



Northrop Grumman Reports First Quarter 2001 Results

April 23, 2001

First Quarter Sales Up 10%; 2001 Economic Earnings Targeted to Grow 15% to 20% Over Last Year

LOS ANGELES, April 23, 2001 -- Northrop Grumman Corporation (NYSE:NOC) today reported first quarter 2001 economic earnings of \$101 million, or \$1.39 per share, compared to \$101 million, or \$1.44 per share, for the first quarter of 2000 based on average diluted shares outstanding of 72.8 million in the first quarter of 2001 compared to 69.9 million in last year's first quarter. Economic earnings are defined as income from continuing operations, excluding the after-tax effects of pension income and amortization of goodwill and other purchased intangibles. First quarter 2001 results do not include the company's acquisition of Litton Industries Inc. (NYSE:LIT), which closed on April 3, 2001.

Under Generally Accepted Accounting Principles (GAAP), the company reported first quarter 2001 net income of \$103 million, or \$1.42 per share, compared to net income from continuing operations of \$156 million, or \$2.23 per share, reported for the first quarter last year. The decrease in net income is primarily due to the previously announced reduction in pension income.

Sales for the first quarter ended March 31 increased 10 percent to nearly \$2.0 billion from \$1.8 billion reported for the first quarter of 2000. Northrop Grumman's operating margin for the quarter was \$190 million, compared with \$287 million reported for the same period a year ago. Operating margin for the first quarter of this year included \$69 million of pension income, significantly lower than the \$140 million in the first quarter of 2000. Pension income for 2001, excluding any income or expense from the Litton pension plans, is expected to be approximately \$280 million. Including Litton, the preliminary estimate for 2001 pension income is \$330 million to \$350 million.

"We are pleased to report another solid quarter of growth in sales and contract acquisitions, led by double digit increases at our Electronic Sensors and Systems Sector (ES3) and Logicon," said Kent Kresa, Northrop Grumman's chairman, president and chief executive officer. "The Litton acquisition, along with our excellent internal growth prospects and a positive defense spending environment, places our company on an excellent growth trajectory. Our recently announced strategic acquisition of Aerojet-General's Electronic Information Systems group will further enhance our position in the dynamic space sensors and systems arena and will also increase our missile defense program capabilities. We are confident that the new Northrop Grumman, with its outstanding management team, technologies and portfolio of businesses, is well positioned to capitalize on the opportunities that lie ahead.

"In order to achieve our synergy goals, we're moving aggressively to integrate Litton's businesses into Northrop Grumman. We're confident that this process will be completed by the end of this year," added Kresa. "With the addition of Litton, we expect sales of more than \$13 billion this year, in line with our previously announced pro-forma sales of \$15 billion. We are targeting 2001 economic earnings per share of \$7.00 to \$7.40, with double-digit increases through 2003."

Litton's financial data will be included in Northrop Grumman's financial statements beginning with the second quarter of 2001.

Northrop Grumman's contract acquisitions increased 51 percent to \$2.2 billion in the first quarter of 2001 from \$1.5 billion in the same period a year ago, with increases at all three of the company's sectors. For the first quarter 2001, the company's Integrated Systems Sector (ISS) reported higher Joint STARS funding; ES3 received full funding on the Wedgetail contract and Logicon reported contract acquisitions from the three companies Northrop Grumman acquired in 2000. The company's business backlog at March 31, 2001, was \$10.3 billion, compared with the \$8.2 billion reported a year earlier.

Sales for ISS were \$733 million in the first quarter, down 14 percent from the same period a year ago, reflecting lower B-2 sales. Operating margin for the quarter was \$80 million, compared with \$100 million reported last year, which included one B-2 delivery.

ES3 reported sales of \$701 million in the first quarter of 2001, a 17 percent increase from the same period of 2000. Operating margin for the quarter was \$36 million, essentially unchanged from the same period a year ago. First quarter 2001 sales included higher automation and information and land combat revenue as well as several new development programs in the Aerospace Electronic Systems business area, such as F-16 block upgrades and Wedgetail. No operating margin is being recorded on these Aerospace programs while they are in the early stages of development.

Logicon reported sales of \$589 million in the quarter ended March 31, 2001, an increase of 56 percent over the same period a year ago. Logicon's sales growth is due to the sales generated by the newly acquired Federal Data, Sterling's Federal Systems Group, and the Federal Systems unit of Comptek Research Inc. Logicon's operating margin was \$24 million in the quarter, down from the \$31 million reported in the first quarter of 2000, which included a \$5 million noncash positive adjustment related to retiree benefits. Logicon's first quarter 2001 operating margin also reflected a \$7 million increase in amortization of goodwill and other purchased intangibles and a change in product mix to lower margin business.

Northrop Grumman's net debt at March 31, 2001, was \$1.5 billion, up from the \$1.3 billion reported at Dec. 31, 2000. Interest expense for the first quarter was \$47 million, essentially unchanged from the \$46 million reported in the first quarter of 2000. In February 2001, Northrop Grumman issued \$1.5 billion in long-term notes and debentures. The proceeds generated \$9 million in interest income in the first quarter of 2001 prior to its use in April 2001 for the Litton acquisition.

Northrop Grumman Corporation is a \$15 billion, global aerospace and defense company with its worldwide headquarters in Los Angeles. Northrop Grumman provides technologically advanced, innovative products, services and solutions in defense and commercial electronics, systems integration, information technology and non-nuclear shipbuilding and systems. With 80,000 employees and operations in 44 states and 25 countries, Northrop Grumman serves U.S. and international military, government and commercial customers.

Note: Certain statements and assumptions in this release contain or are based on "forward-looking" information (that the company believes to be

within the definition in the Private Securities Litigation Reform Act of 1995) and involve risks and uncertainties. Such "forward-looking" information includes the statements above as to the impact of the proposed acquisition on revenues and earnings. Such statements are subject to numerous assumptions and uncertainties, many of which are outside the company's control. These include the company's ability to successfully integrate the operations of Litton, assumptions with respect to future revenues, expected program performance and cash flows, the outcome of contingencies including litigation, environmental remediation, divestitures of businesses, and anticipated costs of capital investments. The company's operations are subject to various additional risks and uncertainties resulting from its position as a supplier, either directly or as subcontractor or team member, to the U.S. Government and its agencies as well as to foreign governments and agencies; actual outcomes are dependent upon factors, including, without limitation, the company's successful performance of internal plans; government customers' budgetary restraints; customer changes in short-range and long-range plans; domestic and international competition in both the defense and commercial areas; product performance; continued development and acceptance of new products; performance issues with key suppliers and subcontractors; government import and export policies; acquisition or termination of government contracts; the outcome of political and legal processes; legal, financial, and governmental risks related to international transactions and global needs for defense equipment, military and civilian electronic systems and support and information technology; as well as other economic, political and technological risks and uncertainties and other risk factors set out in the company's filings from time to time with the Securities and Exchange Commission, including, without limitation, the company's reports on Form 10-K and Form 10-Q.

Northrop Grumman will webcast its security analyst conference call at 2 p.m. E.D.T. on April 23, 2001. A live audio broadcast of the conference call will be available on the investor relations page of the company's Web site at <http://www.northropgrumman.com>. The conference call is also available by calling (303) 267-1021. For those who cannot participate in this call in real time, it will be recorded and available through April 25 by calling (303) 804-1855 and using passcode #987270.

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NORTHROP GRUMMAN CORPORATION
FINANCIAL HIGHLIGHTS
(\$ in millions, except per share)

	FIRST QUARTER	
	2001	2000
FINANCIAL METRICS (Other Data)		
Economic earnings ¹	\$ 101	\$ 101
Economic earnings per share ⁽¹⁾	\$1.39	\$1.44
Net cash provided by (used in) operating activities	\$ (33)	\$ 91
EBITDAP ⁽²⁾	\$ 221	\$ 234
EBITDAP per share ⁽²⁾	\$3.04	\$3.36
Debt to capitalization ratio ⁽³⁾	44%	29%
	MAR. 31 2001	DEC. 31 2000
BALANCE SHEET DATA		
Cash and cash equivalents	\$ 1,636	\$ 319
Accounts receivable	1,493	1,557
Inventoried costs	749	585
Property, plant and equipment, net	1,014	1,015
Total debt	3,105	1,615
Net debt ⁽⁴⁾	1,469	1,296
Shareholders' equity	4,007	3,919
Total assets	11,185	9,622

- (1) Diluted earnings from continuing operations per share excluding pension income and amortization of goodwill and other purchased intangibles, after tax. The company believes that economic earnings is a better performance metric of operating results. Pension income is a noncash item which is impacted more by market conditions than by the entity's results from operations. Amortization of goodwill and other purchased intangibles are also noncash items which do not require recurring cash outflows for replenishment and upgrades like property, plant and

equipment.

- (2) Earnings Before Interest, Taxes, Depreciation, Amortization, and Pension Income
- (3) Total debt divided by the sum of shareholders' equity and total debt
- (4) Total debt less cash and cash equivalents

NORTHROP GRUMMAN CORPORATION
OPERATING RESULTS
QUARTER ENDED MARCH 31, 2001
(\$ in millions, except per share)

	CONTRACT ACQUISITIONS		FUNDED ORDER BACKLOG	
	FIRST QUARTER		MARCH 31,	
	2001	2000	2001	2000
Integrated Systems	\$ 615	\$ 462	\$ 4,173	\$ 4,057
Electronic Sensors & Systems	987	595	5,265	3,518
Logicon	636	437	990	668
Intersegment Eliminations	(38)	(35)	(108)	(87)
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TOTAL SECTOR	\$ 2,200	\$ 1,459	\$ 10,320	\$ 8,156
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	NET SALES FIRST QUARTER		OPERATING MARGIN FIRST QUARTER	
	2001	2000	2001	2000
Integrated Systems	\$ 733	\$ 856	\$ 80	\$ 100
Electronic Sensors & Systems	701	601	36	34
Logicon	589	378	24	31
Intersegment Eliminations	(37)	(33)		
TOTAL SECTOR	\$ 1,986	\$ 1,802	140	165

Other items included in operating margin			
Corporate expenses		(9)	(7)
Deferred state tax provision		(10)	(11)
Pension income		69	140
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Operating margin		190	287
Other income, net		17	2
Interest expense		(47)	(46)
		-----	-----
Income from continuing operations before taxes		160	243
Federal and foreign income taxes		57	87
		-----	-----
Income from continuing operations		103	156

Income from discontinued operations, net of tax 17

Net income	\$ 103	\$ 173
	=====	=====
Diluted earnings per share		
Continuing operations	\$1.42	\$2.23
Discontinued operations		0.24
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Diluted earnings per share	\$1.42	\$2.47
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NORTHROP GRUMMAN CORPORATION
ADDITIONAL SEGMENT INFORMATION
(\$ in millions)

SALES BY BUSINESS AREA WITHIN SEGMENT:	FIRST QUARTER	
	2001	2000

INTEGRATED SYSTEMS

ACS	\$ 406	\$ 502
AEW/EW	166	183
AGS/BM	165	176
Intrasegment Eliminations	(4)	(5)
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	\$ 733	\$ 856
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ELECTRONIC SENSORS AND SYSTEMS

Aerospace Electronic Systems	\$ 325	\$ 257
C3I&N	200	177
Defensive Electronic Systems	83	96
Other	93	71
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	\$ 701	\$ 601
	=====	=====

LOGICON

Government Information Technology	\$ 276	\$ 183
Enterprise Information Technology	141	37
Technology Services	113	117
Commercial Information Technology	59	41
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	\$ 589	\$ 378
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AMORTIZATION OF GOODWILL AND OTHER PURCHASED INTANGIBLES	FIRST QUARTER	
	2001	2000

Integrated Systems	\$ 12	\$ 11
Electronic Sensors and Systems	34	34
Logicon	11	4
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	\$ 57	\$ 49
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