such extension exceed a period of 60 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the PRC or the Committee, as applicable, expects to render the benefit determination. In rendering its decision, the PRC or the Committee, as applicable, shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision must be written in a manner calculated to be understood by the Claimant, and it must contain:
- (a) specific reasons for the decision;
 - (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;
 - (c) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and
 - (d) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a).
- 11.5 Legal Action. A Claimant's compliance with the foregoing provisions of this Article 11 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan. Any legal action must be brought within two years after the Claimant knew or should have known of the principal facts on which the claim is based or, if earlier, 90 days after the procedure under this Article 11 is completed.
- 11.6 Determinations. Benefits under the Plan will be paid only if the PRC (or in the case of a Section 16 Officer, the Committee) decides in its discretion that the applicant is entitled to them. The PRC or the Committee, as applicable, has discretionary authority to grant or deny benefits under the Plan. The PRC shall have the sole discretion, authority and responsibility to interpret and construe this Plan Statement and all relevant documents and information, and to determine all factual and legal questions under the Plan, in relation to a person's (other than a Section 16 Officer) claim for benefits. The Committee shall have the sole discretion, authority and responsibility to interpret and construe this Plan Statement and all relevant documents and information, and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of all persons to benefits and the amounts

of their benefits. The Committee's discretionary authority shall include all matters arising under the Plan.

ARTICLE 12

Miscellaneous

- 12.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted (i) to the extent possible in a manner consistent with that intent and (ii) in accordance with Code Section 409A and other applicable tax law, including but not limited to Treasury Regulations promulgated pursuant to Code Section 409A.
- 12.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Company. For purposes of the payment of benefits under this Plan, any and all of the Company's assets shall be, and remain, the general, unpledged unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 12.3 Employer's Liability. The Company's liability for the payment of benefits shall be defined only by the Plan. The Company shall have no obligation to a Participant under the Plan except as expressly provided in the Plan.
- 12.4 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise (including without limitation any domestic relations order, whether or not a "qualified domestic relations order" under section 414(p) of the Code and section 206(d) of ERISA) before the Account Balance is distributed to the Participant or Beneficiary.
- 12.5 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company or any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment

agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Company or any Employer or to interfere with the right of the Company or any Employer to discipline or discharge the Participant at any time.

- 12.6 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Company by furnishing any and all information requested by the Company and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Company may deem necessary.
- 12.7 Terms. Whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.
- 12.8 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 12.9 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Minnesota without regard to its conflicts of laws principles.
- 12.10 Notice. Any notice or filing required or permitted to be given to the Company under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

ORBITAL ATK. INC.
Attn: ORBITAL ATK Retirement Department
5995 Opus Parkway – Suite 300
Minnetonka, MN 55343

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 12.11 Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's designated Beneficiaries.
- 12.12 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

- 12.13 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.
- 12.14 Incompetent. If the Senior Vice President of Human Resources determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, he or she may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Senior Vice President of Human Resources may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.
- 12.15 Deduction Limitation on Benefit Payments. The Company may determine that as a result of the application of the limitation under Code Section 162(m), a distribution payable to a Participant pursuant to this Plan would not be deductible if such distribution were made at the time required by the Plan. If the Company makes such a determination, then the distribution shall not be paid to the Participant until such time as the distribution first becomes deductible. The amount of the distribution shall continue to be adjusted in accordance with Section 3.4 above until it is distributed to the Participant. The amount of the distribution, plus amounts credited or debited thereon, shall be paid to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Company, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Company during which the distribution is made will not be limited by Section 162(m). Notwithstanding the foregoing, the Committee shall interpret this provision in a manner that is consistent with Code Section 409A and other applicable tax law, including but not limited to guidance issued after the effective date of this Plan.
- 12.16 Insurance. The Company, on its own behalf or on behalf of the trustee of the Trust, and, in its sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Company or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Company shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

Pursuant to the authority and direction of the Compensation and Human Resources Committee of the Board of Directors of Orbital ATK, Inc., this restatement is hereby adopted effective as of January 1, 2016.

Date: December 22, 2015

By: /s/ Christine A. Wolf

Title: Senior Vice President, H.R.

NORTHROP GRUMMAN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<i>\$ in millions</i>	Six Months Ended June 30		Year Ended December 31				
Earnings:	2018	2017	2017	2016	2015 ⁽¹⁾	2014 ⁽¹⁾	2013 ⁽¹⁾
Earnings before income taxes	\$ 1,720	\$ 1,600	\$ 2,996	\$ 2,855	\$ 2,790	\$ 2,937	\$ 2,863
Fixed Charges:							
Interest expense, including amortization of debt premium	287	151	360	301	301	282	257
Portion of rental expenses on operating leases deemed to be representative of the interest factor	58	51	100	99	101	101	99
Earnings before income taxes and fixed charges	\$ 2,065	\$ 1,802	\$ 3,456	\$ 3,255	\$ 3,192	\$ 3,320	\$ 3,219
Fixed Charges:	\$ 345	\$ 202	\$ 460	\$ 400	\$ 402	\$ 383	\$ 356
Ratio of earnings to fixed charges	6.0	8.9	7.5	8.1	7.9	8.7	9.0

⁽¹⁾ Financial data does not reflect the effects from the January 1, 2018 adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

LETTER FROM INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

July 24, 2018

Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, Virginia 22042

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Northrop Grumman Corporation and subsidiaries for the periods ended June 30, 2018, and 2017, as indicated in our report dated July 24, 2018; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, is incorporated by reference in Registration Statement Nos. 033-59815, 033-59853, 333-67266, 333-100179, 333-107734, 333-121104, 333-125120, 333-127317, and 333-175798 on Form S-8; and Registration Statement No. 333-217087 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP
McLean, Virginia

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wesley G. Bush, certify that:

1. I have reviewed this report on Form 10-Q of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 24, 2018

/s/ Wesley G. Bush

Wesley G. Bush
Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth L. Bedingfield, certify that:

1. I have reviewed this report on Form 10-Q of Northrop Grumman Corporation (“company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 24, 2018

/s/ Kenneth L. Bedingfield

Kenneth L. Bedingfield
Corporate Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Northrop Grumman Corporation (the "company") on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wesley G. Bush, Chairman and Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: July 24, 2018

/s/ Wesley G. Bush

Wesley G. Bush
Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Northrop Grumman Corporation (the "company") on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth L. Bedingfield, Corporate Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: July 24, 2018

/s/ **Kenneth L. Bedingfield**

Kenneth L. Bedingfield
Corporate Vice President and Chief Financial Officer

