NORTHROP GRUMMAN CORP /DE/
Form 11-K
June 25, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission file number: 1-16411

A. Full title of the plan and address of the plan, if different from that of the issuer named below:
NORTHROP GRUMMAN SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
NORTHROP GRUMMAN CORPORATION
2980 Fairview Park Drive
Falls Church, Virginia 22042

Northrop Grumman Savings Plan
Financial Statements as of December 31, 2012 and 2011
and for the Year Ended December 31, 2012,
Supplemental Schedule as of December 31, 2012,
and Report of Independent Registered Public Accounting Firm

NORTHROP GRUMMAN SAVINGS PLAN
TABLE OF CONTENTS

NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because of the absence of conditions under which they are required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Benefit Plan Administrative Committee of the
Northrop Grumman Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Northrop Grumman Savings Plan (the “Plan”) as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2012, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan’s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2012 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
June 25, 2013

NORTHROP GRUMMAN SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

$ in thousands	December 31 2012	2011
Assets		
Investment in Northrop Grumman Defined Contribution Plans Master Trust—at fair value	$13,895,349	$12,624,528
Investment in Charles Schwab Personal Choice Retirement Account—at fair value	1,206,860	1,081,872
Short-term investments—at fair value	24,069	19,021
Total investments	15,126,278	13,725,421
Receivables		
Notes receivable from participants	225,599	218,409
Participant contributions	—	310
Employer contributions	—	148
Total receivables	225,599	218,867
Total assets	15,351,877	13,944,288
Liabilities—accrued expenses	2,885	1,762
Total liabilities	2,885	1,762
Net assets available for benefits at fair value	15,348,992	13,942,526
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(241,688)	(197,851)
Net assets available for benefits	$15,107,304	$13,744,675

See notes to financial statements.

NORTHROP GRUMMAN SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

$ in thousands	Year Ended December 31, 2012
Investment income	
Plan interest in Northrop Grumman Defined Contribution Plans Master Trust	$1,372,407
Net appreciation in fair value of other investments	100,469
Dividends	19,079
Interest	498
Total investment income	1,492,453
Additions	
Participant contributions	775,189
Employer contributions	296,497
Interest income on notes receivable from participants	9,019
Total additions	1,080,705
Deductions	
Benefits paid to participants	(1,199,640)
Administrative expenses	(11,394)
Total deductions	(1,211,034)
Transfers	
Transfers from plan merged during the year	505
Total transfers	505
Increase in net assets	1,362,629
Net assets available for benefits	
Beginning of year	13,744,675
End of year	$15,107,304

See notes to financial statements.

NORTHROP GRUMMAN SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012 AND 2011, AND FOR THE YEAR ENDED DECEMBER 31, 2012

1. DESCRIPTION OF THE PLAN

The following description of the Northrop Grumman Savings Plan (the “Plan”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

General

The Plan is a qualified profit-sharing and stock bonus plan that includes an employee stock ownership plan sponsored by Northrop Grumman Corporation (the “Company”) established February 1, 1962, and restated effective August 1, 2010. It covers substantially all hourly and salaried employees of the Company who are at least 18 years old, are citizens or residents of the United States of America ("U.S.") and are not covered under another plan. Nonunion represented employees hired after June 30, 2008, are eligible to participate in this Plan in lieu of a defined benefit pension plan. The Plan's Benefit Plans Administrative and Investment Committees control and manage the operation of the Plan. State Street Bank and Trust Company (“State Street” or the “Trustee”) serves as the Trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

All of the Plan’s investments are participant directed. The Plan holds assets in the Northrop Grumman Defined Contribution Plans Master Trust (the “DC Master Trust”) for its investments, except for temporary (short-term) investments and participant-directed brokerage accounts held in the Charles Schwab Personal Choice Retirement Account (PCRA).

Certain employees hired or rehired on or after July 1, 2008, who meet requirements, are eligible to receive an additional employer contribution known as a Retirement Account Contribution ("RAC"). RAC is calculated and credited each payroll date.

Huntington Ingalls Industries, Inc. Spin-Off

In 2011, the Company completed a spin-off of its shipbuilding business into Huntington Ingalls Industries, Inc. (HII). In connection with the spin-off, the Plan received shares of HII common stock that were placed in the Huntington Ingalls Industries Stock Fund (“HII Stock Fund”). An orderly liquidation of the HII Stock Fund was completed in 2012.

Contributions

Participant contributions are subject to certain limitations imposed by the Internal Revenue Code of 1986, as amended (the "Code"). Contributions can be made on a tax-deferred (before-tax) basis, to a Roth 401(k) on an after-tax basis, or a combination thereof through payroll withholdings. An active participant may change the percentage of his or her contributions at any time. First time eligible employee participants (newly hired, rehired, or certain transfers) are enrolled automatically into the Plan at a two percent tax-deferred contribution rate approximately 45 days after the date of hire, rehire, or transfer unless an alternative election is made. Such contributions are automatically increased by one percent each year thereafter up to a maximum percentage specified in the Plan document.

The Company's matching contributions are generally as follows:

Employee Contribution	Company Match	
First 2% of eligible compensation	100	%
Next 2% of eligible compensation	50	
Next 4% of eligible compensation	25	
Contribution over 8%	—	

The Company will credit participants who meet eligibility requirements with a RAC each pay period in an amount determined as a percentage of eligible compensation for each pay period in accordance with the following table:

Participant's Age	Percentage of Compensation	
Less than 35	3	%
35 – 49	4	
50 or older	5	

Participant Accounts

An account is maintained for each participant. Each participant's account is increased or decreased with the participant's contribution, withdrawals, and allocations of (a) the Company contribution, (b) Plan earnings/losses, and (c) Plan expenses. Allocations are based on participant earnings on account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Plan participants are fully vested at all times in the balance of their accounts for employee contributions and earnings thereon. Plan participants hired before May 1, 2012 are also fully vested at all times in the balance of their accounts for Company matching contributions and earnings thereon. Plan participants hired on or after May 1, 2012, other than participants covered under certain collective bargaining agreements, shall become fully vested in Company's matching contributions, and earnings thereon, upon completion of three years of service. RAC Participants fully vest in Company contributions, and earnings thereon, upon completion of three years of service.

Investment Options

Upon enrollment in the Plan, each participant directs their employee contributions and Company contributions in one percent increments, to be invested in any of the following investment funds. The investment funds are managed by professional investment managers appointed by the Plan's Investment Committee.

Participants may change their investment elections daily. Existing account balances can be transferred daily between investment funds, subject to certain restrictions.

Contributions deposited into each investment fund are used to purchase units of that fund based on unit values that are updated daily prior to any Plan transactions, including contributions, withdrawals, distributions and transfers. The value of each participant's account within each fund depends on two factors: (1) the number of units purchased to date and (2) the current value of each unit.

U.S. Equity Fund — The U.S. Equity Fund consists predominantly of holdings in large- and medium-sized U.S. company stocks. The fund's objectives are to achieve a high total return through long-term growth of capital and the reinvestment of current income.

U.S. Fixed-Income Fund — The U.S. Fixed-Income Fund primarily consists of holdings in marketable, fixed-income securities rated within the three highest investment grades assigned by Moody's Investor Services or Standard & Poor's Corporation, U.S. Treasury or federal agency obligations, or cash equivalent instruments. The fund is diversified by investing in a range of fixed-income securities that mature, on average, in eight to 10 years.

Northrop Grumman Stable Value Fund — Investments in the Northrop Grumman Stable Value Fund ("Stable Value Fund") are diversified among U.S. government securities and obligations of government agencies, bonds, short-term investments, cash and investment contracts issued by insurance companies and banks (see Note 6).

Northrop Grumman Fund — The Northrop Grumman Fund (“NG Stock Fund”) invests primarily in Northrop Grumman Corporation common stock.

Balanced Fund — The Balanced Fund is designed to provide investors with a fully diversified portfolio consisting of targeted proportions of fixed-income securities (35 percent), U.S. equities (45 percent), and international equities (20 percent). The fund seeks to exceed the return of the bond market and approach the return of the stock market, but with less risk than an investment only in stocks.

International Equity Fund — The International Equity Fund consists of stocks of a diversified group of companies in developed countries outside the U.S.. The fund’s objectives are capital appreciation over the long term, along with current income (dividends).

Small Cap Fund — The Small Cap Fund consists of a diversified group of U.S. companies with lower market capitalization and higher revenue growth than the large, well-established companies that make up the S&P 500 Index. The objective is capital appreciation over the long term, rather than to provide current income.

Emerging Markets Fund — The Emerging Markets Fund consists of a diversified portfolio of stocks issued by companies based in developing countries. The fund’s objective is capital appreciation over the long term.

Retirement Path Portfolios — Each retirement path is a broadly diversified portfolio of funds consisting of equities, fixed-income securities, and other investments tailored to the investment time horizon of the investor. The name of each strategy reflects the year when the investor will most likely begin to draw interest and/or principal out of their portfolio. The portfolios are the Retirement Path, the 2020 Retirement Path, the 2030 Retirement Path, the 2040 Retirement Path, and the 2050 Retirement Path.

The plan also offers a self-directed brokerage account provided by Charles Schwab & Co., Inc. The Schwab PCRA enables participants to invest among a selection of more than 6,000 available mutual funds and individual securities.

Participant Loans

Participants may borrow from their fund accounts with loans of a minimum of $1,000 up to a maximum equal to the lesser of $50,000 reduced by the highest outstanding loan balance over the past 12 months, or 50 percent of their vested account balance. A participant may not have more than two outstanding loans at any given time (except for those merged from other plans). Loans are prorated across the participants investment funds and secured by the balance in the participant’s account. The interest rate is fixed on the last business day of each month at the prime rate plus one percent. Repayments are made from payroll deductions (for active employees) or other form of payment (for former employees or employees on a leave of absence). The maximum loan period is five years, except that participants may obtain 15-year loans if used to acquire a dwelling that is the principal residence of the participant. In addition, loans transferred in as the result of a plan merger may have maximum loan periods greater than 15 years. Loans may be repaid early in full; partial early repayments are not permitted. As of December 31, 2012, participant loans have maturities through 2034 at interest rates ranging from 4.25 percent to 11.5 percent.

Payment of Benefits

On termination of employment with the Company (including termination due to death, disability, or retirement), a participant may receive a lump-sum payment of his or her entire account balance (net of any outstanding loan balances). A participant may also delay payment until age 70 $^1/2$, if the account balance exceeds $1,000. Certain partial distributions after termination of employment and before age 70 $^1/2$ are permitted by the Plan. Participants may rollover account balances to individual retirement accounts or another employer’s qualified retirement plan to postpone federal and most state income taxes. Participants with frozen account balances under a previous savings plan may be eligible to elect special distribution options under the previous plan.

Distributions from the NG Stock Fund may be paid in cash, stock, or a combination of both, depending on the participant’s election.

Withdrawals

A participant may withdraw all or a portion of his or her vested account (plus earnings) at any time, limited to one withdrawal per quarter. A participant may withdraw all or a portion of his or her before-tax contributions for any reason after reaching age 59 $^1/2$, or prior to reaching age 59 $^1/2$, in the case of hardship (as described in the Plan document). Withdrawals are limited to the amount of a participant’s account balance net of any loan balances outstanding and are subject to tax withholding as appropriate.

6

Forfeited Accounts

At December 31, 2012 and 2011, forfeited nonvested employer contributions and accounts in the RAC totaled $4,978,000 and $5,155,000 respectively. Any amounts forfeited may be used to reduce the Company's obligation to make Company matching contributions under the Plan or to offset Plan expenses. During the year ended December 31, 2012, employer contributions were reduced by $4,978,000 from forfeited nonvested accounts.

Plan Merger

One savings plan was merged into the Plan during 2012. In connection with the merger, net assets available for plan benefit of $505,000 was transferred into the Plan related to the merged savings plan’s participant accounts.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan invests in various securities, including U.S. and foreign government securities, corporate debt instruments, corporate stocks, asset-backed securities, mortgage-backed securities, registered investment companies, common/collective trust funds and a stable value fund. Investment securities, in general, are exposed to various risks, such as interest rate, credit, U.S. and foreign government, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities may occur in the near term, and those changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition

The Plan’s investments are stated at fair value as determined by the Trustee pursuant to the DC Master Trust Agreement as directed and overseen by the Investment Committee. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan’s investments, including the underlying investments in the DC Master Trust and PCRA, are valued as follows:

Investments in common and preferred stock are valued at the last reported sales price of the stock on the active market on which the securities are traded on the last business day of the plan year. The shares of registered investment companies are valued at quoted market prices that represent the net asset values of shares held by the Plan at year-end. Investments in common/collective trust funds and short-term investments funds are valued based on the redemption price of units owned by the Plan, which is based on the current fair value of each funds’ underlying net assets. Unit values are determined by the financial institution sponsoring such funds by dividing each funds’ net assets at fair value by its units outstanding at the valuation dates. Fair values for other securities, including U.S. government, corporate debt, mortgage-backed, asset-backed and other fixed-income securities, which are not exchange-traded, are valued using third-party pricing services. These pricing services use, for example, recent broker-dealer quotations or model-based pricing methods that use significant observable inputs such as relevant yield curves, credit information of the underlying security, prepayment projections, cash flows and other security characteristics, to determine fair value as of the last trading day of the year. If market values are not available from the above sources, the fair value is provided to the Trustee by the party with authority to trade in such securities (investment managers or the Investment Committee, as applicable).

The fair value of guaranteed investment contracts (GICs) held by the Plan through the Stable Value Fund of the DC Master Trust equals the total fair value of the underlying assets, plus the total contract rebid value, which is calculated by discounting the excess annual rebid fee over the duration of the contract assets. The GICs are considered to be fully benefit-responsive and therefore their carrying value is adjusted from fair market value to contract value in the statements of net assets available for benefits.

All securities and cash or cash equivalents are quoted in the local currency and then converted into U.S. dollars using the appropriate exchange rate obtained by the Trustee. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Broker commissions, transfer taxes, and other charges and expenses incurred in connection with the purchase, sale, or other disposition of securities or other investments are added to the cost of such securities or other investments, or are deducted from the proceeds of the sale or other disposition thereof, as appropriate. Taxes, if any, on fund assets, or on any gain resulting from the sale or other disposition of such assets, or on the earnings of the funds, are apportioned among the participants whose interests in the Plan are affected, and the share of such taxes is apportioned to each such person is charged against his or her account in the Plan.

The Trustee relies on the prices provided by pricing sources, the investment managers, the Investment Committee or the participant's broker as a certification as to value in performing any valuations or calculations required of the Trustee.

The DC Master Trust allocates investment income, realized gains and losses, and unrealized appreciation and depreciation on the underlying securities to the participating plans daily based upon the market value of each plan's investment. The unrealized appreciation or depreciation amount is the aggregate difference between the current fair market value and the cost of investments. The realized gain or loss on investments is the difference between the proceeds received and the average cost of investments sold.

Participant Loans

Participant loans are measured at their outstanding balances, plus accrued interest.

Expenses

Plan expenses are paid by either the Plan or the Plan's sponsor as provided in the Plan document.

Payment of Benefits

Benefit payments to participants are recorded upon distribution. Amounts allocated to accounts of participants who have elected to withdraw from the Plan but have not yet been paid were