Overview and Strategic Perspective

2005 Institutional Investor Conference

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Northrop Grumman Corporation
Agenda

- Vision and Strategy
- Northrop Grumman Today
- Market Outlook
- Focus on Performance
Northrop Grumman Vision

- Be the Most Trusted National Security Provider
  - Customers’ provider of choice
  - Industry’s employer of choice
  - Shareholders’ investment of choice

Creating Value Through People and Technology
Northrop Grumman Business Strategy

- Perform and grow in core Defense and Intelligence markets
- Leverage core competencies to expand in broader government markets
- Drive shareholder value growth
Northrop Grumman Business Strategy

- Perform and grow in core Defense and Intelligence markets
- Leverage core competencies to expand in broader government markets
- Drive shareholder value growth

- Perform on current programs
- Anticipate QDR
- Improve business capture process
- Invest in enabling technologies
- Leverage scale and presence
- Collaborate cross-sector
- Develop leadership team
Northrop Grumman Business Strategy

- Perform and grow in core Defense and Intelligence markets
- Leverage core competencies to expand in broader government markets
- Drive shareholder value growth
- Capitalize on rich expertise and talent inside the company
- Extend domain knowledge
- Align with long-term market directions
Northrop Grumman Business Strategy

- Perform and grow in core Defense and Intelligence markets
- Leverage core competencies to expand in broader government markets
- Drive shareholder value growth

- Expand operating margins
- Drive cash generation
- Enhance operating efficiencies
- Leverage procurement scale
- Strong credit profile
- Share repurchases
- Dividends
- Value-enhancing MA&D
Northrop Grumman Today

- 125,000+ people, 50 states, 25 countries
- One of the top three U.S. defense contractors
- A company with leading capabilities in:
  - Systems integration
  - C4ISR and battle management
  - Information technology and networks
  - Defense electronics
  - Naval shipbuilding
  - Space and missile defense

Focus on Performance
Well Positioned in Current Environment

- Solid defense and national security budget environment
- High priority program portfolio
- Sustained organic growth
- Targeting best execution in class by every measure
- Focus on shareholder returns

Portfolio Aligned with National Security Trends
Balanced, Diversified Portfolio

2004 Revenues $29.9B

By Sector
- Electronic Systems: 20%
- Ships: 21%
- Information Technology: 16%
- Integrated Systems: 16%
- Mission Systems: 16%
- Space Technology: 11%

By Customer
- Navy: 35%
- Air Force: 20%
- Other DoD: 9%
- Other Gov’t: 21%
- Int’l: 5%
- Army: 5%
- U.S. Comm’l: 5%
- Other: 21%
- DoD: 9%
- Int’l: 5%
- Army: 5%
- Other: 21%
- Navy: 35%
- Air Force: 20%
Positioned for Predictable Growth

- **Solid Pipeline**
- **U.S. Focused Growth**
- **Balanced Risk**
- **Healthy long-term mix**

Graphs illustrating funded, unfunded, follow-on, and new business categories, as well as domestic and international growth, with balanced risk and a healthy long-term mix.
Market Assessment

- Defense growing, but at a slightly slower rate
- NOC programs are adequately funded to support plans
  - Some challenges in the out years
  - DD(X) acquisition strategy uncertain
- NOC competencies match evolving national security priorities
- Non-DoD opportunities

**Threats to National Security are Not Diminishing**
DoD Investment Accounts
RDT&E & Procurement

Slower but Substantial Growth in Investments

Source: FY06 DoD Budget Request
Intelligence Funding


NOC is a Major Player in the Intelligence Market

FY98: $26.7 B
FY04: ~$40 B
FY09: ~$60 B
Conventional Wisdom

**What’s Out**
- Heavy Ground Forces
- Forward Deployment
- Large Foreign Bases
- Service Stovepipes
- Manned
- Platform Centric
- Stand Alone Capabilities

**What’s In**
- Rapidly Deployable Ground Forces
- Assured Access
- Sea Basing
- Joint Operations
- Unmanned
- Network Centric
- Layered Capabilities

**Transformation**
Broader National Security Needs

- The evolving threat environment will ultimately require a new security paradigm to protect the homeland.

**Expanding National Security Domain**

Capabilities to Coordinate Activities Between Agencies are Required to Combat Threats at Home and Abroad.
Priorities in the National Defense Strategy

- Networked Surveillance, Reconnaissance & Command & Control
- Intelligence
- Strategic Offense and Defense
- Modular Ground Forces
- Assured Access

All NOC Competencies
## Pipeline to Fulfill Highest National Security Priorities

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Current Programs</th>
<th>Next Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networked Surveillance, Reconnaissance and Command &amp; Control</td>
<td>JSTARS, E-2C, AWACS, Hunter, Satellites</td>
<td>E-10, E-2D, Global Hawk, Restricted, Space Radar</td>
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<tr>
<td>Intelligence</td>
<td>Restricted</td>
<td>Restricted</td>
</tr>
<tr>
<td>Strategic Offense &amp; Defense</td>
<td>ICBM, Mid-Course, B-2, DSP, CVN77</td>
<td>KEI, STSS, SBIRS, Laser Weapons, JNIC, CVN21</td>
</tr>
<tr>
<td>Modular Ground Forces</td>
<td>FBCB2, Hunter, Fire Control, QRC</td>
<td>FCS, Fire Scout, Directed Energy Weapons, CPP</td>
</tr>
<tr>
<td>Assured Access</td>
<td>B-2, CVN77, EA-6B, F/A-18, DDG-51, LHD</td>
<td>CVN21, EA-18, F-35, DD(X), LPD, LHA(R), LAIRCM, JUCAS</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>USPS Bio Detection, DHS TEAMS, HLS Data Network</td>
<td>Deepwater, Counter-MANPADS, Infrastructure protection</td>
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</tbody>
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**Federal Intelligence**

E-10, E-2D, Global Hawk, Restricted, Space Radar
Expanded Government IT Opportunity Space

- NOC positioned to expand reach into high growth government IT markets
  - Healthcare IT
  - Outsourcing/Managed services
  - Large-scale enterprise integration
  - Integrated security systems (cyber, physical)
  - ERP implementation and deployment
  - Other support services
NOC Track Record – Focus on Performance

* Non-GAAP: Adjusted for $1B B-2 tax payment
## Program Priorities for 2004 – Report Card

### Operating Focus
- SBIRS
- LPD
- DD(X)
- Deepwater
- Polar Tanker
- Carriers
- Submarines
- F-35
- Advanced Hawkeye
- Global Hawk
- NPOESS
- KEI
  - Wedgetail
  - F-16 Block 60

### New Opportunities
- J-UCAS
- E-10A/BMC2
- Commercial LAIRCM
- Homeland Security
- NATO AGS
- NETCENTS
  - Aerial Common Sensor
  - International
  - Transformational Communications System
  - Space Radar
  - Broad Area Maritime Surveillance
Key Recent Corporate-Wide Wins

- J-UCAS
- BMC2
- NATO AGS
- NETCENTS
- Prometheus / JIMO
- Restricted programs
- Command Post Platform
Growth: Collaboration = Opportunities

Access to Technologies, Capabilities and Domain Knowledge
Operating Priorities for 2005

- Program and financial performance
- Competitiveness and growth
- People development and diversity
- Integrity
### Program Priorities for 2005

#### Operating Focus
- Carriers
- Virginia Class
- LPD
- Deepwater
- Global Hawk
- E-2D
- F-35
- NPOESS
- SBIRS
- ICBM
- KEI
- Restricted
- F-16 Block 60
- Wedgetail

#### New Opportunities
- Space Radar
- Transformational Comms
- Restricted
- DD(X)/CG(X)
- LHA(R)
- Eurohawk
- Crew Exploration Vehicle
- BAMS
- AOC-Lead Systems Integrator
- ER/MP
- JNIC
- DHS One
- American Shield
- Commercial LAIRCM
ACE – Achieving Competitive Excellence

- 10 initiatives aimed at enterprise-wide continuous improvement
- Each team led by a senior corporate executive
- Conducting robust assessment to identify improvement opportunities
- Comprehensive benchmarking analyses both with Industry peers & 1st tier companies in/out of Industry
- Targeting improvements to bottom line performance, capital efficiency and top line growth
What You Should Expect from NOC…

- Sustained growth
  - Program portfolio
  - Collaboration
  - Focus on competitiveness

- Superb execution
  - Program
  - Financial
  - Proactive risk management

- Focus on shareholder returns
  - Compensation tied to value growth
  - Authorized share repurchase
  - Increased dividend

Making a Good Company Great
Northrop Grumman
Senior Management Team

Ron Sugar
Chairman, CEO & President

Proven Leadership and Expertise