



## Northrop Grumman Reports Higher 2001 Fourth Quarter Results

January 30, 2002

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***Economic Earnings Increase Sales Nearly Double Sector Operating Margin Up 110 Percent Cash Flow From Operations Strong Business Backlog Totals \$21.5 Billion Confirms 2002 Financial Guidance of \$6.60 to \$7.10 EEPS***

Northrop Grumman Corporation (NYSE: NOC) today reported 2001 fourth quarter economic earnings of \$158 million, compared with \$106 million for the same period of 2000. On a per share basis, the company reported 2001 fourth quarter economic earnings of \$1.55 on average diluted shares outstanding of 98.0 million, compared with economic earnings of \$1.46 on average diluted shares outstanding of 72.5 million for the fourth quarter of 2000.

Under Generally Accepted Accounting Principles (GAAP), the company reported fourth quarter 2001 net income of \$131 million, or \$1.28 per share, compared with net income from continuing operations of \$144 million, or \$1.99 per share, for the same period of 2000. The comparable decline reflects a substantial decrease in pension income and increases in interest expense and in the number of shares outstanding.

For the quarter ended Dec. 31, 2001, sales increased to \$4.3 billion compared with \$2.2 billion reported for the fourth quarter of 2000. The increase is primarily due to the contributions of the three companies acquired in 2001: Litton Industries Inc., Newport News Shipbuilding and the Electronics and Information Systems group of Aerojet-General Corporation. Also contributing to the sales increase was strong organic growth at the company's Electronic Systems sector.

Northrop Grumman's operating margin for the 2001 fourth quarter increased 25 percent to \$314 million from \$252 million for the same period last year despite a sharp drop in pension income. Pension income declined to \$88 million from \$128 million reported for the last three months of 2000.

"Today's outstanding results validate our strategy to create a top-tier defense enterprise focused on our customers' current and future needs," said Kent Kresa, chairman and chief executive officer of Northrop Grumman. "Last year's strategic acquisitions -- which added some \$8 billion in annualized revenues -- provided new core competencies and established a solid foundation for future growth."

Mr. Kresa added, "Looking ahead, we expect to focus on several critical areas as demand intensifies for next-generation warfighting capabilities, particularly C4ISR, precision strike, unmanned aerial vehicles and all classes of naval vessels. Another priority will be to support emerging initiatives such as missile defense and homeland security. With more than \$21 billion in business backlog, continued strong operating performance and expected increases in the U.S. defense budget over the next several years, Northrop Grumman's future is certainly bright.

"We are reaffirming our 2002 financial guidance targets and expectations for double-digit revenue and economic earnings growth in 2003," Mr. Kresa concluded.

"We achieved several key operational milestones last year," said Dr. Ronald D. Sugar, Northrop Grumman's president and chief operating officer. "We have made substantial progress integrating newly acquired businesses and established three new operating sectors. Our Electronic Systems sector in particular posted excellent fourth quarter results, generating organic growth in sales and operating margin. Integrated Systems' role on the Joint Strike Fighter program positions the sector for an upturn in sales and our Information Technology sector's expanded capabilities as a result of the Litton acquisition position it to win major programs in 2002.

"Going forward, the watchwords for 2002 are 'execute and integrate' -- execute on our commitments and realize the synergies of our integrated enterprise," Dr. Sugar added.

For the year ended Dec. 31, 2001, the company reported economic earnings of \$517 million, a 21 percent increase compared with 2000 economic earnings of \$429 million. On a per share basis, 2001 economic earnings were \$5.85 on average diluted shares outstanding of 85.3 million, compared with \$6.05 for 2000 on average diluted shares outstanding of 70.9 million.

Under GAAP, the company reported 2001 net income totaling \$427 million, or \$4.80 per share for the year, compared with 2000 net income from continuing operations of \$625 million, or \$8.82 per share. The comparable decline reflects a substantial decrease in pension income and increases in interest expense and in the number of shares outstanding.

Sales for 2001 increased 78 percent to \$13.6 billion from \$7.6 billion for 2000, primarily due to the contributions of the three recently acquired companies. Northrop Grumman's 2001 operating margin was \$1.0 billion, down from the prior year despite a 37 percent decline in pension income to \$337 million from \$538 million in 2000.

Contract acquisitions in 2001 totaled \$24.9 billion, including \$13.6 billion of funded order backlog from the three acquired companies. Business backlog increased to \$21.5 billion, more than double the \$10.1 billion reported for 2000.

Sales at Electronic Systems in the 2001 fourth quarter increased 60 percent to \$1.5 billion from \$962 million in reported sales for the last three months of 2000. Operating margin for the quarter nearly tripled to \$145 million compared with \$55 million for the same period last year. The 2001 sales and margin improvements reflect the contributions by Litton's Advanced Electronics business and the Electronics and Information Systems group of Aerojet-General. The increases are also due to growth at the sector's Combat Avionics Systems, Land Combat Systems and its Automation and Information business areas.

Information Technology reported 2001 fourth quarter sales of \$1.1 billion, more than double the \$537 million in sales reported for the same period of

2000. The increase reflects the contributions from Litton's Information Systems business as well as organic growth in its Enterprise Information Technology business. Operating margin increased to \$45 million for the 2001 fourth quarter compared with \$11 million for the same period in 2000. Last year's fourth quarter operating margin included a \$9 million non cash reduction related to retiree benefits.

Integrated Systems generated 2001 fourth quarter sales of \$784 million, up slightly from the \$779 million in sales reported for the same period a year ago. The sector's operating margin for the quarter was \$42 million compared with \$52 million reported in the fourth quarter of 2000, reflecting lower sales and operating margin in the Airborne Early Warning and Electronics Warfare business area and lower operating margin on unmanned vehicle contracts.

Ships generated sales of \$803 million and operating margin of \$28 million for the fourth quarter. The results include the contributions of Newport News Shipbuilding, acquired by the company on Nov. 29. Although Newport News will operate as a separate sector for the near term, the company has aggregated Newport News and Ships Systems results for financial reporting purposes. Operating margin for the quarter includes a downward cumulative margin rate adjustment of \$13 million on the polar tanker program.

Component Technologies reported 2001 fourth quarter sales of \$127 million and an operating loss of \$12 million. Component Technologies' operating margin continued to be adversely impacted by the downturn in the telecommunications industry and by the effect of additional amortization due to the company's acquisition of Litton. Looking ahead, the sector is well positioned to capitalize on a market turnaround. Component Technologies continues to generate solid performance in its nontelecommunications business.

For the last three months of 2001, the company generated \$405 million of cash from operations, reflecting strong cash performance particularly from the Electronic Systems sector. Northrop Grumman's net debt at Dec. 31, 2001, was \$5.0 billion, up from the \$1.3 billion reported at the end of 2000, reflecting both the assumption of Litton and Newport News debt and increased borrowings to finance last year's three acquisitions. Interest expense for the 2001 fourth quarter was \$104 million, up from the \$40 million reported for the same period of 2000.

Northrop Grumman Corporation is an \$18 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, information technology, systems integration and nuclear and non-nuclear shipbuilding and systems. With approximately 100,000 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 future impacts 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 its acquisitions, 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 domestic and global needs for ships, military aircraft, military and civilian electronic systems and support, information technology and other products; 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.S.T. on Jan. 30, 2002. 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>.

NORTHROP GRUMMAN CORPORATION  
FINANCIAL HIGHLIGHTS  
QUARTER ENDED SEPTEMBER 30, 2001  
(\$ in millions, except per share)

	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
FINANCIAL METRICS (Other Data)				
Economic earnings (see Reconciliation)	\$158	\$106	\$517	\$429
Economic earnings per share	\$1.55	\$1.46	\$5.85	\$6.05
Net cash provided by operating activities	\$405*	\$379	\$597*	\$975
EBITDAP (See Reconciliation)	\$407	\$1,347	\$1,347	\$942
EBITDAP per share	\$4.14	\$15.79	\$15.79	\$13.29
	DEC. 31 2001*	DEC. 31 2000		

Cash and cash equivalents	\$464	\$319
Accounts receivable	2,522	1,557
Inventoried costs	1,525	585
Property, plant and equipment, net	2,767	1,015
Total debt	5,495	1,615
Net debt(1)	5,031	1,296
Mandatorilly redeemable preferred stock	350	--
Shareholders' equity	7,408	3,919
Total assets	\$21,081	\$9,622

Debt to capitalization ratio(2)	41%	29%
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	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Reconciliations from GAAP to financial metrics				
Economic earnings				
Income from continuing operations before taxes	\$214	\$219	\$699	\$975
Amortization of goodwill and purchased intangibles	101	58	379	206
Pension income	(88)	(128)	(337)	(538)
Income tax	(69)	(43)	(224)	(214)
Economic earnings	158	106	517	429
Preferred dividend	(6)	--	(18)	--
Economic earnings available to Common shareholders	\$152	\$106	\$499	\$429
Diluted weighted average common shares outstanding (in Millions)	98.04	72.50	85.26	70.90

Calculation of EDITDAP				
	2001	2000	2001	2000
Income from continuing operations before taxes	\$214	\$219	\$699	\$975
Net interest expense	103	31	340	145
Depreciation	77	41	266	154
Amortization of goodwill and purchased intangibles	101	58	379	206
Pension income	(88)	(128)	(337)	(538)
EBITDAP	\$407	\$221	\$1,347	\$942

\* preliminary amounts

- (1) Total debt less cash and cash equivalents  
(2) Total debt divided by the sum of shareholders' equity, mandatorilly redeemable preferred stock and total debt

NORTHROP GRUMMAN CORPORATION  
OPERATING RESULTS  
(\$ in millions, except per share)

	CONTRACT ACQUISITIONS			
	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Electronic Systems	\$1,551	\$1,111	\$5,771	\$4,370

Information Technology	1,139	907	4,276	2,051
Integrated Systems	750	1,295	2,233	2,990
Ships	6,458	--	12,408	--
Component Technologies	129	--	645	--
Intersegment Eliminations	(208)	(58)	(394)	(186)
TOTAL	\$9,819	\$3,255	\$24,939	\$9,225

FUNDED  
ORDER BACKLOG  
DEC. 31

	2001	2000
Electronic Systems	\$6,031	\$4,979
Information Technology	1,436	943
Integrated Systems	3,523	4,291
Ships	10,528	--
Component Technologies	218	--
Intersegment Eliminations	(249)	(107)
TOTAL	\$21,487	\$10,106

NET SALES

	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Electronic Systems	\$1,543	\$962	\$4,719	\$2,915
Information Technology	1,130	537	3,783	1,717
Integrated Systems	784	779	3,001	3,150
Ships	803	--	1,880	--
Component Technologies	127	--	427	--
Intersegment Eliminations	(83)	(49)	(252)	(164)
TOTAL	\$4,304	\$2,229	\$13,558	\$7,618

OPERATING MARGIN

	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Electronic Systems	\$145	\$55	\$359	\$181
Information Technology	45	11	170	104
Integrated Systems	42	52	258	316
Ships	28	--	19	--
Component Technologies	(12)	--	(38)	--
Total	\$248	\$118	\$768	\$601
Other items included in operating margin:				
Corporate expenses	(16)	(1)	(74)	(17)
Deferred state tax provision	(6)	7	(27)	(24)
Pension income	88	128	337	538
Operating margin	314	252	1,004	1,098
Other income, net	4	7	68	52
Interest expense	(104)	(40)	(373)	(175)
Income from continuing operations before taxes	214	219	699	975
Federal and foreign income taxes	83	75	272	350

Income from continuing operations	131	144	427	625
Income from discontinued operations, net of tax	--	0	--	39
Loss on disposal of discontinued operations, net of tax	--	(19)	--	(56)
Net income	\$131	\$125	\$427	\$608
Diluted earnings per share				
Continuing operations	\$1.28	\$1.99	\$4.80	\$8.82
Discontinued operations	--	--	--	0.55
Disposal of discontinued operations	--	(0.26)	--	(0.79)
Diluted earnings per share	\$1.28	\$1.73	\$4.80	\$8.58

NORTHROP GRUMMAN CORPORATION  
ADDITIONAL SEGMENT INFORMATION  
(\$ in millions)

Sales by business area within segment:	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Electronic Sensors & Systems				
Aerospace Electronic Systems	\$548	\$371	\$1,702	\$1,179
C3I&N	246	326	911	902
Navigation Systems	286	--	798	--
Defensive Electronic Systems	307	191	767	511
Other	156	74	541	323
Total	1,543	962	4,719	2,915
Information Technology				
Government Information Technology	\$630	\$257	\$2,178	\$829
Enterprise Information Technology	285	111	829	229
Technology Services	140	115	515	475
Commercial Information Technology	75	54	261	184
Total	1,130	537	3,783	1,717
Integrated Systems				
ACS	\$421	\$386	\$1,594	\$1,717
AEW/EW	211	235	745	780
AGS/BM	148	163	664	674
Intrasegment Eliminations	4	(5)	(2)	(21)
Total	784	779	3,001	3,150
Ships				
Surface Combatants	\$236	\$--	\$672	\$--
Amphibious & Auxiliary	\$197	\$--	\$514	\$--
Commercial & International	\$77	\$--	\$336	\$--
Aircraft Carriers	\$185	\$--	\$185	\$--
Submarines	\$63	\$--	\$63	\$--
Services & Other	\$68	\$--	\$172	\$--
Intersegment Eliminations	\$(23)	\$--	\$(62)	\$--
Total	\$803	\$--	\$1,880	\$--

Component Technologies	\$127	\$--	\$427	\$--
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Amortization of Goodwill	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Electronic Systems	\$22	\$18	\$81	\$63
Information Technology	16	8	58	19
Integrated Systems	8	9	32	32
Ships	11	--	31	--
Component Technologies	8	--	38	--
Total	65	35	240	114

Amortization of Purchased Intangibles	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Electronic Systems	\$21	\$19	\$81	\$76
Information Technology	5	1	15	2
Integrated Systems	4	3	15	14
Ships	2	--	17	--
Component Technologies	4	--	11	--
Total	\$36	\$23	\$139	\$92

Amortization of Goodwill and Other Purchased Intangibles	FOURTH QUARTER		TOTAL YEAR	
	2001	2000	2001	2000
Electronic Systems	\$43	\$37	\$162	\$139
Information Technology	21	9	73	21
Integrated Systems	12	12	47	46
Ships	13	--	48	--
Component Technologies	12	--	49	--
Total	\$101	\$58	\$379	\$206

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