ION MEDIA NETWORKS INC.
Form 8-K
May 03, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 2, 2007

ION Media Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware	1-13452	59-3212788
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
601 Clearwater Park Road, West Palm Beach, Florida		33401
(Address of principal executive offices)		(Zip Code)

Registrant s telephone number, including area code: 561-659-4122

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 8.01 Other Events.

On May 2, 2007, Contrarian Capital Management, Litespeed Master Fund, Ltd. and Ore Hill Hub Fund Ltd., purported holders of shares of the Company's 9 3/4% Series A Convertible Preferred Stock, presented a proposal to the Board of Directors of the Company for a proposed recapitalization transaction.

The proposal is under evaluation by the special committee and is subject to the approval of the Company's board of directors. The proposal is not binding on the Company and has not been negotiated by or on behalf of the Company. The transactions contemplated by the proposal would be subject to numerous conditions, risks and uncertainties, and there is no assurance that the proposal would be approved by the Company's board of directors, or that any proposal that may ultimately be approved by the Company's board of directors will actually be consummated.

The foregoing description of the proposal is not complete and is qualified in its entirety by reference to the full text of the proposal, which is attached as Exhibit 99.1. Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference in any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following item is furnished as an Exhibit to this report:

99.1 Proposal, dated May 1, 2007, from Contrarian Capital Management, Litespeed Master Fund, Ltd. and Ore Hill Hub Fund Ltd. to the Board of Directors of ION Media Networks, Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	ION Media Networks, Inc.
May 3, 2007	*By: Adam K. Weinstein*
	Name: Adam K. Weinstein *Title: Senior Vice President, Secretary and Chief Legal Officer*

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Exhibit Index

Exhibit No.	Description
99.1	Proposal, dated May 1, 2007, from Contrarian Capital Management, Litespeed Master Fund, Ltd. and Ore Hill Hub Fund Ltd. to the Board of Directors of ION Media Networks, Inc.

it;font-size:10pt;">

10,186

Karl J. Krapek

0

18,663

0

18,663

Richard B. Myers

0

14,940

0

14,940

Aulana L. Peters

9,572

(5)

12,563

3,281

25,416

Gary Roughead

0

1,762

0

1,762

Thomas M. Schoewe

3,160

2,847

0

6,007

Kevin W. Sharer

2,995

33,548

6,562

43,105

Named Executive Officers

Wesley G. Bush (6)

443,585

(7)

5,068

732,082

1,180,735

James F. Palmer

144,928

0

371,327

516,255

Gary W. Ervin (8)

28,854

0

267,327

296,181

James F. Pitts (8)

2,829

0

521,024

523,853

Linda A. Mills

70,415

(9)

12,180

317,937

400,532

Other Executive Officers

156,657

9,799

388,209

554,665

All Directors and Executive Officers as a Group (27 persons)

883,359

188,522

2,611,030

3,682,911

(10
)

(1) Share equivalents for directors represent non-voting deferred stock units acquired under the 2011 Plan and the 1993 Directors Plan, some of which are paid out in shares of common stock at the conclusion of a director-specified deferral period, and others are paid out upon termination of the director's service on the Board of

Directors. Certain of the NEOs hold share equivalents with pass-through voting rights in the Northrop Grumman Savings Plan or the Northrop Grumman Financial Security and Savings Program.

(2) These shares subject to option are either currently exercisable or exercisable within 60 days of March 19, 2013.

(3) Includes 846 shares held in our Dividend Reinvestment Plan.

(4) Includes 770 shares each held in the Courtney Strickland and Stephanie Strickland trust, respectively, for which Mr. Felsinger's wife serves as trustee and 1,550 shares each held in the Gregory Felsinger and Michael Felsinger trust, respectively, for which Mr. Felsinger serves as trustee.

(5) Includes 3,238 shares held in the Peters Family Trust of which Ms. Peters is the trustee.

(6) Mr. Bush is also Chairman of the Board of Directors.

(7) Includes the following shares: 323,585 shares are held in the W.G. and N.F. Bush Family Trust and 40,000 shares are held in each of the Bush Trust No 1 2012 Irrevocable Trust, the Bush Trust No 2 2012 Irrevocable Trust and the Bush Trust No 3 2012 Irrevocable Trust. Mr. Bush and his wife are trustees of each of the trusts.

(8) Messrs. Ervin and Pitt ceased serving as executive officers effective December 31, 2012. Ownership information provided is as of December 31, 2012.

(9) Includes 43,871 shares held in the Linda Anne Mills Living Trust.

(10) Total represents 1.56% of the outstanding common stock as of March 19, 2013.

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EQUITY COMPENSATION PLAN INFORMATION

Equity Compensation Plan Information

We currently maintain four equity compensation plans: the 2011 Plan, the 2001 Long-Term Incentive Stock Plan (the "2001 Plan"), the 1995 Directors Plan and the 1993 Directors Plan. Each of these plans has been approved by our shareholders. The following table sets forth, for each of our equity compensation plans, the number of shares of our common stock subject to outstanding stock options, the weighted-average exercise price of the outstanding stock options and the number of shares remaining available for future award grants as of December 31, 2012.

Plan category	Number of shares of common stock to be issued upon exercise of outstanding options and payout of outstanding awards (1)	Weighted-average exercise price of outstanding options (2) ($)	Number of shares of common stock remaining available for future issuance under equity compensation plan (excluding shares reflected in the first column) (3)	
Equity compensation plans approved by shareholders	15,620,902	58	36,801,359	
Equity compensation plans not approved by shareholders	N/A	N/A	N/A	
Total	15,620,902	58	36,801,359	(4)

(1) Of these shares, 19,686 were subject to stock options then outstanding under the 1995 Directors Plan, 44,242 were subject to stock options then outstanding under the 2011 Plan and 6,207,436 were subject to stock options then outstanding under the 2001 Plan. In addition, this number includes 1,959,688 shares that were subject to outstanding stock awards granted under the 2011 Plan, 1,518,027 shares that were subject to outstanding stock awards granted under the 2001 Plan, and reflects 3,372,437 awards earned at year end but pending distribution subject to final performance adjustments, and 169,155 shares subject to outstanding stock units credited under the 1993 Directors Plan. Additional performance shares of 2,330,231 reflect the number of shares deliverable under payment of outstanding restricted performance stock rights, assuming maximum performance criteria have been achieved. Included in this number are 1,223,619 stock options that were out-of-the-money as of December 31, 2012.

(2) This number reflects the weighted-average exercise price of outstanding stock options and has been calculated exclusive of outstanding restricted performance stock right and restricted stock right awards and exclusive of stock units credited under the 2011 Plan and the 1993 Directors Plan.

(3) Of the aggregate number of shares that remained available for future issuance, 36,801,359 were available under the 2011 Plan as of December 31, 2012. No new awards may be granted under the 1993 Directors Plan or the 2001 Plan.

(4) After giving effect to our February 2013 awards, the number of shares of common stock remaining for future issuance would be 27,760,469 (assuming maximum payout of such awards).

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K of the Securities and Exchange Commission with management and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that this Compensation Discussion and Analysis be included in this Proxy Statement. The Board has approved that recommendation.

COMPENSATION COMMITTEE
KEVIN W. SHARER, CHAIRMAN
DONALD E. FELSINGER
BRUCE S. GORDON
KARL J. KRAPEK
RICHARD B. MYERS

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COMPENSATION DISCUSSION AND ANALYSIS

In this section, we provide an overview of our executive compensation programs and the underlying philosophy used to develop the programs. This section details the material components of our executive compensation programs for our 2012 "Named Executive Officers" or "NEOs" listed below and explains how and why the Compensation Committee of our Board (the "Compensation Committee") arrived at certain specific compensation policies and decisions involving the NEOs. On the following pages, the Executive Summary of the Compensation Discussion & Analysis ("CD&A") provides a brief overview of our business and 2012 performance and summarizes our executive compensation programs. We have included this summary to assist you in reviewing the 2012 compensation earned by our NEOs. The 2012 compensation of our NEOs is provided in the Summary Compensation Table and other compensation tables contained in this Proxy Statement.

2012 Named Executive Officers

Name	Position
Wesley G. Bush	Chairman of the Board, Chief Executive Officer & President
James F. Palmer	Corporate Vice President & Chief Financial Officer
Gary W. Ervin	Corporate Vice President & President, Aerospace Systems
James F. Pitts	Corporate Vice President & President, Electronic Systems
Linda A. Mills	Corporate Vice President & President, Information Systems

SHAREHOLDER ENGAGEMENT

We welcome feedback from our shareholders regarding our executive compensation programs. Shareholders desiring to communicate with the Board or Compensation Committee may do so as described under "Communications with the Board of Directors" in this Proxy Statement.

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Our Business

Northrop Grumman is a leading global security company providing innovative systems, products and solutions in unmanned systems; cybersecurity; C4ISR; and logistics and modernization to government and commercial customers worldwide. Our primary customer is the U.S. Government. For more information regarding our business, see "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2012 Form 10-K.

2012 Highlights

Performance, effective cash deployment and portfolio alignment are important drivers of value creation for our shareholders, customers and employees.

Performance Highlights: Earnings per share from continuing operations increased 5% to $7.81 from $7.41 and reflects improved operating performance and effective cash deployment, which more than offset lower sales and lower net FAS/CAS pension income in 2012. Our businesses improved segment operating income as a percentage of sales to 12.6% from 11.6%. We also generated strong cash from operations and free cash flow in 2012. Cash provided by operations before our discretionary after-tax pension contributions totaled approximately $2.8 billion, and free cash flow before discretionary after-tax pension contributions ("FCF") totaled $2.5 billion. In addition, our performance improved against all three of the financial metrics used to determine our annual incentive award. New business awards grew to $26.5 billion, pension-adjusted operating margin rate expanded 100 basis points to 11.9% and FCF conversion improved to 126%. For the long-term incentive award, our TSR score over the three-year measurement period was top quartile as measured against the Performance Peer Group and above median as measured against the S&P industrials.

Cash Deployment Highlights: Our strong cash generation allowed us to repurchase 20.9 million shares for $1.3 billion, which reduced our weighted average outstanding shares by 10% and contributed to the growth in our earnings per share. We also raised our quarterly dividend 10% to an annualized rate of $2.20 per share, our ninth consecutive annual dividend increase. Cash returned to shareholders through dividends and share repurchases totaled more than $1.8 billion, or 80% of reported FCF in 2012.

Portfolio Highlights: We continued to refine our portfolio by divesting or de-emphasizing certain non-core and underperforming businesses and selectively making acquisitions that enhance our capabilities or market position. These actions improved our financial performance and reinforced our position as a leading global security company providing innovative systems, products and solutions in unmanned systems, cybersecurity, C4ISR and logistics and modernization to government and commercial customers worldwide.

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Summary of Our Executive Compensation Programs

The elements of our executive compensation provide an attractive, flexible and market-based total compensation program tied to long-term relative performance and aligned with the interests of our shareholders. The following table summarizes key elements of our executive compensation programs for our NEOs.

Compensation Component	Key Characteristics	Purpose
Base Salary	Fixed compensation component; reviewed annually and adjusted if and when appropriate.	Compensate an executive officer fairly for the responsibility level of the position and competitively within our industry.
Annual Incentive	Variable compensation component. Performance-based award determined by annual corporate performance against objectives established based on the performance of our peer group and other objectives established by the Board. Payout range is from 0% of target to a maximum of 200%. Financial metrics weighted as follows: New Business Awards (20%), subject to a negative backlog score adjustment, Pension-Adjusted Operating Margin Rate (40%), subject to a risk adjustment factor, and Free Cash Flow Conversion (40%). Actual cash bonus earned is determined by our financial performance of the company, subject to a downward adjustment if the aggregate performance targets for the six non-financial metrics are not achieved. The non-financial metrics, with empirical values, are aligned to our stakeholders (Customer Satisfaction, Quality, Environmental Sustainability, Diversity, Employee Engagement and Safety). Each metric is designed to drive improvement over time.	Motivate and reward executive officers for achieving annual business objectives that drive overall performance.
Long-Term Incentive	Variable compensation component, generally granted annually. 70% of the annual long-term incentive ("LTI") grant to our NEOs is Restricted Performance Stock Rights ("RPSRs") and 30% is Restricted Stock Rights ("RSRs"). The actual number of RPSR shares earned is determined based on relative total shareholder return ("TSR"). RSRs have a three-year cliff vesting period. For 2012, no stock options were granted. The relative TSR metric compares our share performance over a three-year period to the performance of the Performance Peer Group (as defined below) and the S&P Industrials.	Motivate and reward executive officers to achieve our business objectives. Ties incentives to the long-term performance of our stock and reinforces the link between the interests of our executive officers and our shareholders. Serves as key retention vehicle for executive officers.

	Beginning with the 2012 grant, the payout range of RPSR grants is 0% to 150% of the original award granted, and the payout for a three-year performance period is capped at 100% of shares granted if absolute TSR performance over the performance period is negative, even if our performance relative to the other industry benchmarks would have resulted in a higher score. For the 2012 grant, dividends will accrue on both RPSR and RSR awards earned to be paid upon award payout. Double-trigger accelerated vesting provision upon a change in control.	
Holding Requirement	NEOs are required to hold, for a period of three years, 50% of their net shares (after-tax) earned from RPSR and RSR grants and stock options granted in 2010 or subsequent years.	Further align management and shareholder interests and emphasize the importance of sustainable performance and appropriate risk-management behaviors.

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Compensation Component	Key Characteristics	Purpose
Stock Ownership Requirement	NEOs are required to own a multiple of their salary in Company stock (CEO - 7x, all other NEOs - 3x).	Align management and shareholder interests.
Hedging and Pledging of Company Stock	Company policy prohibits executive officers from engaging in hedging transactions with respect to Company stock or pledging Company stock.	Align management and shareholder interests.
Health and Welfare and Retirement Plans	Fixed compensation component.	Provide benefits that promote employee health, productivity and retention.
Perquisites and Other Benefits	Fixed compensation component.	Provide a business-related benefit to our Company and assist in attracting and retaining executive officers.
Severance Benefits	Fixed compensation component. Benefit for NEOs (other than the CEO) is 1.5x base salary and payout of the target annual bonus. The CEO is not covered under our severance plans or policies.	Provide temporary income replacement following an executive officer's involuntary termination of employment.
Change in Control	Individual change in control agreements and change in control severance plans were terminated in 2010.	

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COMPENSATION DISCUSSION AND ANALYSIS | KEY PRINCIPLES

COMPENSATION PHILOSOPHY AND OBJECTIVES

We provide an attractive, flexible and market-based total compensation program tied to performance and aligned with the interests of our shareholders. Our objective is to recruit and retain the caliber of executives and other key employees capable of achieving top performance and generating value for our shareholders, customers and other stakeholders.

The Compensation Committee oversees our executive compensation and benefit programs. The Compensation Committee is guided by the following principles:

Pay for Performance: Our compensation structure is based on peer-benchmarked performance metrics for our incentive plans, designed to drive superior results relative to our defense industry peers. Compensation levels are variable based on performance compared to established goals. The variable compensation structure rewards superior performance, penalizes below-average performance and has a relatively flat reward for average performance. Our goal is to achieve and reward top quartile performance.

Benchmarking: We evaluate our compensation programs and financial objectives on an annual basis and modify them in accordance with industry and business conditions. When defining key operational (annual) and strategic (long-term) performance metrics, we seek to outperform our peers (a group of nine aerospace and defense companies we refer to as the "Performance Peer Group"). The Performance Peer Group includes companies that we believe most accurately reflect our business; however, some in our industry cannot be utilized for compensation benchmarking because comparable compensation data is not available for foreign exchange-registered companies. The Compensation Committee analyzes the broader market for executive compensation using a "Target Industry Peer Group" that includes the U.S.-based companies in the Performance Peer Group as well as additional companies based on a peer-of-peers analysis. The Compensation Committee also considers general industry data on Fortune 50 to Fortune 150 companies for an understanding of current executive compensation practices.

Ensure Leadership Retention and Succession: Compensation is designed to be competitive within our industry and retentive for key individuals who contribute to the achievement of our business goals. Our programs are designed to motivate and reward NEOs for delivering operational and strategic performance and maximizing shareholder returns, while continuing to uphold our values.

Align Pay Programs with Shareholder Interests: The Compensation Committee supports a compensation structure that places an appropriate level of compensation at risk, based on our financial and non-financial performance measures and relative TSR. The annual compensation incentive award is determined by our financial performance and is subject to a downward only adjustment for performance against non-financial goals. For NEOs, the value of LTI RPSR compensation is determined by relative TSR performance. Achievement of both annual incentive goals and increased shareholder value will result in individual awards commensurate with results; however, failure to deliver shareholder value will negatively affect compensation for all NEOs. Stock ownership guidelines and holding requirements for equity awards further align executive and shareholder interests.

Ensure Sustained Performance: Our annual incentive plan includes both financial and non-financial metrics to ensure that we are building a strong foundation for growth and sustainable customer relationships. We expect all employees to adhere to the Company's values and execute annual plans while improving quality, customer satisfaction, employee engagement, diversity, safety and environmental performance.

Risk Management: The Board of Directors evaluates the Company's risk profile on an ongoing basis to mitigate concerns of executives being overly incentivized to achieve near-term stock price growth. In addition to using long-term incentive awards as a significant portion of annual total direct compensation ("TDC"), design features such as overlapping three-year cliff-vested grants, three-year holding periods and ownership guidelines are designed to align management's long-term interests and mitigate risks. Both the Compensation Committee and its independent compensation consultant evaluate the mix of at-risk compensation linked to stock appreciation.

We aspire to lead our industry in sustainable performance with strong, enduring values. Our incentive plans utilize peer-based metrics for both the annual and long-term incentive plans. For each plan, we have selected metrics that drive shareholder value and measure our performance against our competitors.

HOW WE MAKE COMPENSATION DECISIONS

Role of Compensation Committee

The Compensation Committee is responsible for overseeing our compensation policies and programs and our incentive and equity compensation plans and approving all payments or grants under these plans for elected officers (other than the CEO). The Compensation Committee recommends the compensation for our CEO to the independent directors of the Board for approval and approves the compensation for the other NEOs. Among its duties, the Compensation Committee also:

- reviews market data and other input from its independent compensation consultant;
- reviews and approves incentive goals and objectives relevant to elected officer compensation. For the CEO, the goals and objectives are set by the independent directors;

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evaluates and approves executive benefit programs and perquisites; and
evaluates the competitiveness of each elected officer's total compensation package.

For more information regarding the duties and responsibilities of the Compensation Committee and the composition of the Compensation Committee, see "Corporate Governance – Committees of the Board of Directors – Compensation Committee." The Compensation Committee's charter can be found on the Investor Relations section of our website (www.northropgrumman.com).

Role of Independent Compensation Consultant

The Compensation Committee retains an independent compensation consultant, Frederic W. Cook & Co. (the "Compensation Consultant"). The Compensation Consultant reports directly to the Compensation Committee, and the Compensation Committee may replace the Compensation Consultant or hire additional consultants at any time. A representative of the Compensation Consultant regularly attends meetings of the Compensation Committee and communicates with the Compensation Committee Chairperson between meetings; however, the Compensation Committee and the independent directors of the Board of Directors make final decisions on the compensation actions for the NEOs. The Compensation Consultant regularly meets in executive session with the Compensation Committee. Other than the fees paid to the Compensation Consultant pursuant to its engagement by the Compensation Committee for its advice on executive and director compensation, the Compensation Consultant does not receive any fees or income from the Company, except for $6,900 received for our purchase of industry compensation surveys from the Compensation Consultant.

The Compensation Consultant's role is to provide an independent review of market data and to advise the Compensation Committee on the levels and structure of our executive compensation policies and procedures including compensation matters for NEOs. The Compensation Consultant utilizes aerospace and defense industry market data supplied by Aon Hewitt and conducts an independent review of publicly available data.

The specific roles of the Compensation Consultant include:

review our total compensation philosophy, peer groups and target competitive positioning for reasonableness and appropriateness;
identify and advise the Compensation Committee on market trends and practices;
provide proactive advice to the Compensation Committee on best practices for Board governance of executive compensation, as well as any areas of concern or risk that may exist or be anticipated in the design of our executive compensation programs; and
serve as a resource to the Compensation Committee Chairperson on setting agenda items for Compensation Committee meetings and undertaking special projects.

In February 2013, the Compensation Committee determined that there were no relationships between the Compensation Consultant and the Company or any of the Company's directors or executive officers that raise a conflict of interest.

Role of Management

Our CEO makes compensation-related recommendations for elected officers to the Compensation Committee for its review and approval based on the CEO's review of each officer's compensation relative to market and the overall framework, philosophy and objectives for our executive compensation programs set by the Compensation Committee. The CEO does not make any compensation recommendations for himself to the Compensation Committee.

The recommendations for elected officers are based on an assessment of each executive's performance, skills and industry knowledge, as well as succession and potential retention risks. The Chief Human Resources Officer regularly provides tally sheets to the Compensation Committee that summarize the total compensation and benefits for each NEO. These tally sheets are provided to the Compensation Committee to ensure that compensation decisions are made within our total compensation framework. The value of nonqualified deferred compensation, outstanding equity awards, health and welfare benefits, pension benefits and perquisites also is included.

Management also provides recommendations to the Compensation Committee regarding executive incentive and benefit plan designs and strategies. These recommendations include financial and non-financial operational goals and criteria for our annual and long-term incentive plans.

Use of Competitive Data

The Compensation Committee uses a Performance Peer Group, consisting of nine competitor companies in the aerospace and defense market in the U.S. and Europe, to set annual performance targets and evaluate performance for the purpose of award payments under our incentive plan. In addition, the Compensation Committee uses a Target Industry Peer Group, comprised of 14 companies, to benchmark executive compensation levels and practices.

Performance Peer Group

The Compensation Committee uses a Performance Peer Group, using metrics based on peer performance, for purposes of administering our annual and long-term incentive plans. For 2012, the Performance Peer Group consisted of the following companies:

PERFORMANCE PEER GROUP

BAE Systems	Finmeccanica	Lockheed Martin Corporation
The Boeing Company	General Dynamics Corporation	Raytheon Company
EADS	L-3 Communications Holdings, Inc.	SAIC, Inc.

Target Industry Peer Group to Benchmark Executive Compensation Practices

The Target Industry Peer Group is comprised of 14 companies, including the six in the Performance Peer Group that are SEC registrants (Boeing, General Dynamics, L-3 Communications, Lockheed Martin, Raytheon and SAIC). To identify companies in addition to the six aerospace and defense peers for compensation benchmarking purposes, the Compensation Consultant employed a methodology that considered a company a peer if they met the following criteria:

- the company was identified as a peer by at least three of the six aerospace and defense peers;
- the company participates in the annual Aon Hewitt executive compensation study; and
- revenues and market capitalization of the company were approximately 1/3 to three times that of Northrop Grumman.

While the Target Industry Peer Group is reviewed annually by the Committee's Compensation Consultant, our goal is to keep it as consistent as possible on a year-over-year basis. The Target Industry Peer Group used for compensation decisions in 2012 was the same as the 2011 peer group. The companies that comprise the Target Industry Peer Group are listed in the table below:

2012 TARGET INDUSTRY PEER GROUP

3M Company	ITT Corp.
The Boeing Company	Johnson Controls, Inc.
Caterpillar, Inc.	L-3 Communications Holdings, Inc.
Emerson Electric Company	Lockheed Martin Corp.
General Dynamics Corporation	Raytheon Company
Goodrich, Corp.	SAIC, Inc.
Honeywell International, Inc.	United Technologies Corp.

It is the Company's pay philosophy to benchmark base salary and target variable pay elements for the CEO to levels approximating the revenue size-adjusted median of the Target Industry Peer Group for target performance. The CEO's base salary is slightly above median and his target annual incentive is slightly below median, resulting in target total cash compensation around the median of the Target Industry Peer Group. The CEO's long-term incentive grant in 2012 was below median, resulting in target total direct compensation below median. The CEO's actual compensation may differ from this market median based on the Company's actual performance. In determining the base salary and target variable pay elements for the other NEOs, the Compensation Committee does not set any specific benchmark relative to the Target Industry Peer Group; rather, the Compensation Committee considers several factors in determining their compensation, including executive compensation levels and practices of the Target Industry Peer Group, NEO individual experience, growth in job as demonstrated through sustained performance, leadership impact, retention risk and pay relative to the CEO. Actual annual incentive awards and long-term incentive award opportunities reflect these factors, as well as Company and business performance.

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Selection of Performance Criteria

As discussed earlier, for purposes of measuring performance we use the Performance Peer Group to establish key financial goals benchmarked against our industry.

Our objective in selecting performance goals for the annual incentive plan and long-term incentive plan is to establish metrics that enhance shareholder value while complementing one another in support of strong Company performance over the longer term.

For the annual incentive plan, we use a mix of financial and non-financial metrics to measure our performance. The following financial metrics were selected for 2012:

New Business Awards: focuses the Company on maintaining optimal market share and represents the total new program/contract authorizations awarded to the Company during the year. Recognizing the importance of keeping current programs sold, new business awards are subject to a negative backlog score adjustment for substantial program terminations.

Pension-Adjusted Operating Margin Rate: establishes high performance expectations for the Company and is calculated as OM rate (OM divided by sales) adjusted for net FAS/CAS pension income or expense. The net FAS/CAS pension adjustment is the difference between pension expense determined in accordance with GAAP under Financial Accounting Standards ("FAS") and pension expense allocated to the business segments under U.S. Government Cost Accounting Standards ("CAS"). The Compensation Committee may increase the OM rate score by a maximum of five percentage points if the actual Pension-Adjusted OM rate is equal to or above target and minimal charges were recorded, or it can decrease the score by up to five percentage points if significant charges were recorded and the target Pension-Adjusted OM rate was not achieved.

Free Cash Flow Conversion: focuses on the quality of net earnings and is calculated as free cash flow from continuing operations before the after-tax impact of discretionary pension contributions divided by net income from continuing operations.

In addition to the financial goals, non-financial goals have been established to align our objectives with customers, shareholders and employees. Performance against non-financial metrics can only result in downward adjustment to the financial metric score. The following non-financial metrics were selected:

Customer Satisfaction: measured in terms of customer feedback, including customer-generated performance scores, award fees and verbal and written feedback.

Quality: measured using program-specific objectives within each of our sectors, including defect rates, process quality, supplier quality, planning quality and other appropriate criteria for program type and phase.

Engagement: measured in terms of progress (as reported by employees in a company-wide engagement survey) against engagement action plans and maintaining or improving the overall engagement score.

Diversity: measured in terms of improving representation of females and People of Color in mid-level and senior-level management positions with respect to peer and broader industry benchmarks.

Safety: measured by Total Case Rate, defined as the number of Occupational Safety & Health Administration recordable injuries as well as by Lost Work Day Rate associated with those injuries.

Environmental Sustainability: measured in terms of the reduction, in metric tons, of greenhouse gases emissions and solid waste and water.

To further enhance shareholder value over time, the Long-Term Incentive Stock Plan for our NEOs utilizes a relative TSR metric measured against the Performance Peer Group and the S&P Industrials. TSR measures cumulative stock price appreciation with reinvestment of dividends over a three-year period. To normalize for any potential significant change in the stock price at the beginning or the end of the three-year measurement period, the TSR calculation is based on the average of the last 30 calendar days of the measurement period. The plans are discussed in more detail below.

Determination of Annual Incentive Compensation

Under our shareholder-approved 2002 Incentive Compensation Plan (the "Plan"), the Compensation Committee approves the annual incentive compensation target payout percentage for each NEO. For the CEO, it is set by the independent directors. The Compensation Committee applies the process detailed above to set incentive compensation levels for NEOs.

The target incentive award ("Target Bonus") represents a percentage of each NEO's base salary. Following the completion of the fiscal year, the Target Bonus is used by the Compensation Committee, together with its assessment of Company performance against pre-determined performance criteria, to determine the final bonus award amount.

2012 Annual Incentive Targets

Name	Target Payout % of Salary	Payout Range % of Salary
Wesley G. Bush	150%	0% - 300%
James F. Palmer	100%	0% - 200%
Gary W. Ervin	100%	0% - 200%
James F. Pitts	100%	0% - 200%
Linda A. Mills	100%	0% - 200%

For 2012, Mr. Bush's Target Bonus of 150% of base salary was unchanged from 2011. The 2012 Target Bonus for the other NEOs was increased from 75% in 2011 to 100%, while base salaries were frozen, to increase the percentage of pay-at-risk, further aligning executives' compensation to shareholder interests.

The Final Bonus Award for each NEO was determined by multiplying the Northrop Grumman Performance Factor ("CPF") by the Target Bonus. Within the annual incentive formula described below, the CPF can range from 0% to 200%.

Annual incentive formula for 2012:

Base Salary x Target Payout % = Target Bonus

Target Bonus x CPF = Final Bonus Award

The annual incentive payments are designed to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (the "Code"). As a result, the terms of the Plan provide that the maximum potential individual incentive compensation award for a performance year for an officer subject to Section 162(m) shall be limited. Actual payouts for the 2012 performance year were less than the limits set forth under the Plan.

At the end of each year, the CEO conducts an annual performance evaluation for each NEO, other than himself, and then reviews the evaluation with the Compensation Committee. The Compensation Committee reviews Company performance information, as well as the comparison to market data.

The Compensation Committee approves bonus amounts for all NEOs, subject to ratification by the independent members of the Board with respect to the CEO's bonus. The Compensation Committee has full discretion to make adjustments to the annual bonus payout if it determines such adjustment is warranted. For example, in instances where Company performance has been impacted by unforeseen or unusual events (natural disasters, significant acquisitions or divestitures, etc.), the Compensation Committee has exercised its authority to increase the final awards (subject to limitations under Section 162(m) of the Code). The Compensation Committee has also adjusted payouts downward in the past despite performance targets having been met when it determined that particular circumstances had a negative impact on the Company but were not reflected in the performance calculation. For 2012, no adjustments were made.

2012 Annual Incentive Goals and Results

The CPF is determined based on the Company's achievement of financial goals. The three financial metrics measure the value of new business awards, Pension-Adjusted OM Rate and FCF conversion. These financial metrics are used to determine the CPF value. Performance against the six non-financial goals cannot be used to adjust the CPF upward and can result only in a downward adjustment to the financial metric score if targets are not achieved. For 2012, the Compensation Committee determined that the aggregate performance against the non-financial metrics achieved targets, and, consequently, there was no reduction to the CPF.

For the NEOs, our past practice of using an "individual performance" factor in determining the final bonus award has been eliminated. All NEOs received final bonus awards determined by the CPF. Our annual incentive plan provides for payout levels at 0% to 200% of target, with specific values identified for the metrics at selected points in the range, and other values determined by interpolation between these points. The 0% payout represents the minimum acceptable level of performance, while the 200% payout is intended to represent top-quartile performance. This structure rewards superior performance, penalizes below average performance and has a relatively flat reward for average performance.

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COMPENSATION DISCUSSION AND ANALYSIS | KEY COMPONENTS OF OUR PROGRAMS

Based on Company performance for the three financial metrics shown in the table below, the CPF was 183%. The Compensation Committee determined that the non-financial metrics would only be used to reduce the final CPF if performance on the non-financial metrics was below target. Company performance exceeded the aggregate non-financial targets for 2012, and did not impact the CPF. Based on the overall assessment of the Company, the Compensation Committee approved a final CPF of 183%.

Metric/Goal	Weighting	Minimum Performance 0%	65%	90%	Target Performance 100%	135%	Maximum Performance 200%	2012 Actual Performance
New Business Awards	20%	$18.0	$20.0	$22.0	$23.0	$25.0	$28.0	$26.5
Negative Backlog CPF Score Adjustment								0%
Pension-Adjusted OM Rate	40%	8.5%	9.0%		10.0%	10.5%	12.0%	11.9%
Risk Management CPF Score Adjustment								5%
FCF Conversion	40%	80%	90%	100%	105%	115%	140%	126%

Decisions for 2012

Mr. Bush

In February 2013, the Compensation Committee applied the CPF to Mr. Bush's Target Bonus. Based on the CPF, in February 2013, the Committee recommended, and the independent members of our Board of directors approved, a 2012 annual incentive award of $4,117,500 for Mr. Bush, which was comparable to his 2011 annual incentive award of $4,027,500.

Other NEOs

Based on the CPF, the CEO recommended, and the Compensation Committee approved, the following annual incentive awards for each of the other NEOs:

Name	2012 Annual Incentive ($)*
James F. Palmer	$1,560,000
Gary W. Ervin	$1,556,000
James F. Pitts	$1,556,000
Linda A. Mills	$1,420,000

* Details on the range of bonuses that could have been payable based on 2012 performance are provided in the "Grants of Plan-Based Awards" table. Actual bonus payouts for 2012 performance are provided here and in the "Summary Compensation Table."

Long-Term Incentive Compensation

Decisions for 2012

In determining the amount of individual long-term incentive awards, the Compensation Committee considers an executive officer's individual performance during the preceding year, growth in job as demonstrated through sustained performance, leadership impact, retention risk and pay relative to the CEO, as well as market data for the executive officer's position based on the Target Industry Peer Group analysis discussed above.

In 2012, after determining the award value for the NEOs based on the market data and individual factors as described above, the Compensation Committee granted 70% of the value in the form of RPSRs and 30% in the form of RSRs to

provide retention value to ensure sustainability and achievement of business goals over time. The Committee determined that this long-term incentive mix would appropriately motivate and reward the NEOs to achieve our long-term objectives and further reinforce the link between their interests and the interests of our shareholders. The RSRs vest 100% after three years. The RPSRs are paid following the completion of the performance period 2012-2014. For the 2012 grant, dividends accrue on both RPSR and RSR awards earned and will be paid upon payment of the RPSR or RSR.

The Compensation Committee evaluates RPSR performance requirements each year to ensure they are aligned with our objectives. For the 2012 grant, the Compensation Committee reviewed the performance metrics and determined that for the NEOs, performance would continue to be measured in terms of relative TSR as it provides the most direct line of sight to shareholder value creation.

TSR is measured by comparing our share performance over a three-year period to the Performance Peer Group (50% of award) and to the S&P Industrials (50% of award), which comprises companies within the S&P 500 classified as Industrials, reflecting the range of similar investment alternatives available to our shareholders. Beginning with 2012 grants, we reduced the maximum payout from 200% to 150% of the original award granted. Shares that are paid out under an RPSR award granted to the executive in 2012 can vary from 0% to 150% of the original RPSR award granted. The vesting percentage is capped at 100% if the absolute TSR is negative, even if the relative TSR would have resulted in a higher score. RPSR awards may be paid in shares, cash or a combination of shares and cash.

	Weight	Relative TSR	Percentile	
RPSRs Earned		0%	100%	150%
S&P Industrials	50%	25th	50th	80th
Target Performance Peer Group	50%	25th	50th	80th

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Recently Completed RPSR Performance Period (2010 – 2012)

In February 2010, when granting RPSRs, the Compensation Committee selected relative TSR as the performance metric for the awards and established the performance criteria in the table below. In February 2013, the Compensation Committee reviewed performance for the January 1, 2010 to December 31, 2012 RPSR performance period.

		Percentile Required to Score			
Metric/Goal	Weighting	0%	100%	200%	2012 Actual Performance
Relative TSR - Performance Peer Group	50%	25th	50th	80th	89th
Relative TSR - S&P Industrials	50%	25th	50th	80th	56th

Performance Results

Based on 2010 - 2012 TSR performance, we ranked second against the Performance Peer Group and were in the 89th percentile. We were in the 56th percentile of the S&P Industrials. The combined weighted score generated an overall performance score of 160%.

In early 2013, the NEOs received payouts in stock with respect to the performance awards that were granted in February 2010 for the three-year performance period ending December 31, 2012. These awards were paid at 160% of the target number of shares initially awarded.

Other Benefits

This section describes other benefits the NEOs receive. These benefits are non-performance related and are designed to provide a competitive package for purposes of attracting and retaining the executive talent needed to achieve our business objectives. These benefits include retirement benefits, certain perquisites and severance arrangements.

Retirement Benefits

We maintain tax-qualified retirement plans (both defined benefit pension plans and defined contribution savings plans) that cover most of our workforce, including the NEOs. We also maintain nonqualified retirement plans that are available to certain of our executives, which are designed to restore benefits that were limited under the tax-qualified plans or to provide supplemental benefits. Compensation, age and years of service factor into the amount of the benefits provided under the plans. Thus, the plans are structured to reward and retain employees of long service and recognize higher performance levels as evidenced by increases in annual pay. Additional information about these retirement plans and the NEO benefits under these plans can be found in the Pension Benefits Table and Nonqualified Deferred Compensation Table.

Some of the plans were assumed in acquisitions, and participants may be legally or contractually entitled to accrued benefits. Nevertheless, we periodically assess the cost and benefits of the plans, as well as competitive developments, and have frozen a number of the plans. The defined benefit nonqualified supplemental retirement plans have been frozen effective December 31, 2014, and all retirement plans have been amended to freeze final average pay as of December 31, 2014. Although the NEOs may receive

benefits from different plans due to plan and legal requirements, the Compensation Committee assesses aggregate benefits available to the NEOs and has imposed an overall cap on pension benefits for the NEOs (subject to small variations due to contractual restrictions under the plans). Each NEO's total pension benefit under all pension plans combined is generally limited to no more than 60% of his or her final average pay. Mr. Bush voluntarily agreed to reduce his cap to 50% of final average pay.

We maintain a retiree medical plan for certain NEOs. The plan was closed to new entrants in 2007. Additional information about this plan can be found in the Retiree Medical Arrangement section of the tables that follow this CD&A, adjacent to the Termination Payment Tables.

Perquisites

Our NEOs are eligible for certain limited executive perquisites that include financial planning, income tax preparation, physical exams and personal liability insurance. While almost all other executive perquisites have been eliminated, the Compensation Committee believes the remaining perquisites are common within the competitive market for total compensation packages to executives and are useful in attracting, retaining and motivating talented executives.

Perquisites provided to the NEOs in 2012 are detailed in the Summary Compensation Table.

Use of Company Aircraft

In 2004, the Board of Directors determined that the CEO should avoid traveling by commercial aircraft for purposes of security, rapid availability and communications connectivity during travel. The Board of Directors has since directed that the CEO utilize Company-provided aircraft for all travel. Throughout the year, if the CEO uses Company-provided aircraft for personal travel, the costs for such travel are imputed as income and subject to the appropriate tax reporting according to Code regulations.

Security Arrangements

Given the nature of our business, we maintain a comprehensive security program. As a component of that program, we provide certain officers and directors with residential and/or travel protection that we consider necessary to address our security requirements. In selecting the level and form of protection, we and the Board of Directors consider both security risks faced by those in our

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industry in general and security risks specific to our Company and the individuals.

In 2010, we received specific information from Federal law enforcement officials that led us to conclude that there were threats to the Company and its principals. Based on that information and an ongoing dialogue with law enforcement officials, the Board of Directors has required that Mr. Bush and certain NEOs receive varying levels of residential and travel protection.

Since we require this protection under a comprehensive security program and it is not designed to provide a personal benefit (other than the intended security), we do not view these security arrangements as compensation to the individuals. We report these security arrangements as perquisites as required under applicable SEC rules. In addition, we would report them as taxable compensation to the individuals, if they were not excludable from income as working condition fringe benefits under Internal Revenue Code Section 132.

We regularly review the nature of the threat and associated vulnerabilities with law enforcement and security specialists and will continue to revise our security program as appropriate in response to those reviews, including the duration of security coverage required when individuals no longer serve in the roles associated with the threat information.

Severance and Change in Control Benefits

We maintain a severance plan that is available for our NEOs who qualify and are approved to receive such treatment. The purpose of the severance plan is to help bridge the gaps in an executive's income and health coverage during a period of unemployment following termination. Mr. Bush is not covered by, or eligible for, any benefits under any Company severance plan or policy.

We do not maintain any individual change in control agreements or change in control severance plans. In addition, we do not provide excise tax gross-ups for any payments received upon termination after a change in control.

Additional information on the benefits provided under our severance plans is provided in the section "2012 Severance Program" and in the Potential Termination Payment tables.

Mr. Ervin's Retirement and Separation Agreement

In July 2012, we entered into a Retirement and Separation Agreement (the "Separation Agreement") with Mr. Ervin. Under the terms of the Separation Agreement, Mr. Ervin remained with the Company in a non-executive officer capacity from January 1, 2013 until his retirement effective February 28, 2013 to assist with the transition to the new sector leadership. For this period, Mr. Ervin received his base salary and a transition project and special incentive bonus in the amount of $2.5 million. This bonus, in recognition of his contributions to the Company and for his

service during this period, is in lieu of any bonus otherwise payable for services performed during 2013 or any grant that would otherwise be issued in 2013 pursuant to the Company's long-term incentive plan or other equity arrangement. The Separation Agreement provides that Mr. Ervin will continue to vest in his outstanding RPSRs through the remainder of the performance period as set forth in the terms of the RPSR grant agreements. Mr. Ervin will forfeit his unvested RSRs that were granted in 2011 and 2012, but will receive a cash payment equal to the value of the forfeited 2011 and 2012 RSR awards based on the Company's closing stock price on July 13, 2012, with such payment to be made within ten days of the end of the vesting period, February 15, 2015. These payments and the other benefits provided are subject to the terms and conditions of the Agreement, which include a release and a three-year non-compete and non-solicitation provision.

Policies and Procedures

Stock Ownership Guidelines

We maintain Stock Ownership Guidelines for our NEOs to further promote alignment of management and shareholder interests. These guidelines require that the CEO and other NEOs own Company stock denominated as a multiple of their annual salaries that can be accumulated over a five-year period from the date of hire or promotion into an elected officer position.

The Stock Ownership Guidelines are as follows:

Position	Stock Value as a Multiple of Base Salary

Chairman, CEO and President	7x base salary
NEOs	3x base salary

Shares that satisfy the stock ownership guidelines include:

- Company stock owned outright;
- RSRs, whether or not vested; and
- the value of equivalent shares held in the Northrop Grumman Savings Plan or Northrop Grumman Financial Security and Savings Program.

Stock options and unvested RPSRs are not included in calculating ownership until they are converted to actual shares owned.

The Compensation Committee reviews compliance with our stock ownership guidelines on an annual basis. In 2012, all NEOs were in compliance with their respective guidelines. The Compensation Committee continues to monitor compliance and will conduct a full review again in 2013.

Stock Holding Requirements

In February 2010, as discussed above, we implemented a new holding period requirement that became effective for all new long-term incentive grants awarded beginning in 2010,

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further emphasizing the importance of sustainable performance and appropriate risk-management behaviors. Under this policy, NEOs are required to hold 50% of their net after-tax shares from future RSR vestings, RPSR payments and stock option exercises for a period of three years. These restrictions will generally continue following termination and retirement; however, shares acquired from exercises or payments following termination or retirement occurring one year after separation from the Company will not be subject to the holding requirement.

Anti-Hedging and Pledging Policy

Company policy prohibits our NEOs and other elected officers from engaging in hedging transactions with respect to Company stock or pledging Company stock.

Grant Date for Equity Awards

Annual grant cycles for equity awards occur in February at the same time as salary increases and annual incentive grants. This timing allows the Compensation Committee to make decisions on three compensation components at the same time, utilizing a total compensation perspective. The Compensation Committee reviews and approves long-term incentive grants during its scheduled meeting.

Tax Deductibility of Pay

Section 162(m) of the Code generally limits the annual tax deduction to $1 million per person for compensation paid to the Company's CEO, CFO and the next three highest-paid NEOs. Qualifying performance-based compensation is not subject to the deduction limit. The Company's annual incentive payments and equity-based incentive compensation are generally designed to qualify as performance-based compensation under this definition and to be fully deductible. Our grants of RSRs are not considered performance-based under Section 162(m) and, as such, may not be deductible.

Since the CEO's salary in 2012 was above the $1,000,000 threshold, a portion of his salary and his perquisites are not deductible by the Company.

Executive Compensation Recoupment (Clawbacks)

The Compensation Committee is responsible for evaluating whether any incentive compensation payments based on inaccurate financial results should be recovered by the Company, if:

- the amount or number of shares included in any such payment was calculated based on financial results that were subsequently restated due to noncompliance with any financial reporting requirement under the U.S. securities laws;
- a lesser payment of cash or shares would have been made based upon the restated financial results; and
- the payment of cash or shares was received prior to or during the 12-month period following the first public issuance or filing of the financial results that were subsequently restated.

Say-on-Pay

Our shareholders are asked to approve, on an annual, advisory basis, the compensation paid to our NEOs. We regularly engage with our shareholders to understand their concerns regarding executive compensation. Our shareholders expressed a preference for full-value shares as they are less dilutive and provide strong alignment with shareholder interests. In 2012, as a result of feedback from our shareholders, the Compensation Committee eliminated the use of stock options and approved a mix of LTI awards to NEOs composed of 70% RPSRs and 30% RSRs.

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COMPENSATION DISCUSSION AND ANALYSIS | SUMMARY COMPENSATION TABLE

2012 Summary Compensation Table

Name & Principal Position	Year	Salary (1) ($)	Bonus (2) ($)	Stock Awards (3) ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation (4) ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (5) ($)	All Other Compensation (6) ($)	Total ($)
Wesley G. Bush	2012	1,500,120	0	8,000,011	0	4,117,500	8,939,532	1,854,690	24,411,853
Chairman, Chief	2011	1,471,251	0	9,400,723	3,576,969	4,027,500	5,276,169	2,489,832	26,242,444
Executive Officer and President	2010	1,334,615	0	8,349,848	7,155,165	3,037,500	699,987	2,272,297	22,849,412
James F. Palmer	2012	850,081	0	3,500,023	0	1,560,000	1,707,827	183,098	7,801,029
Corporate Vice	2011	845,258	250,000	2,350,181	894,246	1,250,000	1,190,384	918,134	7,698,203
President and Chief Financial Officer	2010	820,194	0	4,907,860	4,477,369	1,000,000	994,044	151,137	12,350,604
Gary W. Ervin	2012	850,080	0	6,608,383	0	1,556,000	1,786,657	153,883	10,955,003
Corporate Vice	2011	845,257	0	3,628,648	894,246	1,250,000	1,146,473	202,873	7,967,497
President and President, Aerospace Systems	2010	781,731	0	2,406,340	1,524,405	1,000,000	483,435	195,386	6,391,297
James F. Pitts	2012	850,081	0	6,488,349	0	1,556,000	2,979,127	164,923	12,038,480
Corporate Vice	2011	845,258	0	2,350,181	894,246	1,200,000	2,354,970	164,830	7,809,485
President and President, Electronic Systems	2010	781,731	0	2,406,340	1,524,405	1,000,000	1,793,114	122,898	7,628,488
Linda A. Mills	2012	775,050	0	4,000,009	0	1,420,000	3,321,233	138,917	9,655,209
Corporate	2011	770,233	0	2,115,147	804,818	1,150,000	2,434,630	230,588	7,505,416
Vice President	2010	721,154	0	2,208,350	1,400,034	900,000	1,551,922	265,335	7,046,795

and
President,
Information
Systems

(1) This column includes amounts that were deferred under the qualified savings and nonqualified deferred compensation plans.

(2) In 2011, Mr. Palmer received a recognition bonus for the spin-off of our former shipbuilding business.

(3) The dollar value shown in this column is equal to the total grant date fair value of RPSRs and RSRs granted during 2012, as adjusted for Messrs. Ervin and Pitts to provide for vesting following retirement, subject to compliance with a non-compete agreement. The Company did not grant stock options in 2012. For assumptions used in calculating the grant date fair value, see the discussion in Note 14 of the Company's 2012 Form 10-K, adjusted to exclude forfeitures. The maximum grant date value of the 2012 RPSRs (which awards represent 70% of the total grant) for each NEO, assuming a 150% maximum payout, is as follows: Wesley G. Bush - $9,175,303; James F. Palmer - $4,014,206; Gary W. Ervin - $4,587,652 (excluding the 2012 modification); James F. Pitts - $4,300,884 (excluding the 2012 modification); and Linda A. Mills - $4,014,206. The maximum grant date value of 2012 RPSRs for Messrs. Ervin and Pitts, after giving effect to the modifications noted above is $4,844,747 and $4,563,822, respectively.

(4) These amounts were paid pursuant to the Company's annual incentive plan. This column includes amounts that were deferred under the qualified savings and nonqualified deferred compensation plans.

(5) The amounts in this column relate solely to the increased present value of the executive's pension plan benefits using mandatory SEC assumptions (see the descriptions of these plans under the Pension Benefits table). There were no above-market earnings in the nonqualified deferred compensation plans (see the descriptions of these plans under the Nonqualified Deferred Compensation table). The amount accrued in each year differs from the amount accrued in prior years due to an

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increase in service and, if applicable, an increase in final average pay (salary and bonus). The change in pension value is also highly sensitive to changes in the interest rate used to determine the present value of the payments to be made over the life of the executive. Of the $8,939,532 change in pension value in 2012 for Mr. Bush, approximately $3,000,000 was due to the lower discount rates used in 2012, $4,900,000 was due to the increase in his pay and $1,000,000 was due to an additional year of age and service.

(6) All Other Compensation amounts include, as applicable, (a) the value of perquisites and personal benefits, (b) the amount of tax gross-ups and (c) the amount of Company contributions to defined contribution plans.

Perquisites and Personal Benefits - Perquisites and other personal benefits provided to certain NEOs include security, travel-related perquisites, including use of Company aircraft or ground transportation services for personal travel and travel and incidental expenses for family members accompanying the NEO while on travel, financial planning/income tax preparation services, insurance premiums paid by the Company on the NEO's behalf and other nominal perquisites or personal benefits (including executive physicals and commemorative gifts).

The cost of any category of the listed perquisites and personal benefits did not exceed the greater of $25,000 or 10% of total perquisites and personal benefits for any NEO, except for the following: (i) for Mr. Bush, costs attributable to security protection ($1,167,970) and personal travel on Company aircraft consistent with the Company's security program ($400,746), (ii) for Mr. Palmer, costs attributable to security protection ($42,012) and (iii) for Mr. Pitts, costs attributable to financial planning/income tax preparation in 2011 and 2012 ($30,000).

We determine the incremental cost to us for perquisites and personal benefits based on the actual costs or charges incurred by the Company for the benefits. The Company calculates the value of personal use of Company aircraft based on the incremental cost of each element. Fixed costs that would be incurred in any event to operate Company aircraft (e.g., aircraft purchase costs, maintenance not related to personal trips and flight crew salaries) are not included. As discussed above under "Security Arrangements," the Company provides NEOs with certain residential and personal security protection due to the nature of our business and security threat information. The amounts reflected in the "All Other Compensation" column include expenses for certain residential and personal security that are treated as perquisites under relevant SEC guidance, even though the need for such expenses arises from the risks attendant with their positions with the Company. The Company calculates the cost of travel security coverage based on the hourly rates and overhead fees charged directly to the Company by the firms providing security personnel. If Company security personnel are used, their hourly rates are used to calculate the cost of coverage.

Tax Gross-Ups - In certain limited circumstances, we gross-up our NEOs for the income tax on their imputed income resulting from certain perquisites and personal benefits furnished by us. The 2012 amount listed for Mr. Pitts includes a tax gross-up payment on imputed income resulting from a reimbursement of personal travel canceled for business reasons. The amount of the tax gross-up did not exceed $10,000. No other NEO received a tax gross-up in 2012.

Contributions to Plans - In 2012, we made the following contributions to Northrop Grumman defined contribution plans, Mr. Bush $221,105, Mr. Palmer $83,977, Mr. Ervin $84,003, Mr. Pitts $80,753 and Ms. Mills $76,940.

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COMPENSATION DISCUSSION AND ANALYSIS | GRANTS OF PLAN-BASED AWARDS TABLE

2012 Grants of Plan-Based Awards

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)(3)						
Name & Principal Position	Grant Type	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (4) (#)	All Other Option Awards: Number of Securities Underlying Options (2) (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards (2)(5)
Wesley G. Bush	Incentive Plan		0	2,250,180	4,500,360							
Chairman, Chief	RPSR	2/15/2012				0	102,546	153,819				5,599,993
Executive Officer and President	RSR	2/15/2012							40,235			2,400,018
James F. Palmer	Incentive Plan		0	850,081	1,700,163							
Corporate Vice	RPSR	2/15/2012				0	44,864	67,296				2,450,004
President and Chief Financial Officer	RSR	2/15/2012							17,603			1,050,019
Gary W. Ervin	Incentive Plan		0	850,080	1,700,160							
Corporate Vice President and President, Aerospace Systems	2012 RPSR (modification) (6)	7/19/2012				0	31,334	47,001				2,209,407
	2011 RPSR (modification) (6)	7/19/2012				0	4,682	9,364				399,000
	RPSR	2/15/2012				0	51,273	76,910				2,799,997
	RSR	2/15/2012							20,117			1,199,979
James F. Pitts	Incentive Plan		0	850,081	1,700,162							
Corporate Vice President and President, Electronic Systems	2012 RPSR (modification) (6)	7/19/2012				0	32,046	48,069				2,259,611
	2011 RPSR (modification) (6)	7/19/2012				0	5,618	11,236				478,766
	RPSR	2/15/2012				0	48,068	72,102				2,624,973
	RSR	2/15/2012							18,860			1,124,999

Linda A. Mills	Incentive Plan		0	775,050	1,550,100					
Corporate	RSR	12/18/2012							7,298	499,986
Vice President and	RPSR	2/15/2012				0	44,864	67,296		2,450,004
President, Information Systems	RSR	2/15/2012							17,603	1,050,019

(1) Amounts in these columns show the range of payouts that were possible under the Company's annual incentive plan. The actual bonuses are shown in the Summary Compensation Table column entitled "Non-Equity Incentive Plan Compensation."

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(2) The Company did not grant stock options in 2012.

(3) These amounts relate to RPSRs granted in 2012 under the 2011 Long-Term Incentive Stock Plan. Each RPSR represents the right to receive a share of the Company's common stock upon vesting of the RPSR. The RPSRs are earned based on relative TSR over a three-year performance period commencing January 1, 2012 and ending December 31, 2014. The payout will occur in early 2015 and will range from 0% to 150% of the rights awarded. Earned RPSRs may be paid in shares, cash or a combination of shares and cash. An executive must remain employed through the performance period to earn an award, although pro-rata vesting results if employment terminates earlier due to retirement, death or disability. See the Severance Program section for treatment of RPSRs in these situations and upon a change in control. The values reflect the grant value resulting from the modification of the RPSR grants for Messrs. Ervin and Pitts relating to continued vesting of the RPSRs following their retirement from the Company.

(4) These amounts relate to RSRs granted in 2012 under the 2011 Long-Term Incentive Stock Plan. Each RSR represents the right to receive a share of the Company's common stock upon vesting of the RSR. An executive must remain employed through a vesting period to earn an award, although full vesting results from death, disability, qualifying termination or mandatory retirement. The award is prorated if the executive terminates due to early retirement. Earned RSRs may be paid in either shares, cash or a combination of shares and cash. See the Severance Program section for treatment of RSRs in these situations and upon a change in control.

(5) For assumptions used in calculating the grant date fair value per share, see the discussion in Note 14 of the Company's 2012 Form 10-K, adjusted to exclude forfeitures.

(6) These amounts relate to the modification of RPSRs that were granted in 2011 and 2012 to provide for vesting following retirement, subject to compliance with a non-compete agreement. Pursuant to SEC rules, these are reported as new grants of the awards. The grant date fair value reported reflects the incremental value of the award immediately after the modification over the fair value immediately before the modification. The fair value of the 2012 RPSRs at their date of grant is reported on a separate line in the table.

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COMPENSATION DISCUSSION AND ANALYSIS | OUTSTANDING EQUITY AWARDS TABLE

Outstanding Equity Awards at 2012 Fiscal Year End

Name & Principal Position	Option Awards: Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned (#)	Grant Date	Option Exercise Price ($)	Options Expiration Date	Stock Awards: Number of Shares or Units of Stock that Have Not Vested (#) (2)	Market Value of Shares or Units of Stock that Have Not Vested ($) (3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#) (4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested ($) (3)
Wesley G. Bush	0	0	0	2/15/2012			40,235	2,719,081	102,546	6,930,059
Chairman,	95,620	191,242	0	2/15/2011	63.22	2/15/2018	67,415	4,555,906	67,415	4,555,906
Chief	0	228,628	0	2/16/2010	54.46	2/16/2017	0	0	119,931	8,104,937
Executive	183,150	0	0	2/27/2008	73.90	2/27/2015	0	0	0	0
Officer	70,000	0	0	2/28/2007	65.70	2/28/2017	0	0	0	0
and President	59,063	0	0	2/15/2006	59.52	2/15/2016 59,063	0	0	0	0
James F. Palmer	0	0	0	2/15/2012			17,603	1,189,611	44,864	3,031,909
Corporate	23,905	47,810	0	2/15/2011	63.22	2/15/2018	16,853	1,138,926	16,853	1,138,926
Vice	0	283,066	0	2/16/2010	54.46	2/16/2017	45,938	3,104,490	34,562	2,335,700
President and	0	48,710	0	2/16/2010	54.46	2/16/2017	0	0	0	0
Chief	89,524	0	0	2/27/2008	73.90	2/27/2015	0	0	0	0
Financial Officer	43,750	0	0	3/12/2007	67.50	3/12/2017	0	0	0	0
Gary W. Ervin	0	0	0	2/15/2012			20,117	1,359,507	51,273	3,465,029
Corporate	23,905	47,810	0	2/15/2011	63.22	2/15/2018	16,853	1,138,926	16,853	1,138,926
Vice	0	0	0	2/15/2011	63.22	2/15/2018	20,224	1,366,738	0	0
President	97,416	48,710	0	2/16/2010	54.46	2/16/2017	0	0	34,562	2,335,700
and President,	56,985	0	0	2/27/2008	73.90	2/27/2015	0	0	0	0
Aerospace Systems	16,406	0	0	9/19/2007	73.02	9/19/2017	0	0	0	0
James F. Pitts	0	0	0	2/15/2012			18,860	1,274,559	48,068	3,248,435
	23,905	47,810	0	2/15/2011	63.22	2/15/2018	16,853	1,138,926	16,853	1,138,926
Corporate	97,416	48,710	0	2/16/2010	54.46	2/16/2017	0	0	34,562	2,335,700
Vice President	137,869	0	0	2/17/2009	41.14	2/17/2016	0	0	0	0
and President,	73,282	0	0	2/27/2008	73.90	2/27/2015	0	0	0	0
Electronic	39,375	0	0	2/28/2007	65.70	2/28/2017	0	0	0	0
Systems	43,750	0	0	2/15/2006	59.52	2/15/2016	0	0	0	0
	13,125	0	0	10/1/2005	49.70	10/1/2015	0	0	0	0

	19,687	0	0	6/14/2004	47.99	6/14/2014	0	0	0	0
Linda A. Mills	0	0	0	12/18/2012			7,298	493,199	0	0
Corporate	0	0	0	2/15/2012			17,603	1,189,611	44,864	3,031,909
Vice President	21,514	43,030	0	2/15/2011	63.22	2/15/2018	15,168	1,025,053	15,168	1,025,053
and President,	89,468	44,736	0	2/16/2010	54.46	2/16/2017	0	0	31,719	2,143,570
Information	91,869	0	0	2/17/2009	41.14	2/17/2016	0	0	0	0
Systems	48,836	0	0	2/27/2008	73.90	2/27/2015	0	0	0	0

(1) Stock option vesting and terms - The Company did not grant stock options in 2012. Options awarded through 2007 vested at a rate of 25% per year on the grant's anniversary date over the first four years of the ten-year option term. Options awarded after 2007 vest at a rate of 33 1/3% per year on the grant's anniversary date over the first three years of the seven-year option term. In 2010, Mr. Palmer received a retention award of 283,066 options that vest 50% three years from date of grant and 50% four years from date of grant. The options have a seven-year term.

(2) Restricted Stock Rights - Outstanding RSRs vest as follows: Mr. Palmer's outstanding retention grant of 45,938 shares will vest on February 16, 2014. RSRs granted in 2011 will fully vest from date of grant on February 15, 2015.

(3) Market Value or Payout Value - The value listed is based on the closing price of the Company's stock of $67.58 on December 31, 2012, the last trading day of the year.

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(4) Restricted Performance Stock Rights - The 2012 RPSR award for each NEO vests based on performance for the three-year performance period ending on December 31, 2014. The 2011 RPSR award vests based on performance for the three-year performance period ending on December 31, 2013. The 2010 RPSR award vested based on performance for the three-year performance period ended on December 31, 2012. In each case, settlement of the award is subject to certification by the Compensation Committee.

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2012 Option Exercises and Stock Vested

Name & Principal Position	Option Awards (1) Number of Shares Acquired on Exercise (#)	Option Awards (1) Value Realized on Exercise ($)	Stock Awards (1) Number of Shares Acquired on Vesting (#)	Stock Awards (1) Value Realized on Vesting ($)
Wesley G. Bush Chairman, Chief Executive Officer and President	910,181	14,802,707	100,188	6,032,368
James F. Palmer Corporate Vice President and Chief Financial Officer	273,566	4,697,182	49,000	2,950,290
Gary W. Ervin Corporate Vice President and President, Aerospace Systems	119,119	2,394,210	38,324	2,307,536
James F. Pitts Corporate Vice President and President, Electronic Systems	16,406	126,873	38,324	2,307,536
Linda A. Mills Corporate Vice President and President, Information Systems	46,000	783,260	38,324	2,307,536

(1) Number of shares and amounts reflected in the table are reported on an aggregate basis and do not reflect shares that were sold or withheld to pay withholding taxes and/or the option exercise price.

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2012 Pension Benefits

The following table provides information about the pension plans in which the NEOs participate, including the present value of each NEO's accumulated benefits as of December 31, 2012. Our policy is that an executive's total benefit under these plans should be limited to no more than 60% of final average pay. Mr. Bush has voluntarily elected to limit his OSERP benefit to no more than 50% of final average pay.

Name & Principal Position	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (1) ($)	Payments During Last Fiscal Year ($)
Wesley G. Bush	Pension Plan (3)	10.00	482,285	
Chairman, Chief Executive Officer and	S&MS Pension Plan (2)	15.67	526,092	
President	ERISA 2 (3)	10.00	7,642,245	
	SRIP (2)	15.67	7,666,292	
	OSERP (4)(5)	25.67	6,015,020	
James F. Palmer	Pension Plan (3)	5.83	191,848	
Corporate Vice President and	ERISA 2 (3)	5.83	1,242,820	
Chief Financial Officer	CPC SERP (5)	5.83	2,873,089	
	SRRP (5)	N/A	1,717,994	103,584
Gary W. Ervin	Pension Plan (3)	11.33	375,983	
Corporate Vice President and	ERISA 2 (3)	11.33	2,235,645	
President, Aerospace Systems	CPC SERP (5)	5.33	1,687,917	
James F. Pitts	Pension Plan (3)	39.54	1,342,778	
Corporate Vice President and	ERISA 2 (3)	9.50	2,405,457	
President, Electronic Systems	CPC SERP (5)	7.25	2,074,188	
	ESEPP (5)	39.54	8,931,122	
Linda A. Mills	S&MS Pension Plan (3)	33.58	1,573,481	
Corporate Vice President and	SRIP (3)	33.58	7,963,858	
President, Information Systems	CPC SERP (5)	4.92	2,206,839	

(1) Amounts are calculated using the following assumptions:
The NEO retired on the earliest date he/she could receive an unreduced benefit under each plan;
The form of payment is single life annuity; and
The discount rate is 4.10% for the Pension Plan, 4.21% for the S&MS Pension Plan and 4.12% for all others; the mortality table is the RP-2000 projected 18 years without collar adjustment (the same assumptions used for the Company's financial statements).
(2) Service is frozen and all pay updates cease December 31, 2014.
(3) Final average pay updates cease December 31, 2014.
(4) Mr. Bush relinquished his CPC SERP benefit and instead participates in the OSERP.
(5) Plan benefit is frozen on or before December 31, 2014 (depending on the plan).

List of Pension Plans and Descriptions

The pension plans in which the NEOs participate are listed below in alphabetical order. Most of the plans were closed to new hires, effective mid-2008. Effective on or before December 31, 2014, the nonqualified supplemental plans have been frozen or pay updates cease, as indicated below:

"CPC SERP" is the CPC Supplemental Executive Retirement Program. This plan provides a supplemental pension benefit for certain CPC members. Plan benefits are frozen as of December 31, 2014.

"ERISA 2" is the ERISA Supplemental Program 2. This plan makes participants whole for benefits they lose under the Pension Plan due to certain Code limits. Final average pay updates cease December 31, 2014.

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COMPENSATION DISCUSSION AND ANALYSIS | PENSION BENEFITS

"ESEPP" is the Northrop Grumman Electronic Systems Executive Pension Plan. This plan provides a supplemental pension benefit for certain ES Sector executives. Plan benefits are frozen as of December 31, 2014.

"OSERP" is the Officers Supplemental Executive Retirement Program. This plan provides a supplemental pension benefit for certain officers of the Company, including some of the NEOs. Plan benefits are frozen as of December 31, 2014.

"Pension Plan" is the Northrop Grumman Pension Plan. This is a tax qualified pension plan covering a broad base of Company employees. Final average pay updates cease as of December 31, 2014.

"S&MS Pension Plan" is the Northrop Grumman Space & Mission Systems Salaried Pension Plan (former TRW pension plan). This is a tax qualified pension plan covering a broad base of Company employees. Final average pay updates cease as of December 31, 2014.

"SRIP" is the Northrop Grumman Supplementary Retirement Income Plan (former TRW plan). This plan makes participants whole for benefits they lose under the S&MS Pension Plan due to certain Code limits. Final average pay updates cease as of December 31, 2014.

"SRRP" is the Supplemental Retirement Replacement Plan. This frozen plan replaced benefits Mr. Palmer forfeited as a result of his commencing employment with the Company.

Pension Plan and S&MS Pension Plan (Tax Qualified Plans)

The Pension Plan and the S&MS Pension Plan were each amended prior to 2005 to change from a traditional pension plan formula ("Heritage Formula") to a cash balance formula ("Cash Balance Formula"). Except as provided below, the final benefit from each plan is the sum of the benefits under the two formulas: the Heritage Formula benefit plus the Cash Balance Formula benefit.

The following explains the formulas applicable to each NEO:

Mr. Bush and Mr. Ervin each receive a benefit under a Heritage Formula and a Cash Balance Formula in the Northrop Grumman Retirement Plan, a subplan of the Pension Plan ("NGR Subplan").

Mr. Bush also receives a frozen benefit under a Heritage Formula in the S&MS Pension Plan due to his TRW-related service. He ceased to be eligible for future service growth under this plan and SRIP when he began participating in the NGR Subplan.

Due to his date of hire, Mr. Palmer does not receive a benefit under a Heritage Formula; he only receives a benefit under a Cash Balance Formula in the Pension Plan.

Mr. Pitts receives a benefit under a Heritage Formula and a Cash Balance formula in the Northrop Grumman Electronic Systems Pension Plan, a subplan of the Pension Plan ("ES Subplan").

Ms. Mills receives a benefit under a Heritage Formula and a Cash Balance formula in the S&MS Pension Plan.

Heritage Formulas

The following table summarizes the key features of the Heritage Formulas applicable to the eligible NEOs.

Feature	NGR Subplan	ES Subplan	S&MS Pension Plan
Benefit Formula	Final Average Pay x 1.6667% times Pre-July 1, 2003 service	Eligible Pay since 1995 x 2% plus the prior Westinghouse Pension Plan benefit	(Final Average Pay x 1.5% minus Covered Compensation x 0.4%) times Pre- January 1, 2005 service
Final Average Pay	Average of highest 3 years of Eligible Pay	Not applicable	Average of the highest 5 consecutive years of Eligible Pay Covered Compensation is specified by the IRS
Eligible Pay (limited by Code section 401(a)(17))	Salary plus bonus	Salary plus bonus (50% of bonus	Salary plus bonus

		through 2001)	
Normal Retirement	Age 65	Age 65	Age 65
Early Retirement	Age 55 with 10 years of service	Age 58 with 30 years of service or age 60 with 10 years of service	Age 55 with 10 years of service
Early Retirement Reduction (for retirements occurring between Early Retirement and Normal Retirement)	Benefits are reduced for commencement prior to the earlier of age 65 and 85 points (age + service)	Benefits are reduced for commencement prior to age 60	Benefits are reduced for commencement prior to age 60

Cash Balance Formula

The Cash Balance Formula is a hypothetical account balance consisting of pay credits plus interest. It has the following features:

- Pay credits are a percentage of pay that vary based on an employee's "points" (age plus service). The range of percentages applicable to the NEOs on December 31, 2012 was: 6.5% – 9%. Employees, including the NEOs, also received an additional 4% pay credit for pay above the social security wage base through December 31, 2012. Beginning January 1, 2013, the additional 4% pay credit for pay above the social security wage base was eliminated.
- Interest is credited at the 30-year U.S. Treasury bond rate. The December 31, 2012 interest credit rate was 2.77%.
- Eligible pay is salary plus bonus, as limited by Code section 401(a)(17).
- Eligibility for early retirement occurs at age 55 with 10 years of service. Benefits may be reduced if commenced prior to Normal Retirement Age (65).

ERISA 2, SRIP and SRRP (Nonqualified Restoration Plans)

ERISA 2 and SRIP are nonqualified plans that restore benefits provided for under the Pension Plan and S&MS Pension Plan, respectively, but for the limits on eligible pay imposed by Code section 401(a)(17). SRIP also restores benefits limited by the overall benefit limitation of Code section 415. Benefits and features in these restoration plans otherwise are generally the same as described above for the underlying tax qualified plan.

SRRP entitles Mr. Palmer to an annuity equal to the amount that would have been paid to him under his former employer's supplemental retirement plan but for his employment with the Company.

CPC SERP, OSERP and ESEPP (Nonqualified Supplemental Executive Retirement Plans)

These plans provide pension benefits that supplement the tax qualified pension plans. The following chart highlights the key features of these plans applicable to the eligible NEOs.

Feature	CPC SERP	OSERP	ESEPP
Benefit Formula	Greater of CPC Formula and OSERP Formula CPC Formula is: Final Average Pay times 3.3334% for each year that the NEO has served on the CPC up to 10 years, 1.5% for each subsequent year up to 20 years and 1% for each additional year over 20	Final Average Pay times 2% for each year of service up to 10 years, 1.5% for each subsequent year up to 20 years, and 1% for each additional year over 20 and less than 45	Final Average Pay times 1.47% for each year that the NEO made maximum contributions to the ES Subplan
Final Average Pay	Average of highest 3 years of Eligible Pay	Average of highest 3 years of Eligible Pay	Average of highest 5 years of Eligible Pay
Eligible Pay	Salary and bonus (including amounts above Code limits and amounts deferred)	Salary and bonus (including amounts above Code limits and amounts deferred)	Salary and bonus averaged separately (including amounts above Code limits and amounts deferred)
Normal Retirement	Age 65	Age 65	Age 65
Early Retirement	Age 55 with 10 years of service	Age 55 with 10 years of service	Age 58 with 30 years of service or Age 60 with 10 years of service
Early Retirement Reduction	Benefits are reduced for commencement prior to the	Benefits are reduced for commencement prior to the	Benefits are reduced for

	earlier of age 65 and 85 points (age + service)	earlier of age 65 and 85 points (age + service)	commencement prior to age 60
Reductions From Other Plans	Reduced by any other Company pension benefits accrued during period of CPC service	Reduced by any other Company pension benefits	Reduced by ES Subplan and ERISA 2 benefits

Information on Executives Eligible to Retire

The following NEOs are eligible to retire, or have retired, as of December 31, 2012 under the below specified plans:

If Mr. Palmer had retired on December 31, 2012, his annual CPC SERP and ERISA 2 benefits are estimated to be $299,647 (commencing January 1, 2013). His qualified plan benefits payable from the Pension Plan could not commence until Mr. Palmer attains age 65.

Mr. Pitts retired on December 31, 2012. His total annual benefit amount as of December 31, 2012 (commencing January 1, 2013), combined for all pension plans, is $1,062,500 plus a supplemental benefit payable from retirement to age 62 of $4,326.

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If Ms. Mills had retired on December 31, 2012, her total annual benefit amount as of December 31, 2012 (commencing January 1, 2013), combined for all pension plans, is estimated to be $833,451.
If Mr. Ervin had retired on December 31, 2012, his total annual benefit amount as of December 31, 2012 (commencing January 1, 2013), combined for all pension plans, is estimated to be $372,015.

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2012 Nonqualified Deferred Compensation

Name & Principal Position	Plan Name	Executive Contributions in Last FY (1) ($)	Registrant Contributions in Last FY (2) ($)	Aggregate Earnings in Last FY (3) ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE (4) ($)
Wesley G. Bush	Deferred Compensation	0	0	249,877	0	1,765,423
Chairman, Chief Executive Officer and President	Savings Excess	422,210	211,105	420,758	0	4,134,499
James F. Palmer	Deferred Compensation	0	0	95,880	0	662,171
Corporate Vice President and Chief Financial Officer	Savings Excess	185,008	74,325	319,066	0	2,370,710
Gary W. Ervin	Deferred Compensation	0	0	0	0	0
Corporate Vice President and President, Aerospace Systems	Savings Excess	148,006	74,003	188,462	0	2,240,540
James F. Pitts	Deferred Compensation	0	0	41,695	0	564,807
Corporate Vice President and President, Electronic Systems	Savings Excess	360,016	72,003	82,420	0	1,161,740
Linda A. Mills	Deferred Compensation	0	0	135,298	0	1,144,502
Corporate Vice President and President, Information Systems	Savings Excess	586,268	69,285	267,296	0	2,600,973

(1) NEO contributions in this column are also included in the 2012 Summary Compensation Table, under the columns entitled "Salary" and "Non-Equity Incentive Plan Compensation."

(2) Company contributions in this column are included in the 2012 Summary Compensation Table, under the column entitled "All Other Compensation."

(3) Aggregate earnings in the last fiscal year are not included in the 2012 Summary Compensation Table, because they are not above market or preferential.

(4) NEO and Company contributions in this column are also included in the Summary Compensation Table. Aggregate earnings in this column are not included in the 2012 Summary Compensation Table, as they are not above market. Employee contributions for each of the NEOs as of December 31, 2012 were as follows:

Mr. Bush's Savings Excess Plan account balance consists of $3,072,652 in employee contributions, as adjusted for investment returns.

Mr. Palmer's SEP account balance consists of $1,995,155 in employee contributions, as adjusted for investment returns.

Mr. Ervin's SEP account balance consists of $1,850,405 in employee contributions, as adjusted for investment returns.

Mr. Pitts' SEP account balance consists of $918,033 in employee contributions, as adjusted for investment returns.

Ms. Mills' SEP account balance consists of $2,272,258 in employee contributions, as adjusted for investment returns.

List of Deferred Compensation Plans and Descriptions

The deferred compensation plans in which the NEOs participate are listed below in alphabetical order:

"Deferred Compensation" is the Northrop Grumman Deferred Compensation Plan. This plan was closed to future contributions at the end of 2010. Before 2011, eligible executives were allowed to defer a portion of their salary and bonus. No Company contributions were made to the plan.

"Savings Excess" or "SEP" is the Northrop Grumman Savings Excess Plan. This plan allows the NEOs and other eligible employees to defer up to 75% of their salary and bonus beyond the compensation limits of the tax qualified plans and receive a Company matching contribution of up to 4%. The lifetime maximum amount of combined NEO and Company contributions under this plan is limited to $5,000,000 per NEO.

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Severance Plan Benefits

Upon a "qualifying termination" (defined below) the Company will provide severance benefits to eligible NEOs under the Severance Plan for Elected and Appointed Officers of Northrop Grumman Corporation (the "Severance Plan"). Provided the NEO signs a release, he or she will receive: (i) a lump sum severance benefit equal to one and one-half times annual base salary and target bonus, (ii) continued medical and dental coverage for the severance period, (iii) income tax preparation/financial planning fees for one year and (iv) outplacement expenses up to 15% of salary, all subject to management approval. The cost of providing continued medical and dental coverage is based upon current premium costs. The cost of providing income tax preparation and financial planning is capped at $15,000 for the year of termination and the year following termination.

A "qualifying termination" means one of the following:

- involuntary termination, other than for cause or mandatory retirement; or
- election to terminate in lieu of accepting a downgrade to a non-officer position.

Mr. Bush was elected to the position of Chief Executive Officer and President effective January 1, 2010. Effective January 1, 2010, Mr. Bush agreed that he would no longer be covered by, or eligible for, benefits under the Severance Plan or under any other severance plan, program or policy of Northrop Grumman (for more information on this letter, please see the Form 8-K filed December 21, 2009).

2012 Severance Program

The set of tables below provides estimated payments and benefits that the Company would provide each NEO if his or her employment terminated on December 31, 2012 for specified reasons, assuming that the price per share of the Company's common stock is $67.58, the closing market price as of that date. These payments and benefits are payable based on:

- the Severance Plan;
- the 2001 Long-Term Incentive Stock Plan, 2011 Long-Term Incentive Stock Plan and the terms and conditions of equity awards made pursuant to such plans; and
- the Special Officer Retiree Medical Plan.

We summarize these arrangements before providing the estimated payment and benefit amounts in the tables. Due to the many factors that affect the nature and amount of any benefits provided upon the termination events discussed below, any actual amounts paid or distributed to NEOs may be different. Factors that may affect these amounts include timing during the year of the occurrence of the event, our stock price and the NEO's age. The amounts described below are in addition to an NEO's benefits described in the Pension Benefits and Nonqualified Deferred Compensation Tables, as well as benefits generally available to our employees such as distributions under our savings plan, disability or life insurance benefits and accrued vacation.

Terms of Equity Awards

The terms of equity awards to the NEOs under the 2001 Long-Term Incentive Stock Plan and 2011 Long-Term Incentive Stock Plan provide for accelerated vesting if an NEO's employment terminates for certain reasons. For stock options, accelerated vesting of a portion of each award results from a termination due to death, disability or early retirement (after age 55 with 10 years of service). Stock options fully vest for normal retirement at age 65 (with 10 years of service). Vesting treatment under mandatory retirement at age 65 depends on years of service and when the grant was made. An extended exercise period is also provided for options under these circumstances.

For RPSRs, accelerated vesting of a portion of each award results from a termination due to death, disability, or retirement (after age 55 with 10 years of service or mandatory retirement at age 65).

For RSRs, full vesting occurs for a termination due to death or disability and mandatory retirement at age 65 and prorated vesting for retirement (age 55 with 10 years of service). In 2010, Mr. Palmer received a retention grant of RSRs for which full vesting occurs both for a termination due to death or disability. In 2011, Mr. Ervin received a retention grant of RSRs for which full vesting occurs both for a termination due to death or disability.

For purposes of estimating the payments due under RPSRs below, Company performance is assumed to be at target levels through the close of each three-year performance period.

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Possible Accelerated Equity Vesting Due to Change in Control

The terms of equity awards to the NEOs under the 2001 Long-Term Incentive Stock Plan and 2011 Long-Term Incentive Stock Plan provide for possible accelerated vesting of stock options and RSRs and for prorated payments of RPSRs when the Company is involved in certain types of "change in control" events that are more fully described in such plans (e.g., certain business combinations after which the Company is not the surviving entity and the surviving entity does not assume the awards). Possible acceleration would occur with respect to options, RSRs, and prorated RPSRs in certain changes in control that results in a termination of the NEO (other than for cause) within the specified period (double trigger). The acceleration of awards require this double trigger, unless an acquiring company fails to assume the awards.

In cases where acceleration occurs under these limited change in control provisions, vested stock options that are not exercised prior to one of these changes in control may be settled in cash and terminated. Prorated payments for RPSRs made upon one of these changes in control will be based on the portion of the three-year performance period prior to the change in control. For example, if a change in control occurred on June 30 in the second year of a three-year performance period, the target number of RPSRs subject to an award would be multiplied by one-half and then multiplied by the earnout percentage that is based on the Company's performance for the first half of the performance period.

The table below provides the estimated value of accelerated equity vesting and/or payments if such a change in control had occurred on December 31, 2012. The value of the accelerated vesting was computed using only the closing market price of the Company's common stock on December 31, 2012 ($67.58), with no consideration of an earnout percentage as previously described. The value for unvested RSRs and RPSRs is computed by multiplying $67.58 by the number of unvested shares that would vest. The value of unvested stock options equals the difference between the exercise price of each option and $67.58. No value was attributed to accelerated vesting of a stock option if its exercise price was greater than $67.58.

Name and Principal Position	Stock Options Acceleration of Vesting ($)	RSRs Acceleration of Vesting ($)	RPSRs Prorated Payment ($)	Total ($)
Wesley G. Bush Chairman, Chief Executive Officer and President	3,833,414	7,274,987	5,347,268	16,455,669
James F. Palmer (1) Corporate Vice President and Chief Financial Officer	4,561,340	5,433,027	1,769,853	11,764,220
Gary W. Ervin Corporate Vice President and President, Aerospace Systems	847,514	3,865,171	1,914,271	6,626,956
James F. Pitts Corporate Vice President and President, Electronic Systems	847,514	2,413,485	1,842,028	5,103,027
Linda A. Mills Corporate Vice President and President, Information Systems	774,534	2,707,863	1,693,960	5,176,357

(1) Under the terms of his offer letter, Mr. Palmer would also receive a lump-sum payment of approximately $1,722,200 for the present value of his monthly benefit under the Supplemental Retirement Replacement Plan.

Retiree Medical Arrangement

The Special Officer Retiree Medical Plan ("SORMP") was closed to new participants in 2007. NEOs who are vested participants in the SORMP are entitled to retiree medical benefits pursuant to the terms of the SORMP. The coverage is a continuation of the NEO's executive medical benefits plus retiree life insurance. A participant becomes vested if he or she has either five years of vesting service as an elected officer or 30 years of total service with the Company and its affiliates. A vested participant can commence SORMP benefits at retirement before age 65 if he has attained age 55 and 10 years of service. The estimated cost of the SORMP benefit reflected in the tables below is the present value of the estimated cost to provide future benefits using actuarial calculations and assumptions. Mr. Ervin and Ms. Mills are not eligible for SORMP benefits.

Change in Control Benefits

In March 2010, the Compensation Committee approved the termination of all change in control programs and agreements effective January 1, 2011. The only change in control benefits available to the NEOs are those described in the terms and conditions of the 2001 Long-Term Incentive Stock Plan and 2011 Long-Term Incentive Stock Plan.

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Termination Payment Tables
Potential Termination Payments
Wesley G. Bush
Chairman, Chief Executive Officer and President

Executive Benefits	Voluntary Termination ($)	Involuntary Termination Not For Cause (2) ($)	Post-CIC Involuntary or Good Reason Termination ($)	Death or Disability (3) ($)
Salary	0	0	0	0
Short-term Incentives	0	0	0	0
Long-term Incentives (1)	0	0	16,455,669	16,038,761
Benefits and Perquisites				
Retiree Medical and Life Insurance (2)	462,053	462,053	462,053	462,053
Medical/Dental Continuation (3)	0	0	0	0

(1) Long-term Incentives include grants of RPSRs, stock options and RSRs. Results in a benefit under Voluntary Termination only if eligible for retirement treatment under the terms and conditions of the grants (age 55 with 10 years of service).

(2) Similar treatment provided for certain "good reason" terminations, as described above. However, there would be no termination payment in the event of an involuntary termination for cause.

(3) Retiree medical value reflects cost associated with disability. If termination results from death, the retiree medical insurance expense would be less than the disability amount indicated.

Potential Termination Payments
James F. Palmer
Corporate Vice President and Chief Financial Officer

Executive Benefits	Voluntary Termination ($)	Involuntary Termination Not For Cause (2) ($)	Post-CIC Involuntary or Good Reason Termination ($)	Death or Disability (3) ($)
Salary	0	1,275,122	0	0
Short-term Incentives	0	1,275,122	0	0
Long-term Incentives (1)	0	0	11,764,219	9,803,080
Benefits and Perquisites				
Retiree Medical and Life Insurance (3)	229,699	229,699	229,699	229,699
Medical/Dental Continuation	0	29,975	0	0
Financial Planning/Income Tax	0	15,000	0	0
Outplacement Services	0	127,512	0	0

(1) Long-term Incentives include grants of RPSRs, stock options and RSRs. Results in a benefit under Voluntary Termination only if eligible for retirement treatment under the terms and conditions of the grants (age 55 with 10 years of service).

(2) Similar treatment provided for certain "good reason" terminations, as described above. However, there would be no termination payment in the event of an involuntary termination for cause.

(3) Retiree medical value reflects cost associated with disability. If termination results from death, the retiree medical insurance expense would be less than the disability amount indicated.

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COMPENSATION DISCUSSION AND ANALYSIS | SEVERANCE PROGRAM

Potential Termination Payments
Gary W. Ervin
Corporate VP & President, Aerospace Systems

Executive Benefits	Early Retirement ($)	Involuntary Termination Not For Cause (2) ($)	Post-CIC Involuntary or Good Reason Termination ($)	Death or Disability ($)
Salary	0	1,275,120	0	0
Short-term Incentives	0	1,275,120	0	0
Long-term Incentives (1)	3,589,690	3,589,690	6,626,955	6,522,729
Benefits and Perquisites				
Retiree Medical and Life Insurance	0	0	0	0
Medical/Dental Continuation	0	29,975	0	0
Financial Planning/Income Tax	0	15,000	0	0
Outplacement Services	0	127,512	0	0

(1) Long-term Incentives include grants of RPSRs and stock options. Results in a benefit under Voluntary Termination only if eligible for retirement treatment under the terms and conditions of the grants (age 55 with 10 years of service).

(2) Similar treatment provided for certain "good reason" terminations, as described above. However, there would be no termination payment in the event of an involuntary termination for cause.

Termination Payments
James F. Pitts
Corporate VP & President, Electronic Systems

Executive Benefits	Early Retirement ($)
Long-term Incentives (1)	6,037,911
Benefits and Perquisites	
Retiree Medical and Life Insurance	295,775

(1) Long-term Incentives include grants of RPSRs, stock options and RSRs. Includes amounts related to the modification of RPSRs that were granted in 2011 and 2012 to provide for vesting following retirement, subject to compliance with a non-compete agreement.

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COMPENSATION DISCUSSION AND ANALYSIS I SEVERANCE PROGRAM

Potential Termination Payments
Linda A. Mills
Corporate VP & President, Information Systems

Executive Benefits	Early Retirement ($)	Involuntary Termination Not For Cause (2) ($)	Post-CIC Involuntary or Good Reason Termination ($)	Death or Disability ($)
Salary	0	1,162,575	0	0
Short-term Incentives	0	1,162,575	0	0
Long-term Incentives (1)	3,203,688	3,203,688	5,176,357	5,082,548
Benefits and Perquisites				
Retiree Medical	0	0	0	0
Medical/Dental Continuation	0	29,975	0	0
Financial Planning/Income Tax	0	15,000	0	0
Outplacement Services	0	116,258	0	0

(1) Long-term Incentives include grants of RPSRs, Stock Options and RSRs. Results in a benefit under Voluntary Termination only if eligible for retirement treatment under the terms and conditions of the grants (age 55 with 10 years of service).

(2) Similar treatment provided for certain "good reason" terminations, as described above. However, there would be no termination payment in the event of an involuntary termination for cause.

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PROPOSAL TWO:
ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are providing our shareholders with the opportunity to cast a non-binding, advisory vote on the compensation of our NEOs. Our executive compensation is described in the Compensation Discussion and Analysis and accompanying tables on pages 28 through 57 of this Proxy Statement. This advisory vote, commonly known as "say on pay," gives our shareholders the opportunity to express their view on our 2012 executive compensation programs and policies for our NEOs. The vote does not address any specific item of compensation and is not binding on the Board; however, as an expression of our shareholders' view, the Compensation Committee seriously considers the vote when making future executive compensation decisions.

We believe our compensation programs utilize responsible, measured pay practices and effectively incentivize our executives to fully dedicate themselves to value creation for our shareholders, customers and employees.

In 2012, we again achieved top-quartile performance based on pension-adjusted Operating Margin ("OM") rate and Free Cash Flow conversion ("FCF") within a peer group of the nine largest aerospace and defense companies in the U.S. and Europe, the Performance Peer Group. 2012 performance highlights include the following:

Earnings per share from continuing operations increased 5% to $7.81. Adjusting 2012 and 2011 earnings per share for net FAS/CAS pension income, earnings per share from continuing operations increased 15%.

Growth in pension-adjusted earnings per share principally reflects the improved performance of our businesses and a lower weighted average share count. These positive trends more than offset the impact of lower revenue and a higher effective tax rate.

Our businesses generated $121 million more segment operating income, and as a percent of sales, our Segment OM rate expanded 100 basis points to 12.6%. Our pension-adjusted OM rate also increased 100 basis points to 11.9%, which represents top-quartile performance in our industry as measured against our Performance Peer Group.

Before discretionary pension contributions, we generated approximately $2.8 billion of cash from operations and FCF totaled $2.5 billion, or 126% of net income from continuing operations, which represents top-quartile performance as measured against our Performance Peer Group.

We returned more than $1.8 billion, or 80% of reported free cash flow, to shareholders. We repurchased 20.9 million shares for $1.3 billion and paid $535 million in dividends, which included a 10% increase in our dividend to an annualized rate of $2.20 per share, our ninth consecutive annual dividend increase.

Our new business awards totaled $26.5 billion, or 1.05 times sales, and our total backlog increased 3% to $40.8 billion.

We understand that our shareholders measure our annual and long-term performance against our industry and other peer groups. We also benchmark our pay programs against industry competitors to enable the attraction and retention of leadership, critical to the achievement of business goals. Therefore, the key elements of our compensation approach are primarily performance-based, and approximately 86% of total NEO compensation in 2012 was variable.

To demonstrate the alignment of our compensation programs with shareholder interests and industry practice:

Three years ago, we established peer-based financial goals. In 2012, we increased the difficulty of achieving target performance for our financial goals.

For a second consecutive year, we did not increase the base salaries of our NEOs.

In response to shareholder preference for full-value equity grants, we did not grant stock options to our executives in 2012. Annual equity grants for NEOs are a mix of RPSRs (performance awards) (70%) measured on relative TSR performance over a three-year period and RSRs (time-vested restricted stock) (30%), which vest at the end of a three-year period.

Beginning with the 2012 equity grants, we reduced the maximum payout of the RPSR award from 200% to 150% of the RPSR award value granted. These RPSR awards are based on relative TSR performance over the performance period. Even if our relative TSR performance is above peer benchmarks, our payout is capped at 100% if our absolute TSR is negative.

We established stock ownership guidelines for all officers. The CEO must hold equity value equal to at least seven times his base salary, and the other NEOs must hold equity value equal to at least three times their base salary.

In addition to individual stock ownership requirements, any grant that was issued in 2010 or after is subject to a mandatory holding period requiring 50% of net shares (after-tax) acquired to be held for three years after the vesting date.

We have no change in control agreements or tax gross-ups in connection with a change in control.

We urge shareholders to read our 2012 Form 10-K, as filed with the SEC on February 5, 2013. This describes our business and 2012 financial results in more detail.

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PROPOSAL TWO:
ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Recommendation

The Compensation Committee and the Board believe the compensation of our executives is aligned to performance, is sensitive to our share price, appropriately motivates and retains our executives, and is a competitive advantage in attracting and retaining the high caliber talent necessary to drive our business forward and build sustainable value for our shareholders:

"RESOLVED, that, as an advisory matter, the shareholders of Northrop Grumman Corporation approve the compensation paid to the Company's named executive officers as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion."

Vote Required

Approval of Proposal Two requires that the votes cast "for" the proposal exceed the votes cast "against" the proposal. Abstentions and broker non-votes will have no effect on this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL TWO.

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PROPOSAL THREE:
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

The Audit Committee proposes and recommends that the shareholders ratify the Audit Committee's appointment of Deloitte & Touche LLP ("Deloitte") as our independent auditor for 2013. Deloitte served as our independent auditor for 2012. Although ratification is not required by our Bylaws or otherwise, the Audit Committee is submitting the selection of Deloitte to shareholders as a matter of good corporate governance. If the shareholders fail to ratify the appointment of Deloitte, the Audit Committee will consider this in its selection of auditors for the following year. A representative from Deloitte will attend the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions.

Fees Billed By the Independent Auditor

The following table summarizes aggregate fees billed for the years ended December 31, 2012 and 2011 by Deloitte, the member firms of Deloitte Touche Tohmatsu and their respective affiliates:

	2012	2011
Audit Fees (a)	$13,345,000	$13,394,000
Audit-Related Fees (b)	770,000	738,500
Tax-Related Fees (c)	730,000	1,055,000
All Other Fees	—	—
Total Fees	$14,845,000	$15,187,500

(a) Audit fees for 2012 and 2011 each reflect fees of $11,900,000 for the consolidated financial statement audits and include the audit of internal controls pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. Audit fees for 2012 and 2011 also include $1,445,000 and $1,321,000, respectively, for foreign statutory audits. Fees for foreign statutory audits are reported in the year in which the audits are performed. For example, foreign statutory audit fees reported in 2012 relate to audits of the Company's foreign entities for the fiscal year ended 2011. The remaining 2011 audit fees relate to audit services associated with our Form 8-K filing in connection with our presentation of our former shipbuilding business as discontinued operations and our Form S-3 and Form S-8 registration statements.

(b) Audit-related fees reflect fees for services that are reasonably related to the performance of the audit or review of the Company's financial statements, including fees related to independent assessment of controls concerning outsourcing activities of $770,000 for 2012 and $690,500 for 2011. The remaining fees for 2011 relate to attestations that are not required by statute or regulations. Audit-related fees exclude fees that totaled $1,346,000 for 2012 and $1,267,000 for 2011 related to benefit plan audits which are paid for by the plans.

(c) Tax-related fees during 2012 and 2011 reflect fees of $730,000 and $1,055,000, respectively, for services concerning foreign income tax compliance, foreign Value Added Tax compliance and other tax compliance matters.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

It is the Audit Committee's policy to pre-approve all audit and permitted non-audit services provided by any independent auditor in order to ensure that the provision of these services does not impair the independent auditor's independence. These services may include audit services, audit-related services, tax-related services and other services. Pre-approval may be given at any time up to a year before commencement of the specified service. Any pre-approval is detailed as to the particular service or category of services. The Audit Committee has delegated pre-approval authority for any individual project up to a pre-determined amount to the Chairperson of the Audit Committee.

The decisions of the Chairperson to pre-approve a permitted service are reported to the Audit Committee at its next meeting. The independent auditor and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval policy, as well as the fees for the services performed to date.

The Audit Committee approved all audit and non-audit services provided by Deloitte, the member firms of Deloitte Touche Tohmatsu and their respective affiliates during 2012 and 2011, in each case before being engaged to provide those services.

Vote Required

Approval of this proposal requires that the votes cast "for" the proposal must exceed the votes cast "against" the proposal. Abstentions and broker non-votes will have no effect on this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL THREE.

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities over the Company's accounting, auditing and financial reporting processes and risk management process, and for monitoring compliance with certain regulatory and compliance matters. The Audit Committee's written charter describes the Audit Committee's responsibilities and has been approved by the Board of Directors.

Management is responsible for preparing the Company's financial statements and for the financial reporting process, including evaluating the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting.

Deloitte & Touche LLP ("Deloitte"), the Company's independent auditor, is responsible for performing an independent audit of the Company's consolidated financial statements and expressing an opinion on the conformity of the financial statements with accounting principles generally accepted in the United States of America, and on the effectiveness of the Company's internal control over financial reporting.

In connection with the preparation of the Company's financial statements as of and for the year ended December 31, 2012, the Audit Committee reviewed and discussed the audited financial statements with the Company's Chief Executive Officer, Chief Financial Officer and Deloitte. The Audit Committee also discussed with Deloitte the communications required under applicable professional auditing standards and regulations and, with and without management present, discussed and reviewed the results of Deloitte's examination of the financial statements. Additionally, the Audit Committee discussed with the Company's internal auditors the results of their audits completed during 2012.

The Audit Committee received the written disclosures and the letter from Deloitte required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence. In addition, the Audit Committee discussed with Deloitte that firm's independence from the Company.

Based on the Audit Committee's review and discussions described in this report, the Audit Committee recommended to the Board of Directors that the audited financial statements for 2012 be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 for filing with the SEC. The Audit Committee also reappointed Deloitte to serve as the Company's independent auditors for 2013, and requested that this appointment be submitted to shareholders for ratification at the Annual Meeting.

AUDIT COMMITTEE
STEPHEN E. FRANK, CHAIRMAN
VICTOR H. FAZIO
MADELEINE A. KLEINER
AULANA L. PETERS
GARY ROUGHEAD
THOMAS M. SCHOEWE

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PROPOSAL FOUR: SHAREHOLDER PROPOSAL

The Congregation of Sisters of St. Agnes, 320 County Road K, Fond du Lac, Wisconsin 54937, a beneficial owner of 72 shares of common stock of the Company, and American Federation of State, County and Municipal Employees, AFL-CIO Employees Pension Plan, 1625 L Street, N.W., Washington, D.C. 20036, a beneficial owner of 41,583 shares of common stock of the Company, the proponents of a shareholder proposal, have stated that the proponents intend to present a proposal at the Annual Meeting. The proposal and support statement, for which the Board of Directors accepts no responsibility, is set forth below. The Board of Directors opposes the proposal for the reasons stated after this proposal.

Proponent's Resolution

Whereas, corporate lobbying exposes our company to risks that could affect the company's state goals, objectives, and ultimately shareholder value, and

Whereas, we rely on the information provided by our company to evaluate goals and objectives, and we, therefore, have a strong interest in full disclosure of our company's lobbying to assess whether our company's lobbying is consistent with its expressed goals and in the best interests of shareholders and long-term value;

Resolved, the shareholders of Northrop Grumman Corporation ("Northrop Grumman") request the Board authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Northrop Grumman used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Northrop Grumman's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of the decision making process and oversight by management and the Board for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Northrop Grumman is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" included efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted to the Company's website.

Supporting Statement

As shareholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly. We believe such disclosure is in shareholders' best interests. Without adequate accountability, company assets could be used inappropriately or for objectives contrary to Northrop Grumman's long-term interests. For example, Northrop Grumman faced negative publicity for paying an employee lobbyist a $500,000 bonus right before the employee took a job working for the chairman of the House Armed Services Committee ("Northrop Grumman's Bonus to a House Committee Staffer Looks Like a Big Fat Bribe," Business Insider, June 13, 2012).

Northrop Grumman spent approximately $28.5 million in 2010 and 2011 on direct federal lobbying activities (Senate reports). These figures do not include lobbying expenditures to influence legislation in states. Northrop Grumman does not disclose its trade association payments, and it is unclear whether its disclosure of dues used for lobbying includes all payments made to trade associations. Northrop Grumman does not disclose membership in tax-exempt organizations that write and endorse model legislation, such as the American Legislative Exchange Council.

We encourage our Board to require comprehensive disclosure related to direct, indirect and grassroots lobbying.

BOARD OF DIRECTORS' RESPONSE

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST THIS PROPOSAL.

Northrop Grumman's Board of Directors believes it is important that, as a leading provider of solutions that protect our national security, the Company participates in the democratic process, at the federal, state and local level, and engages in the debate on various public policies relating to national security and our operations.

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PROPOSAL FOUR: SHAREHOLDER PROPOSAL

The Board of Directors believes that it is essential that the Company's participation in the political process is fully consistent with all applicable laws and regulations, our principles of good governance, and our high standards of ethical conduct. Consistent with those overarching objectives, the Board supports broad transparency into the Company's political contributions and expenditures.

At the federal level, the Company itself does not make any direct contributions or expenditures in support of candidates for federal office. In addition, the Board of Directors has made clear that as a matter of policy, the Company also shall not engage in independent political expenditures that expressly advocate for the election or defeat of a federal candidate. Any exception to that policy requires specific approval by the Policy Committee of the Board of Directors.

The Company administers the Employees of Northrop Grumman Political Action Committee (ENGPAC), in which employees of the Company who are eligible under law can voluntarily participate, consistent with federal election laws. In addition to supporting the election campaigns of individual candidates, ENGPAC supports national political organizations and leadership political action committees.

At the state and local level, the Company also has concluded that as a matter of policy, it will not make any direct contributions to candidates or their political action committees. The Company will limit its contributions to national level associations of state-wide elected officials to help ensure that our perspective is represented on matters of state and local policy.

The Board supports the Company's involvement in trade, industry and civic groups and associations that generally promote and address the Company's corporate interests as well as provide technical, business, professional or other expertise. Some of these groups and associations use a portion of membership dues for lobbying. When these groups and associations engage in political activity or advocacy, however, they do not necessarily represent the positions of the Company or other individual members.

As noted above, the Company supports transparency into its political activities, including especially political contributions or expenditures. The Company also wants to respond to shareholder concerns regarding accessibility and the adequacy of our transparency. As a result, during 2012 and 2013, the Company enhanced our website to provide even greater transparency into the Company's political expenditures and contributions. These enhancements include:

- Adding a list of specific ENGPAC contributions for the prior calendar year;
- Adding a list of specific direct political contributions to national level gubernatorial associations for the prior calendar; and
- Adding a list of trade associations to which the Company paid $25,000 or more in annual dues in the prior year, including the portion of the Company's dues that the association has estimated is used for lobbying.

To promote effective oversight and strong governance, the Policy Committee of the Board of Directors regularly reviews and monitors the Company's government relations strategy and the manner in which the Company conducts its government relations activities. The Policy Committee also reviews the governance and compliance of the political action committee (ENGPAC) and the Company's policies and practices with respect to political contributions.

Management of the Company's participation in the political process is the responsibility of the Corporate Vice President, Government Relations, who reports directly to the CEO.

As noted above, although legally permissible, the Board of Directors determined that as a matter of policy, the Company would not engage in independent political expenditures that expressly advocate for the election or defeat of a federal candidate. Any exception to that policy would require specific approval by the Policy Committee of the Board of Directors and would have to be consistent with the interests of Northrop Grumman's shareholders and all applicable laws.

ENGPAC has a strong governance structure that includes two levels of oversight. The ENGPAC Steering Committee, comprised of Corporate Vice Presidents, reviews ENGPAC activity and the policies and procedures governing the administration of ENGPAC. The ENGPAC Advisory Committee, including representatives from each sector, meets monthly to provide support for ENGPAC activities within the sectors. To enhance compliance, an external firm with expertise in political action committees conducts a review before distribution of ENGPAC funds.

We believe that the manner in which the Company approaches political activities, including the role of our Board and recent enhancements to our website, substantially address many of the concerns underlying the proposal. With respect to transparency in particular, as discussed above, we disclose all contributions to federal candidates that are made by ENGPAC. We also list all direct contributions to national level gubernatorial associations on our website. Finally, for each association to which the Company pays dues in excess of $25,000, we disclose the portion of dues that we are informed the association estimates is used for lobbying. We do not generally have insight into other more specific trade association expenditures with which the proponents may be concerned, nor do we feel that disclosure of such data would significantly benefit our shareholders. However, in the event that the Company does make payments to trade associations that are designated for specific political purposes and are beyond the annual dues, the Company intends to disclose such contributions annually.

More generally, to the extent the proposal would require the Company to obtain and publicly release information beyond what we currently provide, it appears such additional information would largely be either not accessible to the Company or difficult to

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identify and compile, as well as proprietary. We believe that adopting this proposal would cause the Company to incur significant costs. The Board does not believe it would be in the best interests of our shareholders to require public disclosure of such additional information.

The Board of Directors believes that the breadth of information the Company publicly provides - both voluntarily and as a matter of federal, state and local legal requirements -- coupled with extensive management and Board oversight of the Company's political activities and industry group memberships, provide our shareholders strong controls and transparency.

Vote required

Approval of this proposal requires that the votes cast "for" the proposal must exceed the votes cast "against" the proposal. Abstentions and broker non-votes will have no effect on this proposal.

FOR THESE REASONS, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" PROPOSAL NUMBER FOUR.

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PROPOSAL FIVE: SHAREHOLDER PROPOSAL

Mr. John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, California 90278, a beneficial owner of 100 shares of common stock of the Company, the proponent of a shareholder proposal, has stated that the proponent intends to present a proposal at the Annual Meeting. The proposal and supporting statement, for which the Board of Directors accepts no responsibility, is set forth below. The Board of Directors opposes the proposal for the reasons stated after this proposal.

Proponent's Resolution

Proposal 5 - Independent Board Chairman

RESOLVED: Shareholders request that our board of directors adopt a policy that, whenever possible, the chairman of our board of directors shall be an independent director. An independent director is a director who has not previously served as an executive officer of our Company. This policy should be implemented so as not to violate any contractual obligations in effect when this resolution is adopted. The policy should also specify how to select a new independent chairman if a current chairman ceases to be independent between annual shareholder meetings. To foster flexibility, this proposal gives the option of being phased in and implemented when our next CEO is chosen.

When our CEO is our board chairman, this arrangement can hinder our board's ability to monitor our CEO's performance. Many companies already have an independent Chairman. An independent Chairman is the prevailing practice in the United Kingdom and many international markets. This proposal topic won 50%-plus support at three major U.S. companies in 2012 including 55% support at Sempra Energy.

This is proposal is particular important because we had a weak so-called Lead Independent Director in Lewis Coleman of DreamWorks Animation. Mr. Coleman received $5 million related to his security that included his housing and his DreamWorks related travel by corporate jet. It was difficult to consider Mr. Coleman independent when our company was so responsible for his VIP travel, security and lifestyle. Mr. Coleman seemed to announce his departure abruptly in November 2012 because there was no word on his replacement.

This proposal should also be evaluated in the context of our Company's overall corporate governance as reported in 2012:

GMI/The Corporate Library, an independent investment research firm, rated our company "D" with "High Governance Risk." Also, "High Concern" in Executive Pay - $26 million for our CEO Wesley Bush at a company too big to fail.

Meanwhile, 500 Southern California employees were laid off. And our directors did not turnaround any or most of the low-hanging fruit of strengthening our corporate governance some of which is highlighted in this proposal, which does not require a single layoff or layoff related expense.

Mr. Bush received $7 million in stock options and restricted stock rights that simply vest over time without even job performance requirements. Mr. Bush's equity pay should have job performance requirements in order to align it with shareholder interests and market-priced stock options could provide rewards due to a rising market alone, regardless of Mr. Bush's job performance.

Eight of our directors received double-digits in negative votes. As a comparison certain directors showed that they could get less than 1% in negative votes. The double-digit directors controlled 100% of our executive pay committee and 80% of our nomination committee. And our nomination committee seems to have had an affinity for recruiting directors with experience at companies that went bankrupt - like Karl Krapek from Visteon Corporation and Stephen Frank from Washington Mutual.

Please encourage our board to respond positively to this proposal to protect shareholder value:

Independent Board Chairman - Proposal 5

BOARD OF DIRECTORS' RESPONSE

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST THIS PROPOSAL.

The Board of Directors opposes this proposal because it deprives the Board of important flexibility in determining the most effective leadership structure to serve the interests of the Company and its shareholders. The Board believes the Company is best served when it retains this flexibility.

Under the Company's current Principles of Corporate Governance, the Board has the authority to determine whether the positions of Chair and Chief Executive Officer should be held by the same or different persons. The Board has the flexibility to consider what is best for the Company and its shareholders, in light of all facts and circumstances known to the Board. In today's environment, having considered the experience of the management team, the challenges facing the Company, and the evolving environment in which we operate, the Board has concluded that having the CEO also serve as Chair best positions the Company to be innovative, compete successfully and advance shareholder interests. The Board believes it is important, especially in our changing and challenging environment, to retain the flexibility to determine which structure is most effective.

The Board also does not believe the proposed change is necessary to ensure that the Board effectively monitors the performance of the CEO, contrary to what the proponent suggests. Today, eleven of the Company's twelve directors are independent,

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and the Board regularly holds scheduled sessions of the independent directors at each Board meeting. The Chairs and all members of the Compensation, Governance and Audit Committees are independent directors. The independent directors have ample opportunity to, and regularly do, assess the performance of the CEO and provide meaningful direction.

When the Chair is not independent, the Company's bylaws specifically provide that the independent directors of the Board may designate a Lead Independent Director from among them. The Board has repeatedly exercised that authority and Donald F. Felsinger currently serves as our Lead Independent Director.

In 2012 the Board revised our Principles of Corporate Governance to prescribe more clearly the role of our Lead Independent Director. Among other duties, the Principles of Corporate Governance specify that the Lead Independent Director shall:

- preside at all meetings of the Board at which the Chair is not present, including executive sessions of the independent directors;
- serve as liaison between the Chair and the independent directors;
- approve meeting agendas and information sent to the Board and advise the Chair on these matters;
- approve the schedule of Board meetings to assure that there is sufficient time for discussion of all agenda items and advise the Chair on these matters;
- call meetings of the independent directors;
- interview, along with the Chair of the Board and the Chair of the Governance Committee, Board candidates and make recommendations to the Committee and the Board; and
- if requested by major shareholders, ensure that he or she is available for consultation and direct communication. Any shareholder can communicate with the Lead Independent Director (or any of the directors) as described on page 14 of this Proxy Statement and on the Company's website.

The designation of a Lead Independent Director by the independent directors of the Board demonstrates the Board's continuing commitment to strong corporate governance, Board independence and the important role of Lead Independent Director.

The Board believes that the Company's balanced and flexible corporate governance structure, including a Lead Independent Director with comprehensive and meaningful duties, makes it unnecessary and ill advised to have an absolute requirement that the Chair be an independent director. The Board believes that adopting such a rule would only limit the Board's ability to select the director it believes best suited to serve as Chair of the Board, and is not in the best interests of the Company and its shareholders.

Vote required

Approval of this proposal requires that the votes cast "for" the proposal must exceed the votes cast "against" the proposal. Abstentions and broker non-votes will have no effect on this proposal.

FOR THESE REASONS, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" PROPOSAL NUMBER FIVE.

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Voting on Other Matters

We are not aware of any other business to be transacted at the Annual Meeting. Our Bylaws outline procedures, including minimum notice provisions, for shareholder nominations of directors and submission of other shareholder business to be transacted at the Annual Meeting. A copy of the pertinent Bylaw provisions is available on request to the Corporate Secretary, Northrop Grumman Corporation, 2980 Fairview Park Drive, Falls Church, Virginia 22042. Our Bylaws are also available in the Investor Relations section of our website at www.northropgrumman.com. If any other business properly comes before the Annual Meeting, the shares represented by proxies will be voted in accordance with the judgment of the persons authorized to vote them.

Proposals of Shareholders for the 2014 Annual Meeting

Any shareholder who intends to present a proposal at the 2014 Annual Meeting must deliver the proposal to the Corporate Secretary at Northrop Grumman Corporation, 2980 Fairview Park Drive, Falls Church, Virginia 22042:

not later than December 6, 2013, if the proposal is submitted for inclusion in the Company's proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

not earlier than December 6, 2013 and not later than January 5, 2014, if the proposal is submitted pursuant to the Bylaws, but not pursuant to Rule 14a-8, in which case we are not required to include the proposal in our proxy materials.

Any shareholder who wishes to introduce a proposal should review our Bylaws and applicable proxy rules of the SEC.

Shareholder Nominees for Director Election at the 2014 Annual Meeting

Any shareholder who intends to nominate a person for election as a director at the 2014 Annual Meeting must deliver a notice of such nomination (along with certain other information required by our Bylaws) to the Corporate Secretary at Northrop Grumman Corporation, 2980 Fairview Park Drive, Falls Church, Virginia 22042, not earlier than December 6, 2013 and not later than January 5, 2014.

Householding Information

Some banks, brokers and other nominee record holders may be participating in the practice of "householding." This means that only one copy of the Notice of Internet Availability of Proxy Materials may have been sent to multiple shareholders in a household. We will promptly deliver a separate copy to a shareholder upon written or oral request to the Corporate Secretary at the following address: Northrop Grumman Corporation, 2980 Fairview Park Drive, Falls Church, Virginia 22042 (703) 280-2900. To receive separate copies of the notice in the future, or if a shareholder is receiving multiple copies and would like to receive only one copy for the household, the shareholder should contact his or her bank, broker or other nominee record holder, or may contact the Corporate Secretary at the above address.

Cost of Soliciting Proxies

We will pay all costs of soliciting proxies. We have made arrangements with brokerage houses and other custodians, nominees and fiduciaries to make proxy materials available to beneficial owners. We will, upon request, reimburse them for reasonable expenses incurred. We have retained D.F. King & Co, Inc. of New York at an estimated fee of $17,000, plus reasonable disbursements to solicit proxies on our behalf. Our officers, directors and regular employees may solicit proxies personally, by means of materials prepared for shareholders and employee-shareholders or by telephone or other methods to the extent deemed appropriate by the Board of Directors.

No additional compensation will be paid to such individuals for this activity. The extent to which this solicitation will be necessary will depend upon how promptly proxies are received. We therefore urge shareholders to give voting instructions without delay.

Use of Non-GAAP Financial Measures

This Proxy Statement contains non-GAAP financial measures, as defined by SEC Regulation G. While we believe that these non-GAAP financial measures may be useful in evaluating our financial information, they should be considered as supplemental in nature and not as a substitute for financial information prepared in accordance with GAAP. Definitions for the non-GAAP measures contained in this Proxy Statement and reconciliations are provided below. Other companies may define these measures differently or may utilize different non-GAAP measures.

Cash provided by continuing operations before discretionary pension contributions: Cash provided by continuing operations before the after-tax impact of discretionary pension contributions. Cash provided by continuing operations before discretionary pension contributions has been provided for consistency and comparability of 2012 and 2011 financial performance and is reconciled below.

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Free cash flow provided by continuing operations: Cash provided by continuing operations less capital expenditures (including outsourcing contract & related software costs). We use free cash flow from continuing operations as a key factor in our planning for, and consideration of, strategic acquisitions, stock repurchases and the payment of dividends. This measure should not be considered in isolation, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating results presented in accordance with GAAP. Free cash flow from continuing operations is reconciled below.

Free cash flow provided by continuing operations before discretionary pension contributions: Free cash flow from continuing operations before the after-tax impact of discretionary pension contributions. We use free cash flow from continuing operations before discretionary pension contributions as a key factor in our planning for, and consideration of, strategic acquisitions, stock repurchases and the payment of dividends. This measure should not be considered in isolation, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating results presented in accordance with GAAP. Free cash flow from continuing operations before discretionary pension contributions is reconciled below.

Net FAS/CAS pension income: Pension expense determined in accordance with GAAP less pension expense allocated to the operating segments under U.S. Government Cost Accounting Standards ("CAS"). Net pension income is presented below.

After-tax net pension adjustment per share: The per share impact of the net pension adjustment as defined above, after tax at the statutory rate of 35%, provided for consistency and comparability of 2012 and 2011 financial performance as presented below.

Pension-adjusted diluted EPS from continuing operations: Diluted EPS from continuing operations excluding the after-tax net pension adjustment per share, as defined above. These per share amounts are provided for consistency and comparability of operating results. Management uses pension-adjusted earnings per share from continuing operations, as reconciled below, as an internal measure of financial performance.

Pension-adjusted operating income: Operating income before net pension adjustment as reconciled below. Management uses pension-adjusted operating income as an internal measure of financial performance.

Pension-adjusted operating margin rate: Pension-adjusted operating income as defined above, divided by sales. Management uses pension-adjusted operating margin rate, as reconciled below, as an internal measure of financial performance.

Segment operating income: Total earnings from our four segments including allocated pension expense recognized under CAS. Reconciling items to operating income are unallocated corporate expenses, including unallowable or unallocable portions of management and administration, legal, environmental, certain compensation and retiree benefits, and other expenses; net pension adjustment; and reversal of royalty income included in segment operating income. Management uses segment operating income, as reconciled below, as an internal measure of financial performance of our individual operating segments.

Segment operating margin rate: Segment operating income as defined above, divided by sales. We use segment operating margin rate, as reconciled below, as an internal measure of financial performance.

Reconciliation of Non-GAAP Financial Measures

	Total Year	
($M)	2012	2011
Cash provided by continuing operations before discretionary pension contributions	$2,833	$2,995
After-tax discretionary pension pre-funding impact	(193)	(648)
Cash provided by continuing operations	2,640	2,347
Less:		
Capital expenditures	(331)	(492)
Free cash flow provided by continuing operations	2,309	1,855
After-tax discretionary pension pre-funding impact	193	648
	$2,502	$2,503

Free cash flow provided by continuing operations before discretionary pension contributions

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	Total Year			
($M)	2012		2011	
Segment Operating Income	$3,176		$3,055	
Segment operating margin rate	12.6	%	11.6	%
Reconciliation to operating income				
Unallocated corporate expenses	$(168	)	$(166	)
Net FAS/CAS pension income	132		400	
Other	(10	)	(13	)
Operating income	$3,130		$3,276	
Operating margin rate	12.4	%	12.4	%

	Total Year			
($M)	2012		2011	
Pension-adjusted Operating Highlights				
Operating income	$3,130		$3,276	
Net FAS/CAS pension income	(132	)	(400	)
Pension-adjusted operating income	$2,998		$2,876	
Pension-adjusted operating martin rate	11.9	%	10.9	%

	Total Year			
	2012		2011	
Pension-adjusted Per Share Data				
Diluted EPS from continuing operations	$7.81		$7.41	
After-tax net pension adjustment per share	(0.34	)	(0.92	)
Pension-adjusted diluted EPS from continuing operations	$7.47		$6.49	

Jennifer C. McGarey
Corporate Vice President and Secretary
April 5, 2013

NOTICE: THE COMPANY FILED AN ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2012 ON FEBRUARY 5, 2013. SHAREHOLDERS OF RECORD ON MARCH 19, 2013 MAY OBTAIN A COPY OF THIS REPORT WITHOUT CHARGE FROM THE CORPORATE SECRETARY, NORTHROP GRUMMAN CORPORATION, 2980 FAIRVIEW PARK DRIVE, FALLS CHURCH, VIRGINIA 22042.

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