



News Release

Contact: Vic Beck (Media)
703-280-4456 (office)
vic.beck@ngc.com

Todd Ernst (Investors)
703-280-4535 (office)
todd.ernst@ngc.com

Northrop Grumman Reports Second Quarter 2023 Financial Results

- Net Awards of \$10.9 billion; book to bill of 1.14
- Sales increased 9 percent to \$9.6 billion
- Diluted earnings per share of \$5.34
- Operating cash flow of \$919 million
- Company increases 2023 sales guidance by \$400 million and low end of EPS guidance range by \$0.20

FALLS CHURCH, Va. – July 27, 2023 – Northrop Grumman Corporation (NYSE: NOC) reported second quarter 2023 sales increased 9 percent to \$9.6 billion, as compared with \$8.8 billion in the second quarter of 2022. Second quarter 2023 sales reflect continued strong demand and improving labor availability and supplier deliveries. Second quarter 2023 net earnings totaled \$812 million, or \$5.34 per diluted share, as compared with \$946 million, or \$6.06 per diluted share, in the second quarter of 2022. Net earnings were reduced by \$160 million, or \$1.01 per diluted share, as a result of lower net FAS/CAS pension income.

“Strong global demand for our products, increased supply chain deliveries and our continued success in hiring and retaining talent drove second quarter growth of nine percent,” said Kathy Warden, chair, chief executive officer and president. “With backlog more than double annual sales and a robust U.S. and international outlook for our programs, we have increased our full year sales guidance by \$400 million. We are driving affordability measures to partially offset the impacts of inflation for our customers and we expect margins to expand as macroeconomic headwinds stabilize and we shift our portfolio to more production and international volume.”

¹ Non-GAAP measure - see definitions at the end of this earnings release.

Consolidated Operating Results and Cash Flows

<i>\$ in millions, except per share amounts</i>	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Sales						
Aeronautics Systems	\$ 2,595	\$ 2,534	2%	\$ 5,110	\$ 5,237	(2%)
Defense Systems	1,420	1,294	10%	2,796	2,577	8%
Mission Systems	2,641	2,516	5%	5,204	5,013	4%
Space Systems	3,488	2,979	17%	6,838	5,834	17%
Intersegment eliminations	(568)	(522)		(1,071)	(1,063)	
Total sales	9,576	8,801	9%	18,877	17,598	7%
Operating income						
Aeronautics Systems	278	258	8%	515	565	(9%)
Defense Systems	166	168	(1%)	326	323	1%
Mission Systems	401	413	(3%)	761	798	(5%)
Space Systems	283	310	(9%)	596	571	4%
Intersegment eliminations	(76)	(76)		(144)	(147)	
Segment operating income ¹	1,052	1,073	(2%)	2,054	2,110	(3%)
Segment operating margin rate ¹	11.0%	12.2%	(120) bps	10.9%	12.0%	(110) bps
FAS/CAS operating adjustment	(21)	(51)	(59%)	(42)	(97)	(57%)
Unallocated corporate expense:						
Intangible asset amortization and PP&E step-up depreciation	(31)	(61)	(49%)	(61)	(121)	(50%)
Other unallocated corporate expense	(33)	(7)	371%	(37)	(41)	(10%)
Unallocated corporate expense	(64)	(68)	(6%)	(98)	(162)	(40%)
Total operating income	\$ 967	\$ 954	1%	\$ 1,914	\$ 1,851	3%
Operating margin rate	10.1%	10.8%	(70) bps	10.1%	10.5%	(40) bps
Interest expense	(147)	(131)	12%	(276)	(264)	5%
Non-operating FAS pension benefit	133	377	(65%)	265	753	(65%)
Other, net	34	(50)	(168%)	82	(46)	(278%)
Earnings before income taxes	987	1,150	(14%)	1,985	2,294	(13%)
Federal and foreign income tax expense	175	204	(14%)	331	393	(16%)
Effective income tax rate	17.7%	17.7%	— bps	16.7%	17.1%	(40) bps
Net earnings	\$ 812	\$ 946	(14%)	\$ 1,654	\$ 1,901	(13%)
Diluted earnings per share	5.34	6.06	(12%)	10.83	12.16	(11%)
Weighted-average diluted shares outstanding, in millions	152.2	156.0	(2%)	152.7	156.3	(2%)
Net cash provided by (used in) operating activities						
Capital expenditures	(304)	(263)	16%	(613)	(507)	21%
Adjusted free cash flow¹	\$ 615	\$ (460)	(234%)	\$ (396)	\$(1,192)	(67%)

¹ Non-GAAP measure - see definitions at the end of this earnings release.

Sales

Second quarter 2023 sales increased \$775 million, or 9 percent, due to higher sales at all four sectors. Second quarter 2023 sales reflect continued strong demand and improving labor availability and supplier deliveries.

Operating Income and Margin Rate

Second quarter 2023 operating income increased \$13 million, or 1 percent, due to a reduction in the FAS/CAS operating adjustment, partially offset by lower segment operating income. Second quarter 2023 operating margin rate declined to 10.1 percent due to a lower segment operating margin rate, partially offset by the lower FAS/CAS operating adjustment.

Segment Operating Income and Margin Rate

Second quarter 2023 segment operating income decreased \$21 million, or 2 percent. Higher sales were more than offset by a lower segment operating margin rate, which reflects a \$36 million unfavorable estimate-at-completion (EAC) adjustment on the Habitation and Logistics Outpost (HALO) program at Space Systems. In addition, the prior year period includes a \$38 million gain on a property sale at Aeronautics Systems and a \$33 million benefit recognized in connection with a contract-related legal matter at Mission Systems.

Federal and Foreign Income Taxes

The second quarter 2023 effective tax rate (ETR) of 17.7 percent was comparable with the prior year period and reflects higher interest expense on unrecognized tax benefits, offset by favorable returns on tax-exempt marketable securities.

Net Earnings and Diluted EPS

Second quarter 2023 net earnings decreased \$134 million, or 14 percent, primarily due to a \$244 million reduction in the non-operating FAS pension benefit, partially offset by a \$51 million increase in returns on marketable securities related to our non-qualified benefit plans, higher operating income, higher interest income on short-term investments and lower income tax expense. Second quarter 2023 diluted earnings per share decreased 12 percent, reflecting a 14 percent decrease in net earnings and a 2 percent reduction in weighted-average diluted shares outstanding.

Cash Flows

Second quarter 2023 net cash provided by operating activities was \$919 million compared to net cash used in operating activities of \$197 million in the prior year period and reflects improved trade working capital largely driven by increased billings and cash collections. Second quarter 2023 adjusted free cash flow increased \$1.1 billion due to higher net cash provided by operating activities, partially offset by an increase in capital expenditures.

Awards and Backlog

Second quarter and year to date 2023 net awards totaled \$10.9 billion and \$18.9 billion, respectively, and backlog totaled \$78.8 billion. Significant second quarter new awards include \$5.4 billion for restricted programs (primarily at Space Systems, Aeronautics Systems and Mission Systems), \$0.6 billion for F-35 (primarily at Aeronautics Systems and Mission Systems), \$0.3 billion for the Missile Defense Agency's Ballistic Missile Defense System Overhead Persistent Infrared Architecture (BOA) and \$0.3 billion for Virginia-Class submarines.

¹ Non-GAAP measure - see definitions at the end of this earnings release.

Segment Operating Results

AERONAUTICS SYSTEMS	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	% Change	2023	2022	% Change
<i>\$ in millions</i>						
Sales	\$ 2,595	\$ 2,534	2 %	\$ 5,110	\$ 5,237	(2)%
Operating income	278	258	8 %	515	565	(9)%
Operating margin rate	10.7 %	10.2 %		10.1 %	10.8 %	

Sales

Second quarter 2023 sales increased \$61 million, or 2 percent, due to higher volume in both Manned Aircraft and Autonomous Systems. Higher sales on restricted programs were partially offset by lower volume on E-2 and F/A-18, as well as the Joint Surveillance and Target Attack Radar System (JSTARS) program as it nears completion.

Operating Income

Second quarter 2023 operating income increased \$20 million, or 8 percent, due to higher sales and a higher operating margin rate. Operating margin rate increased to 10.7 percent from 10.2 percent primarily due to higher net favorable EAC adjustments on restricted work, partially offset by a \$38 million gain on a property sale in the prior year.

DEFENSE SYSTEMS	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	% Change	2023	2022	% Change
<i>\$ in millions</i>						
Sales	\$ 1,420	\$ 1,294	10 %	\$ 2,796	\$ 2,577	8 %
Operating income	166	168	(1)%	326	323	1 %
Operating margin rate	11.7 %	13.0 %		11.7 %	12.5 %	

Sales

Second quarter 2023 sales increased \$126 million, or 10 percent, due to higher volume in both business areas. Battle Management & Missile Systems sales increased primarily due to higher volume on ammunition programs and the Integrated Air and Missile Defense Battle Command System (IBCS), Hypersonic Attack Cruise Missile (HACM) and advanced fuze programs. Mission Readiness sales increased principally due to higher volume on the NATO Alliance Ground Surveillance In-Service Support (NATO AGS ISS) program and an international training program.

Operating Income

Second quarter 2023 operating income decreased \$2 million, or 1 percent, due to a lower operating margin rate, which more than offset higher sales. Operating margin rate decreased to 11.7 percent from 13.0 percent primarily due to lower net EAC adjustments.

MISSION SYSTEMS	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	% Change	2023	2022	% Change
<i>\$ in millions</i>						
Sales	\$ 2,641	\$ 2,516	5 %	\$ 5,204	\$ 5,013	4 %
Operating income	401	413	(3)%	761	798	(5)%
Operating margin rate	15.2 %	16.4 %		14.6 %	15.9 %	

Sales

Second quarter 2023 sales increased \$125 million, or 5 percent, primarily due to higher restricted sales in the Networked Information Solutions business area, as well as higher volume

¹ Non-GAAP measure - see definitions at the end of this earnings release.

on marine systems programs and the Surface Electronic Warfare Improvement Program (SEWIP). These increases were partially offset by lower volume on the Ground/Air Task Oriented Radar (G/ATOR) program.

Operating Income

Second quarter 2023 operating income decreased \$12 million, or 3 percent, due to a lower operating margin rate, which more than offset higher sales. Operating margin rate decreased to 15.2 percent from 16.4 percent primarily due to a prior year \$33 million benefit recognized in connection with a contract-related legal matter, as well as changes in contract mix toward more cost-type content.

SPACE SYSTEMS <i>\$ in millions</i>	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	% Change	2023	2022	% Change
Sales	\$ 3,488	\$ 2,979	17 %	\$ 6,838	\$ 5,834	17 %
Operating income	283	310	(9)%	596	571	4 %
Operating margin rate	8.1 %	10.4 %		8.7 %	9.8 %	

Sales

Second quarter 2023 sales increased \$509 million, or 17 percent, due to higher volume in both business areas. Launch & Strategic Missiles sales increased primarily due to ramp-up on development programs, including a \$156 million increase on the Ground Based Strategic Deterrent (GBSD) program and higher volume on the Next Generation Interceptor (NGI) and Ground-based Midcourse Defense Weapon Systems (GWS) programs. Sales in the Space business area increased primarily due to higher volume on restricted programs, the Next-Generation Overhead Persistent Infrared Polar (NextGen Polar) program and the Space Development Agency (SDA) Tranche 1 Tracking Layer program. These increases were partially offset by lower volume for Commercial Resupply Services (CRS) missions.

Operating Income

Second quarter 2023 operating income decreased \$27 million, or 9 percent, due to a lower operating margin rate, which more than offset higher sales. Operating margin rate decreased to 8.1 percent from 10.4 percent primarily due to lower net EAC adjustments, including a \$36 million unfavorable EAC adjustment on the HALO program largely due to cost growth stemming from evolving Lunar Gateway architecture and mission requirements combined with macroeconomic challenges, and a \$15 million write-down of commercial inventory.

¹ Non-GAAP measure - see definitions at the end of this earnings release.

Guidance

Financial guidance, as well as outlook, trends, expectations and other forward looking statements provided by the company for 2023 and beyond, reflect the company's judgment based on the information available to the company at the time of this release. The company's financial guidance and outlook for 2023 and beyond reflect what the company currently anticipates will be the impacts on the company from, among other factors, the global macroeconomic, health, security, and political/budget environments, including the impacts from inflationary pressures and labor and supply chain challenges; COVID-19; changes in the threat environment; changes in government budget, appropriations and procurement priorities and processes; changes in the regulatory environment; and changes in support for our programs. We are not assuming, and the company's financial guidance and outlook for 2023 and beyond do not reflect any impacts on the company from, a potential extended continuing resolution, a prolonged government shutdown, or application of spending caps or sequestration. However, the company cannot predict how these factors will evolve or what impacts they will have, and there can be no assurance that the company's current expectations or underlying assumptions are correct. These factors can affect the company's ability to achieve guidance or meet expectations.

For additional factors that may impact the company's ability to achieve guidance or meet expectations, please see the "Forward-Looking Statements" section in this release and our Form 10-Q.

2023 Guidance		
<i>(\$ in millions, except per share amounts)</i>	As of 4/27/2023	As of 7/27/2023
Sales	38,000 — 38,400	38,400 — 38,800
Segment operating income¹	4,300 — 4,400	4,300 — 4,400
Total net FAS/CAS pension adjustment ²	~450	~450
Unallocated corporate expense		
Intangible asset amortization & PP&E step-up depreciation	~120	~120
Other items	~150	~150
Operating income	3,950 — 4,050	3,950 — 4,050
Interest expense	~550	~550
Effective tax rate %	High 16%	~17%
Weighted average diluted shares outstanding	~153	Mid 152
MTM-adjusted EPS¹	22.25 — 22.85	22.45 — 22.85
Capital expenditures	1,650 — 1,700	1,650 — 1,700
Adjusted free cash flow¹	1,850 — 2,150	1,850 — 2,150

2023 Segment Guidance				
	As of 4/27/2023		As of 7/27/2023	
	Sales (\$B)	OM Rate %	Sales (\$B)	OM Rate %
Aeronautics Systems	Mid \$10	~10%	Mid \$10	~10%
Defense Systems	Mid \$5	~12%	Mid to High \$5	~12%
Mission Systems	High \$10	Low 15%	High \$10	Low 15%
Space Systems	Mid \$13	Mid 9%	High \$13	~9%
Eliminations	Low (\$2)	Mid 13%	~(\$2.2)	Mid 13%

¹ Non-GAAP measure - see definitions at the end of this earnings release.

² Total Net FAS/CAS pension adjustment is presented as a single amount consistent with our historical presentation, and includes \$160 million of expected CAS pension expense and \$240 million of FAS pension service expense, both of which are reflected in operating income. Non-operating FAS pension benefit of \$530 million is reflected below operating income, and the total net FAS/CAS pension adjustment is \$450 million.

About Northrop Grumman

Northrop Grumman will webcast its earnings conference call at 9:00 a.m. Eastern Time on July 27, 2023. A live audio broadcast of the conference call will be available on the investor relations page of the company's website at www.northropgrumman.com.

Northrop Grumman is a leading global aerospace and defense technology company. Our pioneering solutions equip our customers with the capabilities they need to connect and protect the world, and push the boundaries of human exploration across the universe. Driven by a shared purpose to solve our customers' toughest problems, our 95,000 employees define possible every day.

###

Forward-Looking Statements

This earnings release and the information we are incorporating by reference, and statements to be made on the earnings conference call, contain or may contain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "will," "expect," "anticipate," "intend," "may," "could," "should," "plan," "project," "forecast," "believe," "estimate," "guidance," "outlook," "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 the Form 10-K for the year ended December 31, 2022, and from time to time in our other filings with the Securities and Exchange Commission (SEC). These risks and uncertainties are amplified by the global macroeconomic, health, security and political environments, including inflationary pressures, labor and supply chain challenges and COVID-19, which have caused and will continue to cause significant challenges, instability and uncertainty. They include:

Industry and Economic Risks

- our dependence on the U.S. government for a substantial portion of our business
- significant delays or reductions in appropriations and/or for our programs, and U.S. government funding and program support more broadly, including as a result of a prolonged continuing resolution and/or government shutdown, and/or related to hostilities and other global events
- significant delays or reductions in payments as a result of or related to a breach of the debt ceiling
- the use of estimates when accounting for our contracts and the effect of contract cost growth and our efforts to recover or offset such costs and/or changes in estimated contract costs and revenues, including as a result of inflationary pressures, labor shortages, supply chain challenges and/or other macroeconomic factors, and risks related to management's

judgments and assumptions in estimating and/or projecting contract revenue and performance which may be inaccurate

- continued pressures from macroeconomic trends, including on costs, schedules, performance and ability to meet expectations
- increased competition within our markets and bid protests

Legal and Regulatory Risks

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

Business and Operational Risks

- impacts related to health epidemics and pandemics, including COVID-19
- cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners, and changes in related regulations
- our ability to attract and retain a qualified, talented and diverse workforce with the necessary security clearances to meet our performance obligations
- the performance and viability of our subcontractors and suppliers and the availability and pricing of raw materials and components, particularly with inflationary pressures, increased costs, shortages in labor and financial resources, supply chain disruptions, and extended material lead times
- environmental, social and governance matters, including especially climate change, their impacts on our company, our operations and our stakeholders (employees, suppliers, customers, shareholders and regulators), and changes in laws, regulations and priorities related to these issues
- our exposure to additional risks as a result of our international business, including risks related to global security, geopolitical and economic factors, misconduct, suppliers, laws and regulations
- our ability to meet performance obligations under our contracts, including obligations that require innovative design capabilities, are technologically complex, require certain manufacturing expertise or are dependent on factors not wholly within our control
- natural disasters

- products and services we provide related to hazardous and high risk operations, including the production and use of such products, which subject us to various environmental, regulatory, financial, reputational and other risks
- our ability appropriately to exploit and/or protect intellectual property rights
- our ability to develop new products and technologies, progress digital transformation, and maintain technologies, facilities, and equipment to win new competitions and meet the needs of our customers

General and Other Risk Factors

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

You are urged to consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of forward-looking statements. These forward-looking statements speak only as of the date this earnings release is first issued or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

This release and the attachments also contain non-GAAP financial measures. A reconciliation to the nearest GAAP measure and a discussion of the company's use of these measures are included in this release or the attachments.

SCHEDULE 1

NORTHROP GRUMMAN CORPORATION
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	
	2023	2022	2023	2022
Sales				
Product	\$ 7,441	\$ 6,779	\$ 14,712	\$ 13,620
Service	2,135	2,022	4,165	3,978
Total sales	9,576	8,801	18,877	17,598
Operating costs and expenses				
Product	5,876	5,281	11,603	10,661
Service	1,660	1,561	3,249	3,105
General and administrative expenses	1,073	1,005	2,111	1,981
Total operating costs and expenses	8,609	7,847	16,963	15,747
Operating income	967	954	1,914	1,851
Other (expense) income				
Interest expense	(147)	(131)	(276)	(264)
Non-operating FAS pension benefit	133	377	265	753
Other, net	34	(50)	82	(46)
Earnings before income taxes	987	1,150	1,985	2,294
Federal and foreign income tax expense	175	204	331	393
Net earnings	\$ 812	\$ 946	\$ 1,654	\$ 1,901
Basic earnings per share	\$ 5.35	\$ 6.09	\$ 10.87	\$ 12.21
Weighted-average common shares outstanding, in millions	151.7	155.4	152.1	155.7
Diluted earnings per share	\$ 5.34	\$ 6.06	\$ 10.83	\$ 12.16
Weighted-average diluted shares outstanding, in millions	152.2	156.0	152.7	156.3
Net earnings (from above)	\$ 812	\$ 946	\$ 1,654	\$ 1,901
Other comprehensive income (loss), net of tax				
Change in cumulative translation adjustment	3	(13)	5	(15)
Change in other, net	(2)	—	(2)	(1)
Other comprehensive income (loss), net of tax	1	(13)	3	(16)
Comprehensive income	\$ 813	\$ 933	\$ 1,657	\$ 1,885

SCHEDULE 2

NORTHROP GRUMMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

<i>\$ in millions, except par value</i>	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 3,384	\$ 2,577
Accounts receivable, net	2,096	1,511
Unbilled receivables, net	5,870	5,983
Inventoried costs, net	1,287	978
Prepaid expenses and other current assets	1,232	1,439
Total current assets	13,869	12,488
Property, plant and equipment, net of accumulated depreciation of \$7,611 for 2023 and \$7,258 for 2022	8,976	8,800
Operating lease right-of-use assets	1,763	1,811
Goodwill	17,517	17,516
Intangible assets, net	344	384
Deferred tax assets	452	162
Other non-current assets	2,688	2,594
Total assets	\$ 45,609	\$ 43,755
Liabilities		
Trade accounts payable	\$ 2,056	\$ 2,587
Accrued employee compensation	1,878	2,057
Advance payments and billings in excess of costs incurred	3,397	3,609
Other current liabilities	4,226	3,334
Total current liabilities	11,557	11,587
Long-term debt, net of current portion of \$1,097 for 2023 and \$1,072 for 2022	13,796	11,805
Pension and other postretirement benefit plan liabilities	1,161	1,188
Operating lease liabilities	1,772	1,824
Other non-current liabilities	1,837	2,039
Total liabilities	30,123	28,443
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: 2023—151,388,972 and 2022—153,157,924	151	153
Paid-in capital	—	—
Retained earnings	15,485	15,312
Accumulated other comprehensive loss	(150)	(153)
Total shareholders' equity	15,486	15,312
Total liabilities and shareholders' equity	\$ 45,609	\$ 43,755

SCHEDULE 3

NORTHROP GRUMMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>\$ in millions</i>	Six Months Ended June 30	
	2023	2022
Operating activities		
Net earnings	\$ 1,654	\$ 1,901
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	621	633
Stock-based compensation	47	42
Deferred income taxes	(423)	(399)
Net periodic pension and OPB income	(154)	(597)
Pension and OPB contributions	(75)	(71)
Changes in assets and liabilities:		
Accounts receivable, net	(591)	(920)
Unbilled receivables, net	110	(719)
Inventoried costs, net	(331)	(98)
Prepaid expenses and other assets	66	114
Accounts payable and other liabilities	(1,043)	(724)
Income taxes payable, net	285	86
Other, net	51	67
Net cash provided by (used in) operating activities	217	(685)
Investing activities		
Capital expenditures	(613)	(507)
Other, net	1	39
Net cash used in investing activities	(612)	(468)
Financing activities		
Net proceeds from issuance of long-term debt	1,995	—
Net borrowings on commercial paper	768	—
Common stock repurchases	(931)	(640)
Cash dividends paid	(554)	(519)
Payments of employee taxes withheld from share-based awards	(50)	(48)
Other, net	(26)	(1)
Net cash provided by (used in) financing activities	1,202	(1,208)
Increase (decrease) in cash and cash equivalents	807	(2,361)
Cash and cash equivalents, beginning of year	2,577	3,530
Cash and cash equivalents, end of period	\$ 3,384	\$ 1,169

SCHEDULE 4

NORTHROP GRUMMAN CORPORATION
TOTAL BACKLOG
(Unaudited)

<i>\$ in millions</i>	June 30, 2023			December 31, 2022	% Change in 2023
	Funded ¹	Unfunded	Total Backlog ²	Total Backlog ²	
Aeronautics Systems	\$ 9,398	\$ 9,145	\$ 18,543	\$ 19,397	(4)%
Defense Systems	5,725	1,445	7,170	7,515	(5)%
Mission Systems	11,517	3,270	14,787	13,875	7 %
Space Systems	11,256	27,049	38,305	37,956	1 %
Total backlog	\$ 37,896	\$ 40,909	\$ 78,805	\$ 78,743	— %

¹ Funded backlog represents firm orders for which funding is authorized and appropriated.

² Total backlog excludes unexercised contract options and indefinite delivery, indefinite quantity (IDIQ) contracts until the time the option or IDIQ task order is exercised or awarded.

SCHEDULE 5

NORTHROP GRUMMAN CORPORATION
SUPPLEMENTAL PER SHARE INFORMATION
(Unaudited)

<i>\$ in millions, except per share amounts</i>	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Per share impact of total net FAS/CAS pension adjustment				
FAS/CAS operating adjustment	\$ (21)	\$ (51)	\$ (42)	\$ (97)
Non-operating FAS pension benefit	133	377	265	753
Total net FAS/CAS pension adjustment	112	326	223	656
Tax effect ¹	(28)	(82)	(56)	(165)
After-tax impact	\$ 84	\$ 244	\$ 167	\$ 491
Weighted-average diluted shares outstanding, in millions	152.2	156.0	152.7	156.3
Per share impact	\$ 0.55	\$ 1.56	\$ 1.09	\$ 3.14
 Per share impact of intangible asset amortization and PP&E step-up depreciation				
Intangible asset amortization and PP&E step-up depreciation	\$ (31)	\$ (61)	\$ (61)	\$ (121)
Tax effect ¹	8	15	15	30
After-tax impact	\$ (23)	\$ (46)	\$ (46)	\$ (91)
Weighted-average diluted shares outstanding, in millions	152.2	156.0	152.7	156.3
Per share impact	\$ (0.15)	\$ (0.29)	\$ (0.30)	\$ (0.58)

¹ Based on a 21% federal statutory tax rate and a 5.25% blended state tax rate.

Non-GAAP Financial Measures Disclosure: This earnings release contains non-GAAP (accounting principles generally accepted in the United States of America) financial measures, as defined by SEC Regulation G and indicated by a footnote in the text of the release. Definitions for the non-GAAP measures are provided below and reconciliations are provided in the body of the release, except that reconciliations of forward-looking non-GAAP measures are not provided because the company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market pension adjustment. Other companies may define these measures differently or may utilize different non-GAAP measures.

MTM-adjusted EPS: Diluted earnings per share excluding the per share impact of MTM benefit (expense) and related tax impacts. This measure may be useful to investors and other users of our financial statements as a supplemental measure in evaluating the company's underlying financial performance per share by presenting the company's diluted earnings per share results before the non-operational impact of pension and OPB actuarial gains and losses.

Segment operating income and segment operating margin rate: Segment operating income, as reconciled in the "Consolidated Operating Results and Cash Flows" table within the body of this release, and segment operating margin rate (segment operating income divided by sales) reflect the combined operating income of our four segments less the operating income associated with intersegment sales. Segment operating income includes pension expense allocated to our sectors under FAR and CAS and excludes FAS pension service expense and unallocated corporate items. These measures may be useful to investors and other users of our financial statements as supplemental measures in evaluating the financial performance and operational trends of our sectors. These measures should not be considered in isolation or as alternatives to operating results presented in accordance with GAAP.

Adjusted free cash flow: Net cash provided by or used in operating activities, less capital expenditures, plus proceeds from the sale of equipment to a customer (not otherwise included in net cash provided by or used in operating activities) and the after-tax impact of discretionary pension contributions. Adjusted free cash flow includes proceeds from the sale of equipment to a customer as such proceeds were generated in a customer sales transaction. It also includes the after-tax impact of discretionary pension contributions for consistency and comparability of financial performance. This measure may not be defined and calculated by other companies in the same manner. We use adjusted free cash flow as a key factor in our planning for, and consideration of, acquisitions, the payment of dividends and stock repurchases. This non-GAAP 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.

#