

NORTHROP GRUMMAN CORP /DE/
Form S-4/A
June 07, 2001

As filed with the Securities and Exchange Commission on June 7, 2001

Registration No. 333-61506

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1

to
FORM S-4
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

NORTHROP GRUMMAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3812
(Primary Standard Industrial
Classification Code Number)

95-4840775
(I.R.S. Employer Identific

1840 Century Park East
Los Angeles, California 90067
(310) 553-6262
(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)

John H. Mullan
Corporate Vice President and Secretary
1840 Century Park East
Los Angeles, California 90067
(310) 553-6262
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Copies to:
Stephen Fraidin
Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
(212) 859-8000

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and upon completion of the transactions described in the enclosed prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. []

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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+The information in this prospectus may change. We may not complete the +
+exchange offer and issue these securities until the registration statement +
+filed with the Securities and Exchange Commission is effective. This +
+prospectus is not an offer to sell these securities and it is not soliciting +
+an offer to buy these securities in any state where the offer is not +
+permitted. +
++++

[NORTHROP GRUMMAN LOGO]
NORTHROP GRUMMAN CORPORATION

Offer To Exchange Each Outstanding Share Of Common Stock
(Including Associated Preferred Stock Purchase Rights)
of
NEWPORT NEWS SHIPBUILDING INC.
for
Shares of Common Stock
of
NORTHROP GRUMMAN CORPORATION
Valued at \$67.50
or
\$67.50 Net to the Seller in Cash

subject, in each case, to the election and proration procedures and limitations described in this prospectus and the related letter of election and transmittal

Our offer and your withdrawal rights will expire at 12:00 midnight, New York

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City time, on June 20, 2001 unless extended. Shares tendered pursuant to our offer may be withdrawn at any time prior to the expiration of our offer, but not during any subsequent offering period.

Northrop Grumman Corporation, a Delaware corporation, hereby offers, upon the terms and subject to the conditions set forth in this prospectus and in the related letter of election and transmittal, to issue shares of Northrop Grumman common stock, par value \$1.00 per share, designed to provide a value of \$67.50 per share, or to pay \$67.50 in cash, for each of the outstanding shares of common stock, par value \$0.01 per share, of Newport News Shipbuilding Inc., a Delaware corporation, including the associated Series A participating cumulative preferred stock purchase rights issued pursuant to the Newport News stockholder protection rights agreement. Each Newport News stockholder will be able to elect to receive cash for all of his or her Newport News shares or Northrop Grumman shares for all of his or her Newport News shares subject, in each case, to the election and proration procedures and limitations described in this prospectus and the related letter of election and transmittal.

The purpose of our offer is for Northrop Grumman to acquire control of, and ultimately the entire common equity interest in, Newport News. We intend, promptly after the completion of our offer, to seek to have Newport News complete a merger with Northrop Grumman or a wholly owned subsidiary of Northrop Grumman in which each outstanding share of common stock of Newport News (except for treasury shares of Newport News and shares beneficially owned directly or indirectly by Northrop Grumman for its own account) would be converted into the right to receive, pro rata, the number of shares of Northrop Grumman common stock and the amount of cash available for our offer and the merger, to the extent those forms of consideration are remaining after completion of our offer, subject to appraisal rights available under Delaware law.

As more fully described in this prospectus, we believe that our proposed business combination with Newport News would be more favorable to you than the proposed merger of Newport News and General Dynamics announced on April 24, 2001. We believe that the General Dynamics proposal raises serious antitrust issues and so has a substantial likelihood of not receiving required governmental approvals and thus not being completed. We believe that our proposal, unlike the General Dynamics proposal, has a high likelihood of completion and would provide you with superior value to that proposed by General Dynamics.

Our obligation to exchange Northrop Grumman common stock and cash for Newport News common stock is subject to the conditions listed under "Our Offer-- Conditions to Our Offer."

Our common stock is listed on the New York Stock Exchange under the symbol "NOC" and Newport News' common stock is listed on the New York Stock Exchange under the symbol "NNS."

See "Risk Factors" beginning on page 20 for a discussion of various factors that you should consider about our offer.

We are not asking you for a proxy and you are requested not to send us a proxy. Any solicitation of proxies will be made pursuant only to separate proxy solicitation materials complying with the requirements of Section 14(a) of the Securities Exchange Act of 1934.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

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The Dealer Manager for Our Offer is

Salomon Smith Barney

The date of this preliminary prospectus is June 7, 2001

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This prospectus incorporates important business and financial information about Northrop Grumman, Litton Industries, Inc. and Newport News from documents filed with the SEC that have not been included in or delivered with this prospectus.

This information is available on the SEC's website at <http://www.sec.gov> and from other sources. See "Where You Can Find More Information" on page 6.

You may also request copies of these documents from us, without charge, upon written or oral request to our information agent, D. F. King & Co., Inc., 77 Water Street, New York, New York 10005, toll-free at 1-800-758-5378.

In order to receive timely delivery of the documents, you must make your requests no later than June 13, 2001 (five business days before the initial scheduled expiration date of our offer).

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QUESTIONS AND ANSWERS ABOUT THE PROPOSED ACQUISITION

Q: What is Northrop Grumman proposing?

A: We are proposing to acquire control of, and ultimately the entire common equity interest in, Newport News by offering to exchange all outstanding shares of Newport News common stock and the associated rights for shares of Northrop Grumman common stock and cash. We intend, promptly after completion of our offer, to seek to merge Newport News with Northrop Grumman or a

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wholly owned subsidiary of Northrop Grumman. As a result of the merger, each share of Newport News common stock that has not been exchanged or accepted for exchange in our offer would be converted into the right to receive, pro rata, the number of shares of Northrop Grumman common stock and the amount of cash available in our offer and the merger, to the extent those forms of consideration are remaining after completion of our offer, subject to appraisal rights.

Q: What will I receive in exchange for my shares?

A: Each person who is a Newport News stockholder will have the opportunity to elect to receive, for those shares of Newport News common stock he or she owns, either

. \$67.50 in cash, without interest, per Newport News share; or

. a number of shares of Northrop Grumman common stock (the "exchange ratio") designed to provide a value of \$67.50, per Newport News share,

subject, in each case, to the election and proration procedures and limitations described more fully in "Our Offer" on page 32.

We will determine the exact exchange ratio by dividing \$67.50 by the average of the closing sale prices for a share of Northrop Grumman common stock on the New York Stock Exchange as reported in The Wall Street Journal over the 10-day trading period ending on the third trading day before we complete our offer (the "Northrop Grumman Stock Value"). However, in no event will the exchange ratio be more than .7941176 ($\$67.50/\85.00) or less than .7105263 ($\$67.50/\95.00).

We will issue 16,636,885 shares of our common stock (the "Northrop Grumman Available Shares") in our offer and the merger. The portion of these shares available in our offer will equal the number of Northrop Grumman Available Shares times the percentage of outstanding Newport News shares tendered in our offer. All Northrop Grumman Available Shares not exchanged in our offer will be issued in the merger. Other than with respect to the "top up" described below, we will not pay more in cash for the Newport News shares in our offer and the merger than \$891,934,380 (subject to increase for fractional shares and to the extent the number of outstanding Newport News shares increases due to option exercises) (the "Base Cash Amount").

If the Northrop Grumman Stock Value is less than \$90.00 but equal to or greater than \$85.00, we will increase the aggregate amount of cash available for our offer and the merger by the product of (a) the excess of \$90.00 over the Northrop Grumman Stock Value and (b) the number of Northrop Grumman Available Shares (the "Top Up Amount").

If the Northrop Grumman Stock Value is less than \$85.00, we will increase the aggregate of amount of cash available for our offer and the merger by the Top Up Amount for an \$85.00 Northrop Grumman Stock Value, but we will not increase it beyond that point.

If the Northrop Grumman Stock Value is greater than \$90.00 but less than or equal to \$95.00, we will reduce the aggregate amount of cash available for our offer and the merger by the product of (a) the excess of the Northrop Grumman Stock Value over \$90.00 and (b) the number of Northrop Grumman Available Shares.

If the Northrop Grumman Stock Value is greater than \$95.00, we will reduce

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the aggregate of amount of cash available for our offer and the merger by reduction for a \$95.00 Northrop Grumman Stock Value as described in the prior paragraph, but we will not reduce the cash beyond that point.

Because of the manner in which the exchange ratio is calculated, stockholders who receive solely Northrop Grumman common stock or a combination of Northrop Grumman common stock and cash in our offer or the merger will receive \$67.50 per share of value (based on the Northrop Grumman Stock Value) if the Northrop Grumman Stock Value is between \$85.00 and \$95.00, will receive less than \$67.50 per share of value if the Northrop Grumman Stock Value is less than \$85.00 and will receive more than \$67.50 of value if the Northrop Grumman Stock Value is more than \$95.00.

To the extent the demand for either the cash or the stock component of our offer exceeds the aggregate amount of cash or stock in our offer, we will prorate the total cash or stock, as the case may be, proportionally among the stockholders who elect that component. Stockholders who do not make an election will be allocated whatever component is remaining (or a proportionate share of each component if neither is oversubscribed), after taking into account the preferences of the tendering stockholders who make elections. We describe our procedures for prorating cash and common stock under the caption "Our Offer--Consideration to Be Paid--Consequences of Over- and Under-Election."

You will not receive any fractional Northrop Grumman shares. Instead, you will receive cash in an amount equal to the market value of the fractional Northrop Grumman shares you would otherwise have been entitled to receive.

Q: How can I find the final exchange ratio?

A: Before our offer expires, we will notify you by issuing a press release announcing the final exchange ratio and by filing the press release with the SEC. We will issue the press release before 9:00 A.M., New York City time, on the second trading day before our offer closes, announcing the final exchange ratio and the average closing price of the Northrop Grumman shares over the 10-day trading period. For more information, see "Our Offer--Consideration to Be Paid."

Q: Why is a transaction with Northrop Grumman better than the proposed merger of Newport News and General Dynamics?

A: We believe that the General Dynamics proposal raises serious antitrust issues, including the creation of a monopoly on the manufacture of submarines and naval nuclear propulsion. We therefore believe that the General Dynamics transaction has a substantial likelihood of not receiving required governmental approvals and thus not being completed. Because there are no program overlaps between Northrop Grumman and Newport News, we believe that our proposal, unlike the General Dynamics proposal, has a high likelihood of completion. In addition, we believe our proposal would then provide you with superior value to that proposed by General Dynamics because you will have (1) the opportunity to receive your consideration on a tax-free basis (as opposed to General Dynamic's fully taxable transaction) and (2) the opportunity to retain an equity interest in one of the industry's leading diversified defense electronics, systems integration, information technology and shipbuilding enterprises, with significant market capitalization and potential for further appreciation.

In addition, our offer has been made based solely on publicly available information regarding Newport News. If we are provided the opportunity to conduct a due diligence review of Newport News, we would be prepared to enter into negotiations immediately with respect to all aspects of our offer.

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Q: How do I participate in your offer?

A: To tender your shares, you should do the following:

- . if you hold shares in your own name, complete and sign the enclosed letter of election and transmittal and return it with your share certificates to Mellon Investor Services LLC, the exchange agent for our offer, at the appropriate address specified on the back cover page of this prospectus before the expiration date of our offer; or

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- . if you hold your shares in "street name" through a broker, instruct your broker to tender your shares before the expiration date of our offer.

Q: Am I required to make an election?

A: No. If you do not make an election, you will still receive payment for your Newport News shares. However, if you have a preference for receiving either Northrop Grumman shares or cash and do not make an election, we will not take your preference into account and you will be allocated whatever component is remaining (or a proportionate share of each component if neither is oversubscribed) after taking into account the preferences of other tendering stockholders.

Q: Will I continue to receive dividends and have voting rights with respect to Newport News shares that I tender to you?

A: Yes. Until we accept your Newport News shares for exchange at the completion of our offer, you will be entitled to receive any dividends paid on your tendered Newport News shares and you will continue to have the right to vote your tendered Newport News shares. Once we complete our offer and exchange all Newport News shares tendered by you in our offer and not properly withdrawn, you will have all dividend and voting rights of a Northrop Grumman stockholder to the extent you acquire Northrop Grumman stock in our offer.

Q: When and how can I withdraw tendered shares?

A: Your tender of Newport News shares pursuant to our offer is irrevocable, except that Newport News shares tendered pursuant to our offer may be withdrawn at any time prior to the expiration date, and, unless we have previously accepted them pursuant to our offer, may also be withdrawn at any time after July 21, 2001. Your withdrawal will be effective only if the exchange agent receives a written notice of withdrawal at one of its addresses on the back cover of this prospectus. The written notice must contain your name, address, social security number, the number of Newport News shares to be withdrawn and the certificate number or numbers for these shares and the name of the registered holder of the shares, if different from the person who tendered the shares. All signatures on the notice of withdrawal must be guaranteed by a financial institution in accordance with the procedures set forth in this prospectus under "Our Offer--Withdrawal Rights" on page 38.

Q: How are you funding your offer?

A: As described more fully under "Our Offer--Source and Amount of Funds" on page 53, we expect to fund the cash portion of our offer from working capital and currently available lines of credit.

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Q: How would you go about completing your proposed acquisition?

A: We have taken several steps in furtherance of our offer, including the following:

- . we have contacted Newport News' board of directors to encourage them to enter into negotiation for a merger between our two companies on mutually favorable terms;
- . we filed on May 18, 2001 the necessary application with the Department of Justice to obtain the regulatory approvals necessary to complete our offer and the merger;
- . we commenced our offer on May 23, 2001; and
- . once we acquire shares in our offer, we plan to have Newport News merge with Northrop Grumman or a wholly owned subsidiary of Northrop Grumman. We expect that Newport News would continue its current operations, except that it would cease to be publicly owned and would instead be wholly owned by Northrop Grumman.

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Q: How long will it take to complete your offer?

A: The timing of completion of our offer will depend on whether and when Newport News meets with us to negotiate an agreement to provide for the completion of our offer and second-step merger. We believe that if we enter into a definitive agreement with Newport News in June, 2001, we could complete our offer in the third quarter of 2001. By tendering your shares, you will be sending a message to Newport News' management and board of directors that you want Newport News to participate in a combination with us.

Q: What are the conditions to your offer?

A: Our offer is subject to several conditions, including:

- . the tender of enough shares of Newport News so that, after the completion of our offer, we own a majority of Newport News shares on a fully diluted basis;
- . the stockholders of Newport News not having approved the merger of General Dynamics and Newport News;
- . the valid termination of the merger agreement between General Dynamics and Newport News;
- . the execution of a definitive merger agreement between Northrop Grumman and Newport News;
- . making Newport News' "poison pill" stockholder rights plan inapplicable to our offer and the proposed Northrop Grumman-Newport News merger;
- . our being satisfied that the provisions of Section 203 of the Delaware General Corporation Law do not apply to our offer and the merger; and
- . the expiration or termination of the waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 applicable to the purchase of Newport News shares under our offer.

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These conditions and other conditions to our offer are discussed in this prospectus under "Our Offer--Conditions to Our Offer."

Q: Will I be taxed on the Northrop Grumman shares and cash that I receive?

A: In general, if you receive only Northrop Grumman shares in our offer and the merger you will not be taxed on the receipt of those shares. If you receive a combination of Northrop Grumman shares and cash or solely cash you will be taxed on the cash received up to the amount of gain, if any, you realize on the exchange (that is the excess, if any, of value of the consideration you receive over the tax basis of the Newport News shares you exchange for that consideration). If you realize a loss on the Newport News shares you exchange, you will not be able to recognize that loss. Special rules apply with respect to cash received in lieu of fractional shares. This treatment assumes that our offer and the merger will be treated as a single integrated transaction for federal income tax purposes. In the opinion of our counsel, Fried, Frank, Harris, Shriver & Jacobson, our offer and the merger will be treated as a single integrated transaction for federal income tax purposes, but that treatment is not free from doubt under some circumstances. For more information, see "Our Offer--Material U.S. Federal Income Tax Consequences of Our Offer and the Merger" on page 42.

Q: What happens if you increase the consideration to be paid in your offer after I have already tendered my shares?

A: All Newport News stockholders will receive the highest consideration paid to any stockholder in our offer. Accordingly, if we were to increase the consideration to be paid in our offer after you have already tendered your shares, you would receive that increased consideration upon the completion of our offer.

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Q: Do the statements on the cover page regarding the possibility that the information in this prospectus may be changed and the registration statement filed with the SEC not yet being effective mean that your offer has not commenced?

A: No. Completion of this prospectus and effectiveness of the registration statement are not necessary for our offer to commence. The SEC recently changed its rules to permit exchange offers to begin before the related registration statement has become effective. We are taking advantage of the rule changes with the goal of combining Northrop Grumman and Newport News faster than similar combinations could previously have been accomplished. We cannot, however, accept for exchange any shares tendered in our offer until the registration statement is declared effective by the SEC and the other conditions to our offer have been satisfied or, where permissible, waived. Our offer commences when we mail this prospectus and the related letter of election and transmittal to Newport News stockholders.

Q: Where can I find out more information about Northrop Grumman and Newport News?

A: You can find out information about Northrop Grumman and Newport News from various sources described under "Where You Can Find More Information" on page 6.

Q: Who can I call with questions about the offer?

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A: You can contact our information agent, D. F. King & Co., Inc., toll free at 1-800-758-5378 if you have questions about our offer or the procedures for tendering your shares.

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WHERE YOU CAN FIND MORE INFORMATION

Northrop Grumman and Newport News file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy this information at the following locations of the SEC:

Public Reference Room	North East Regional Office	Midwest Regional Office
450 Fifth Street, N.W.	7 World Trade Center	500 West Madison Street
Room 1024	Suite 1300	Suite 1400
Washington, D.C. 20549	New York, New York 10048	Chicago, Illinois 60661

You may obtain information on the operation of the Public Reference Rooms by calling the SEC at 1-800-SEC-0330. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 10549, at prescribed rates.

The SEC also maintains an Internet world wide web site that contains reports, proxy statements and other information about issuers like Northrop Grumman and Newport News who file electronically with the SEC. The address of that site is <http://www.sec.gov>.

We filed a registration statement on Form S-4 with the SEC under the Securities Act of 1933 to register the Northrop Grumman common stock to be issued in our offer and the merger. This prospectus is a part of that registration statement. As allowed by SEC rules, this prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement. In addition, on May 23, 2001 we also filed with the SEC a statement on Schedule TO pursuant to Rule 14d-3 under the Exchange Act to furnish various information about our offer. You may obtain copies of the Form S-4 and the Schedule TO, and any amendments to those documents, in the manner described above.

The SEC allows us to "incorporate by reference" information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus.

This prospectus incorporates by reference the documents listed below that Northrop Grumman, Litton Industries Inc. (currently, a 97% owned subsidiary of Northrop Grumman) and Newport News have previously filed with the SEC. These documents contain important information about Northrop Grumman and Newport News and their business, financial condition and results of operations.

The following documents filed by Northrop Grumman with the SEC are incorporated by reference:

- . Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2000, as filed on March 8, 2001;

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- . Quarterly Report on Form 10-Q for the period ended March 31, 2001, as filed on May 10, 2001;
- . Proxy Statement for the Annual Meeting of Stockholders held on May 16, 2001, as filed on April 13, 2001;
- . The description of Northrop Grumman's common stock set forth in Northrop Grumman's registration statement on Form S-4 filed by Northrop Grumman pursuant to Section 12 of the Exchange Act, including any amendment or report filed for purposes of updating the description as filed on March 27, 2001;
- . Current Report on Form 8-K, as filed on April 17, 2001; and
- . Tender Offer Statement on Schedule TO, as filed on May 23, 2001, as it may be amended from time to time.

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The following documents filed by Litton with the SEC are incorporated by reference:

- . Annual Report on Form 10-K for the fiscal year ended July 31, 2000, as filed on October 11, 2000; and
- . Quarterly Report on Form 10-Q for the period ended January 31, 2001, as filed on March 6, 2001.

The following documents filed by Newport News with the SEC are incorporated by reference:

- . Annual Report on Form 10-K for the fiscal year ended December 31, 2000, as filed on March 26, 2001 (except for the report of Newport News' independent accountants contained in that report which is not incorporated in this prospectus by reference because the consent of Newport News' independent accountants has not yet been obtained);
- . Quarterly Report on Form 10-Q for the period ended March 31, 2001, as filed on April 27, 2001;
- . The description of Newport News' common stock set forth in Newport News' registration statement on Form 10 filed by Newport News pursuant to Section 12 of the Exchange Act, including any amendment or report filed for purposes of updating the description as filed on October 30, 1996;
- . Current Reports on Form 8-K, as filed on April 25, 2001; and
- . Solicitation/Recommendation Statement on Schedule 14D-9, as filed on May 4, 2001, and as amended on May 9, 2001, May 14, 2001 and May 17, 2001, and as it may be amended from time to time.

All documents filed by Northrop Grumman or Newport News pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus to the date that shares are accepted for exchange pursuant to our offer (or the date that our offer is terminated) shall also be deemed to be incorporated in this prospectus by reference.

Documents incorporated by reference are available from us without charge upon request to our information agent, D. F. King & Co., Inc., 77 Water Street, New York, New York 10005, toll-free at 1-800-758-5378. In order to ensure

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timely delivery, any request should be submitted no later than June 13, 2001 (five business days before the initial scheduled expiration date of our offer). If you request any incorporated documents from us, we will mail them to you by first class mail, or another equally prompt means, within one business day after we receive your request.

We have not authorized anyone to give any information or make any representation about our offer that is different from, or in addition to, that contained in this prospectus or in any of the materials that we have incorporated by reference into this prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then our offer presented in this prospectus does not extend to you. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies.

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SUMMARY

This summary does not contain all of the information that is important to you. To understand our offer fully, you should read this entire prospectus carefully and the other documents to which this prospectus refers. See "Where You Can Find More Information" on page 6. References to "Northrop Systems" refer to Northrop Grumman Systems Corporation, formerly Northrop Grumman Corporation; references to "Northrop Grumman" refer to Northrop Grumman Corporation, formerly NNG, Inc.; references to "Litton" refer to Litton Industries, Inc.; references to "Newport News" refer to Newport News Shipbuilding Inc. Unless the context requires otherwise, references to "we," "us" or "our" refer collectively to Northrop Grumman and its subsidiaries.

For Each Outstanding Newport News Share We Are Offering to Issue Northrop Grumman Shares Designed to Provide a Value of \$67.50 or Pay \$67.50 in Cash (Page 32)

Each Newport News stockholder will have the opportunity to elect to receive, for those shares of Newport News common stock he or she owns, either

- . \$67.50 in cash, without interest, per Newport News share; or
- . a number of shares of Northrop Grumman common stock (the "exchange ratio") designed to provide a value of \$67.50, per Newport News share,

subject, in each case, to the election and proration procedures and limitations described more fully in "Our Offer" on page 32.

We will determine the exact exchange ratio by dividing \$67.50 by the average of the closing sale prices for a share of Northrop Grumman common stock on the New York Stock Exchange as reported in The Wall Street Journal over the 10-day trading period ending on the third trading day before we complete our offer (the "Northrop Grumman Stock Value"). However, in no event will the exchange ratio be more than .7941176 (\$67.50/\$85.00) or less than .7105263 (\$67.50/\$95.00). We will issue a press release before 9:00 A.M., New York City time, on the second trading day before our offer closes, announcing the exchange ratio and the average closing price of the Northrop Grumman shares over the 10-day trading period.

We will issue 16,636,885 shares of our common stock (the "Northrop Grumman

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Available Shares") in our offer and the merger. The portion of these shares available in our offer will equal the number of Northrop Grumman Available Shares times the percentage of outstanding Newport News shares tendered in our offer. All Northrop Grumman Available Shares not exchanged in our offer will be issued in the merger. Other than with respect to the "top up" described below, we will not pay more in cash for the Newport News shares in our offer and the merger than \$891,934,380 (subject to increase for fractional shares and to the extent the number of outstanding Newport News shares increases due to option exercises) (the "Base Cash Amount").

If the Northrop Grumman Stock Value is less than \$90.00 but equal to or greater than \$85.00, we will increase the aggregate amount of cash available for our offer and the merger by the product of (a) the excess of \$90.00 over the Northrop Grumman Stock Value and (b) the number of Northrop Grumman Available Shares (the "Top Up Amount").

If the Northrop Grumman Stock Value is less than \$85.00, we will increase the aggregate of amount of cash available for our offer and the merger by the Top Up Amount for an \$85.00 Northrop Grumman Stock Value, but we will not increase it beyond that point.

If the Northrop Grumman Stock Value is greater than \$90.00 but less than or equal to \$95.00, we will reduce the aggregate amount of cash available for our offer and the merger by the product of (a) the excess of the Northrop Grumman Stock Value over \$90.00 and (b) the number of Northrop Grumman Available Shares.

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If the Northrop Grumman Stock Value is greater than \$95.00, we will reduce the aggregate of amount of cash available for our offer and the merger by reduction for a \$95.00 Northrop Grumman Stock Value as described in the prior paragraph, but we will not reduce the cash beyond that point.

Because of the manner in which the exchange ratio is calculated, stockholders who receive solely Northrop Grumman common stock or a combination of Northrop Grumman common stock and cash in our offer or merger will receive \$67.50 per share of value (based on the Northrop Grumman Stock Value) if the Northrop Grumman Stock Value is between \$85.00 and \$95.00, will receive less than \$67.50 per share of value if the Northrop Grumman Stock Value is less than \$85.00 and will receive more than \$67.50 of value if the Northrop Grumman Stock Value is more than \$95.00.

To the extent the demand for either the cash or the stock component of our offer exceeds the aggregate amount of cash or stock in our offer, we will prorate the total cash or stock, as the case may be, proportionally among the stockholders who elect that component. Stockholders who do not make an election will be allocated whatever component is remaining (or a proportionate share of each component if neither is oversubscribed), after taking into account the preferences of the tendering stockholders who make elections. We describe our procedures for prorating cash and common stock under the caption "Our Offer--Consideration to Be Paid--Consequences of Over- and Under-Election."

You will not receive any fractional Northrop Grumman shares. Instead, you will receive cash in an amount equal to the market value of the fractional Northrop Grumman shares you would otherwise have been entitled to receive.

We intend, promptly after completion of our offer, to seek to merge Newport News with Northrop Grumman or a wholly owned subsidiary. Each share of Newport News common stock that has not been exchanged or accepted for exchange in our

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offer would be converted into the right to receive, pro rata, the number of shares of Northrop Grumman common stock and the amount of cash available in our offer and the merger, to the extent those forms of consideration are remaining after completion of our offer.

See "Our Offer" on page 32.

The \$67.50 Cash Component May Be Subject to Federal Income Tax, but the Common Stock Component Generally Is Not Expected to Be Subject to Federal Income Tax (Page 42)

In general, if you receive only Northrop Grumman shares in our offer and the merger you will not be taxed on the receipt of those shares. If you receive a combination of Northrop Grumman shares and cash or solely cash you will be taxed on the cash received up to the amount of gain, if any, you realize on the exchange (that is the excess, if any, of value of the consideration you receive over the tax basis of the Newport News shares you exchange for that consideration). If you realize a loss on your Newport News shares you will not be able to recognize that loss. Special rules apply with respect to cash received in lieu of fractional shares. This treatment assumes that our offer and the merger will be treated as a single integrated transaction for federal income tax purposes. In the opinion of our counsel, Fried, Frank, Harris, Shriver & Jacobson, our offer and the merger will be treated as a single integrated transaction for federal income tax purposes, but that treatment is not free from doubt under some circumstances. For more information, see "Our Offer--Material U.S. Federal Income Tax Consequences of Our Offer and the Merger" on page 42.

You are urged to consult your tax advisor to determine the specific tax consequences to you of our offer and the merger, including any federal, state, local, foreign or other tax consequences and any tax return filing or other reporting requirements.

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Information about Northrop Grumman and Newport News (Page 23)

Northrop Grumman
1840 Century Park East
Los Angeles, California 90067
(310) 553-6262

We are a leading global aerospace and defense company providing products and services in defense and commercial electronics, systems integration, information technology and non-nuclear-powered shipbuilding and systems. Northrop Grumman is a holding company formed in connection with the recently completed acquisition of Litton Industries Inc. Northrop Systems is a wholly owned subsidiary of Northrop Grumman. Litton is a 97% owned subsidiary of Northrop Grumman.

Northrop Systems

Northrop Systems is a leading defense electronics, systems integration and information technology company with strong capabilities in military aircraft systems and modifications and marine systems. As a prime contractor, principal subcontractor, partner, or preferred supplier, Northrop Systems participates in many high-priority defense and commercial programs in the United States and abroad.

Litton

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Litton designs, builds and overhauls non-nuclear-powered surface ships and is a provider of defense and commercial electronics technology, components and materials for government and commercial customers world wide. In addition, Litton is a prime contractor to the U.S. Government for information technology services and provides specialized information technology services to commercial customers and governments in local and foreign jurisdictions.

Based on the closing price of Northrop Grumman common stock on May 22, 2001 our market capitalization was approximately \$7.7 billion.

Newport News
4101 Washington Avenue
Newport News, VA 23607
(757) 380-2000

Newport News' primary business is the design, construction, repair, maintenance, overhaul and refueling of nuclear-powered aircraft carriers and submarines for the U.S. Navy. Based on the closing price of Newport News common stock on May 22, 2001, Newport News' market capitalization was approximately \$1.9 billion.

Reasons for Northrop Grumman Offer (Page 25)

We believe that our acquisition of Newport News represents a compelling opportunity to enhance value for both Newport News stockholders and Northrop Grumman stockholders for reasons that include the following:

- . a combination of Northrop Grumman (which recently completed its purchase of Litton) and Newport News would offer a variety of strategic benefits, including making Northrop Grumman a complete full-line shipbuilding competitor and providing an opportunity for significant cost savings to the U.S. Navy and the opportunity for Newport News to realize efficiencies available as part of a larger, more diversified company; and
- . if the proposed General Dynamics transaction is permitted to proceed, it would leave the United States vulnerable with only one nuclear capable builder of submarines and ships. Also, a 1999 Department of Defense analysis indicated that "over 75 percent of the total shipyard engineering

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talent and over 95 percent of the Navy R&D investment would exist in a combined General Dynamics-Newport News entity." This would leave the Navy vulnerable to a General Dynamics virtual monopoly in shipbuilding research and development. We believe that nothing has materially changed since that analysis and that the proposed acquisition of Newport News by General Dynamics would therefore not be in the best interests of the United States, the Navy or Northrop Grumman and its stockholders.

In addition, our offer has been made based solely on publicly available information regarding Newport News. If we are provided the opportunity to conduct a due diligence review of Newport News, we would be prepared to enter into negotiations immediately with respect to all aspects of our offer.

Comparative Market Price Information
(Page 19)

Northrop Grumman common stock trades on the New York Stock Exchange and on

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the Pacific Stock Exchange under the symbol "NOC" and Newport News common stock trades on the New York Stock Exchange under the symbol "NNS."

The following table lists the closing prices of Northrop Grumman common stock and Newport News common stock on May 8, 2001, the last trading day before we announced our offer, and on May 22, 2001, the last trading day before the date of this prospectus.

	Northrop Grumman Common Stock	Newport News Common Stock
	-----	-----
May 8, 2001.....	\$91.50	\$65.00
May 22, 2001.....	90.20	63.91

You should obtain current stock price quotations for Northrop Grumman common stock and Newport News common stock. You can get these quotations from a newspaper, on the Internet or by calling your broker.

Dividend Policy of Northrop Grumman (Page 55)

The holders of Northrop Grumman common stock receive dividends if and when declared by the Northrop Grumman board of directors out of legally available funds. For the past 12 fiscal quarters, we have paid a cash dividend of \$0.40 per common share, and we paid a cash dividend of \$0.40 per common share for our most recent fiscal quarter ended March 31, 2001.

Following completion of our offer and the merger, we expect to continue paying quarterly cash dividends on a basis consistent with our past practice. However, the declaration and payment of dividends will depend upon business conditions, operating results, capital and reserve requirements and our board of directors' consideration of other relevant factors. We can give you no assurance that we will continue to pay dividends on our common stock in the future.

Our Offer (Page 32)

For Each Outstanding Newport News Share We Are Offering to Issue Northrop Grumman Shares Designed to Provide a Value of \$67.50 or to Pay \$67.50 in Cash

Each Newport News stockholder will have the opportunity to elect to receive, for those shares of Newport News common stock he or she owns, either

- . \$67.50 in cash, without interest, per Newport News share; or

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- . a number of shares of Northrop Grumman common stock (the "exchange ratio") designed to provide a value of \$67.50, per Newport News share,

subject, in each case, to the election and proration procedures and limitations described more fully in "Our Offer" on page 32.

Our Offer Is Subject to Various Conditions

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Our obligation to exchange shares of our common stock and cash for Newport News shares pursuant to our offer is subject to several conditions referred to below under "Our Offer--Conditions to Our Offer," including the following conditions:

- . the tender of enough shares of Newport News so that, after the completion of our offer, we own a majority of Newport News shares on a fully diluted basis;
- . the stockholders of Newport News not having approved the merger of General Dynamics and Newport News;
- . the valid termination of the merger agreement between General Dynamics and Newport News;
- . the execution of a definitive merger agreement between Northrop Grumman and Newport News;
- . making Newport News' "poison pill" stockholder rights plan inapplicable to our offer and the merger;
- . our being satisfied that the provisions of Section 203 of the Delaware General Corporation Law do not apply to our offer and the proposed Northrop Grumman-Newport News merger; and
- . the expiration or termination of the waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act applicable to the purchase of Newport News shares under our offer.

These conditions and other conditions to our offer are discussed in this prospectus under "Our Offer--Conditions to Our Offer" on page 49.

Our Offer Is Currently Scheduled to Expire on June 20, 2001

Our offer is scheduled to expire at 12:00 midnight, New York City time, on June 20, 2001. The term "expiration date" means 12:00 midnight, New York City time, on June 20, 2001, unless we extend the period of time for which our offer is open, in which case the term "expiration date" means the latest time and date on which our offer, as so extended, expires.

If we decide to extend our offer, we will make an announcement regarding that extension as described under "Our Offer--Extension, Termination and Amendment" on page 37.

Our Offer May Be Extended, Terminated or Amended

We expressly reserve the right, in our sole discretion, at any time or from time to time, to extend the period of time during which our offer remains open, and we can do so by giving oral or written notice of the extension to the exchange agent. We are not providing any assurance that we will exercise our right to extend our offer, although we currently intend to do so until all conditions have been satisfied or, where permissible, waived. During any extension, all Newport News shares previously tendered and not properly withdrawn will remain subject to our offer, subject to your right to withdraw your Newport News shares.

Subject to the SEC's applicable rules and regulations, we also reserve the right, in our sole discretion, at any time or from time to time:

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- . to delay our acceptance for exchange or exchange of any Newport News shares pursuant to our offer, or to terminate our offer and not accept for exchange or exchange any Newport News shares not previously accepted for exchange or exchanged, upon the failure of any of the conditions of our offer to be satisfied prior to the expiration date, or upon the failure of the condition relating to regulatory approvals to be satisfied at any time after the expiration date regardless of whether we previously accepted for exchange or exchanged any Newport News shares, and
- . to waive any condition (other than the conditions relating to regulatory approvals, the absence of an injunction and the effectiveness of the registration statement for the Northrop Grumman shares to be issued in our offer) or otherwise to amend our offer in any respect, by giving oral or written notice of such delay, termination or amendment to the exchange agent and by making a public announcement.

We will follow any extension, termination, amendment or delay, as promptly as practicable, with a public announcement. In the case of an extension, any related announcement will be issued no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled expiration date. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Exchange Act, which require that any material change in the information published, sent or given to Newport News stockholders in connection with our offer be promptly sent to those stockholders in a manner reasonably designed to inform those stockholders of that change) and without limiting the manner in which we may choose to make any public announcement, we assume no obligation to publish, advertise or otherwise communicate any public announcement of this type other than by making a release to the Dow Jones News Service.

Delivery of Northrop Grumman Common Stock and Cash to Occur Promptly After the Expiration Date

Upon the terms and subject to the conditions of our offer (including, if our offer is extended or amended, the terms and conditions of any extension or amendment), we will accept for exchange, and will exchange, Newport News shares validly tendered and not properly withdrawn promptly after the expiration date and promptly after they are tendered during any subsequent offering period.

Tendered Shares May Be Withdrawn at Any Time Prior to the Exchange of Those Shares

Your tender of Newport News shares pursuant to our offer is irrevocable, except that Newport News shares tendered pursuant to our offer may be withdrawn at any time prior to the expiration date, and, unless we previously accepted them pursuant to our offer, may also be withdrawn at any time after July 21, 2001.

We May Provide a Subsequent Offering Period

We may elect to provide a subsequent offering period of not less than three or more than 20 business days after the acceptance of Newport News shares pursuant to our offer if the requirements of Rule 14d-11 under the Exchange Act have been met. You will not have the right to withdraw Newport News shares that you tender in the subsequent offering period, if any.

Procedure for Tendering Shares

For you to validly tender Newport News shares pursuant to our offer:

- . a properly completed and duly executed letter of election and

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transmittal, along with any required signature guarantees, or an agent's message in connection with a book-entry transfer, and any other required documents, must be received by the exchange agent at one of its addresses set forth on the back cover of this prospectus, and certificates for tendered Newport News shares must be received by

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the exchange agent at one of those addresses, or those Newport News shares must be tendered pursuant to the procedures for book-entry tender set forth (and a confirmation of receipt of that tender received), in each case before the expiration date; or

- . you must comply with the guaranteed delivery procedures set forth in "Our Offer--Guaranteed Delivery."

No Appraisal Rights in Connection with Our Offer (Although Appraisal Rights Will Exist in Connection with the Merger) (Page 48)

Although Newport News stockholders do not have appraisal rights as a result of our offer, Newport News stockholders who have not validly tendered their shares in our offer and do not vote in favor of the merger will have the right under the Delaware General Corporation Law to dissent and demand appraisal of their Newport News shares in accordance with Section 262 of the Delaware General Corporation Law in connection with the merger. See "Our Offer--Purpose of Our Offer; the Merger; Appraisal Rights."

Northrop Grumman Will Account for the Merger Using the "Purchase" Method (Page 54)

Northrop Grumman will account for the merger as a purchase for financial reporting purposes.

Forward-Looking Statements May Prove Inaccurate (Page 69)

Various information included in this prospectus and in the documents incorporated by reference are forward-looking statements within the meaning of the securities laws. These include statements and assumptions with respect to expected future revenues, margins, program performance, earnings and cash flows, acquisitions of new contracts, the outcome of competitions for new programs, the outcome of contingencies including litigation and environmental remediation, the effect of completed and planned acquisitions and divestitures of businesses or business assets, the anticipated costs of capital investments, and anticipated industry trends. Actual results and trends may differ materially from the information, statements and assumptions as described, and actual results could be materially more or less than planned.

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NORTHROP GRUMMAN

SELECTED HISTORICAL AND UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following table sets forth selected consolidated financial data for Northrop Systems (formerly Northrop Grumman Corporation) for each of the years in the five-year period ended December 31, 2000 and for the quarter ended March 31, 2000 and for Northrop Grumman for the quarter ended March 31, 2001, and selected unaudited pro forma condensed combined financial data of Northrop Grumman, Litton and Newport News for the year ended December 31, 2000 and the

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quarter ended March 31, 2001. Consolidated financial data for the years ended December 31, 2000, 1999, 1998 and 1997 have been derived from, and are qualified by reference to, the audited consolidated financial statements and notes thereto filed by us with the SEC. Consolidated financial data for the year ended December 31, 1996 and for the three months ended March 31, 2001 and 2000 have been derived from unaudited consolidated financial statements and notes thereto of Northrop Systems and Northrop Grumman. This data does not give effect to the Litton acquisition or the resulting debt. See also "Where You Can Find More Information" and "Unaudited Pro Forma Condensed Combined Financial Information."

The operating results for the quarter ended March 31, 2001 are not necessarily indicative of results for the full fiscal year ending December 31, 2001. Newport News stockholders should read this summary together with the financial statements referred to below and incorporated by reference and their accompanying notes and in conjunction with management's discussion and analysis of operations and financial conditions of Northrop Grumman, Litton and Newport News contained in such reports. Earnings per share is calculated by dividing income from continuing operations available for the holders of common stock by the weighted average number of shares outstanding.

The Unaudited Pro Forma Condensed Combined Financial Data is based upon the historical financial statements of Northrop Systems, Northrop Grumman, Litton and Newport News adjusted to give effect to the Litton and Newport News acquisitions. The pro forma adjustments are described in the accompanying notes on page 60. The pro forma statements have been developed from (a) the audited consolidated financial statements of Northrop Systems contained in its Annual Report on Form 10-K/A for the year ended December 31, 2000 and the unaudited consolidated financial statements of Northrop Grumman contained in its Quarterly Report on Form 10-Q for the three months ended March 31, 2001, which are incorporated by reference in this prospectus, (b) the audited consolidated financial statements of Litton contained in its Annual Report on Form 10-K for the fiscal year ended July 31, 2000 and the unaudited consolidated financial statements of Litton contained in its Quarterly Report on Form 10-Q for the period ended January 31, 2001, which are incorporated by reference in this prospectus, and (c) the audited consolidated financial statements of Newport News contained in its Annual Report on Form 10-K for the year ended December 31, 2000 and the unaudited consolidated financial statements of Newport News contained in its Quarterly Report on Form 10-Q for the quarter ended March 18, 2001, which are incorporated by reference in this prospectus. In addition, the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 and the unaudited consolidated financial statements of Litton contained in Litton's Quarterly Reports on Form 10-Q for the period ended January 31, 2001 have been used to bring the financial reporting periods of Litton to within 90 days of those of Northrop Systems and Northrop Grumman.

The final determination and allocation of the purchase price paid for the Litton and Newport News acquisitions may differ from the amounts assumed in this Unaudited Pro Forma Condensed Combined Financial Data.

Under the purchase method of accounting, the purchase price will be allocated to the underlying tangible and intangible assets and liabilities acquired based on their respective fair market values, with the excess recorded as goodwill. As of the date of this prospectus, Northrop Grumman has not completed the valuation

studies necessary to arrive at the required estimates of the fair market value of the Litton assets acquired, the Newport News assets to be acquired, and the

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Litton liabilities assumed and the Newport News liabilities to be assumed and the related allocations of purchase price, nor has it identified the adjustments necessary, if any, to conform Litton or Newport News data to Northrop Grumman's accounting policies. Accordingly, Northrop Grumman has used the historical book values of the assets and liabilities of Litton and Newport News and has used the historical revenue recognition policies of Litton and Newport News to prepare the unaudited pro forma financial statements set forth herein, with the excess of the purchase price over the historical net assets of Litton and Newport News recorded as goodwill and other purchased intangibles. Once Northrop Grumman has completed the valuation studies necessary to finalize the required purchase price allocations and identified any necessary conforming changes, these pro forma financial statements will be subject to adjustment. These adjustments will likely result in changes to the pro forma statement of financial position to reflect the final allocation of purchase price and the pro forma statement of income, and there can be no assurance that these adjustments will not be material.

The Unaudited Pro Forma Condensed Combined Financial Data is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Northrop Grumman would have been had our offer and the Litton acquisition occurred on the date assumed, nor is it necessarily indicative of future consolidated results of operations or financial position.

The Unaudited Pro Forma Condensed Combined Financial Data does not include the realization of cost savings from operating efficiencies, synergies or other restructurings resulting from the Litton and Newport News acquisitions.

The Unaudited Pro Forma Condensed Combined Financial Data should be read in conjunction with the separate historical consolidated financial statements and accompanying notes of Northrop Systems, Northrop Grumman, Litton and Newport News that are incorporated by reference in this prospectus and the unaudited pro forma condensed combined financial information on page 56.

	Northrop Grumman/ Litton/Newport News			Northrop Grumman/ Litton/Newport News				
	Pro Forma	Historical Data		Pro Forma	Historical Data			
	Quarter Ended	March 31,		Year Ended	Year Ended			
	2001	2001	2000	December 31,	2000	1999	1998	1997
(in millions, except per share data)								
Operating Data:								
Net sales.....	\$ 3,816	\$ 1,986	\$1,802	\$15,316	\$7,618	\$7,616	\$7,367	\$7,798
Income from continuing operations, net of tax.....	112	103	156	674	625	474	193	318
Basic earnings per share, from continuing operations.....	1.04	1.43	2.23	6.48	8.86	6.84	2.82	4.76
Diluted earnings per share, from continuing operations.....	1.03	1.42	2.23	6.45	8.82	6.80	2.78	4.67
Cash dividends per share.....	.40	.40	.40	N/A	1.60	1.60	1.60	1.60

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Balance Sheet Data:

Total assets.....	\$20,602	\$11,185	\$9,389	N/A	\$9,622	\$9,285	\$9,536	\$9,677
Total long-term obligations.....	9,592	4,594	3,446	N/A	3,015	3,564	4,319	4,339

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SELECTED HISTORICAL FINANCIAL DATA OF NEWPORT NEWS

The following is a summary of selected consolidated financial data of Newport News for each of the years in the five-year period ended December 31, 2000 and the quarters ended March 18, 2001 and March 19, 2000. The operating results for the quarter ended March 18, 2001 are not necessarily indicative of results for the full fiscal year ended December 31, 2001. This information is derived from the audited consolidated financial statements of Newport News contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2000, the unaudited consolidated financial statements of Newport News contained in its Quarterly Reports on Form 10-Q for the periods ended March 18, 2001 and March 19, 2000, and is qualified in its entirety by such documents. See "Where You Can Find More Information" on page 6. You should read this summary together with the financial statements which are incorporated by reference in this prospectus and their accompanying notes and in conjunction with management's discussion and analysis of operations and financial conditions of Newport News contained in such reports.

	Quarter Ended		Year Ended December 31,				
	March 18, 2001	March 19, 2000	2000	1999	1998	1997	1996
	(in millions, except per share data)						
Operating Data:							
Revenues.....	\$ 485	\$ 469	\$2,072	\$1,863	\$1,862	\$1,707	\$1,870
Net earnings (loss)...	24	21	90	97	66	(48)	55
Net earnings (loss) per common share, basic.....	.80	.65	2.91	2.83	1.91	(1.39)	1.60
Net earnings (loss) per common share, diluted.....	.75	.63	2.77	2.72	1.85	(1.39)	1.60
Cash dividends declared per share (a).....	.04	.04	.16	.16	.16	.16	-
Balance Sheet Data:							
Total assets.....	\$1,489	\$1,490	\$1,476	\$1,512	\$1,600	\$1,515	\$1,535
Total long-term obligations (b).....	891	889	915	917	972	949	1,001

(a) Cash dividends declared per common share were four cents per share for each quarter in 2000, 1999, 1998, and 1997. Since Newport News was a wholly owned subsidiary prior to December 12, 1996, there are no comparable results for prior periods.

(b) In order to conform to the presentation used by Northrop Grumman, the postretirement benefit liability, which is reported as a current liability in the audited consolidated financial statements of Newport News contained

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in its annual reports on Form 10-K for the fiscal years ended December 31, 2000, 1999 and 1998 and in its quarterly reports on Form 10-Q for the periods ended March 18, 2001 and March 19, 2000, has been reclassified to total long-term obligations.

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COMPARATIVE PER SHARE INFORMATION

The following table summarizes unaudited per share information for Northrop Systems, Northrop Grumman, Litton and Newport News on an historical, pro forma combined and equivalent pro forma combined basis. The following information should be read in conjunction with the audited consolidated financial statements of Northrop Systems, Litton and Newport News, the unaudited interim consolidated financial statements of Northrop Grumman, Litton and Newport News, and the unaudited pro forma condensed combined financial information included elsewhere or incorporated by reference in this prospectus. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if our offer, the Newport News merger and the Litton acquisition had been completed as of the beginning of the respective periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined companies. The historical book value per share is computed by dividing total stockholders' equity by the number of common shares outstanding at the end of the period. The pro forma per share earnings from continuing operations is computed by dividing the pro forma income from continuing operations available to holders of common stock by the pro forma weighted average number of shares outstanding. The pro forma combined book value per share is computed by dividing total pro forma stockholders' equity by the pro forma number of common shares outstanding at the end of the period. Newport News equivalent pro forma combined per share amounts are calculated by multiplying Northrop Grumman pro forma combined per share amounts by .75, the percentage of a share of Northrop Grumman common stock that would be exchanged for each share of Newport News common stock in our offer, based upon a Northrop Grumman common stock price of \$90.00 per share. The historical per share information of Litton and Newport News was derived from their respective historical annual and quarterly financial statements and was adjusted as necessary to bring the information to within 90 days of the dates listed below.

	Quarter Ended March 31, 2001	Year Ended December 31, 2000
	-----	-----
Northrop Grumman and Northrop Systems --		
Historical		
Historical per common share:		
Income per basic share.....	\$ 1.43	\$ 8.86
Income per diluted share.....	1.42	8.82
Dividends declared-Common.....	0.40	1.60
Dividends declared-Preferred.....	--	--
Book value per share.....	55.43	54.38
Litton -- Historical		
Historical per common share:		
Income per basic share.....	\$ 1.08	\$ 4.95
Income per diluted share.....	1.06	4.90
Dividends declared-Common.....	--	--
Dividends declared-Preferred.....	0.50	2.00
Book value per share.....	35.24	35.24

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Newport News -- Historical

Historical per common share:

Income per basic share.....	\$ 0.80	\$ 2.91
Income per diluted share.....	0.75	2.77
Dividends declared-Common.....	0.04	0.16
Dividends declared-Preferred.....	--	--
Book value per share.....	8.75	8.69

Unaudited Pro Forma Combined

Unaudited pro forma per share of Northrop

Grumman common shares:

Income per basic share.....	\$ 1.04	\$ 6.48
Income per diluted share.....	1.03	6.45
Dividends declared-Common.....	0.40	1.60
Dividends declared-Preferred.....	1.75	7.00
Book value per share.....	65.02	N/A

Unaudited Pro Forma Newport News Equivalents

Unaudited pro forma per share of Newport

News common shares:

Income per basic share.....	\$ 0.78	\$ 4.86
Income per diluted share.....	0.77	4.84
Dividends declared-Common.....	0.30	1.20
Dividends declared-Preferred.....	1.31	5.25
Book value per share.....	48.77	N/A

Comparative Market Data (See page 55)

Northrop Grumman's common stock trades on the New York Stock Exchange and on the Pacific Stock Exchange under the symbol "NOC" and Newport News' common stock trades on the New York Stock Exchange and on the Chicago Stock Exchange under the symbol "NNS." The following table presents trading information for Northrop Grumman and Newport News common stock on May 8, 2001 and May 22, 2001. May 8, 2001 was the last trading day before the announcement of our intention to make an offer for Newport News shares and May 22, 2001 was the last trading day before the date of this prospectus. Newport News equivalent per share amounts are calculated by multiplying Northrop Grumman per share amounts by .75, the percentage of a share of Northrop Grumman common stock that would be exchanged for each share of Newport News common stock in our offer, based upon a Northrop Grumman common stock price of \$90.00 per share. You should read the information presented below in conjunction with "Comparative Per Share Market Price and Dividend Information" on page 55.

	Northrop Grumman Common Stock			Newport News Common Stock			Newport News Equivalent Per Share		
	High	Low	Closing	High	Low	Closing	High	Low	Closing
May 8, 2001..	\$92.46	\$90.74	\$91.50	\$65.20	\$64.93	\$65.00	\$69.35	\$68.06	\$68.63
May 22, 2001.....	91.25	89.58	90.20	64.45	63.90	63.91	68.44	67.19	67.65

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RISK FACTORS

In deciding whether to tender your shares pursuant to our offer, you should read carefully this prospectus and the documents to which we refer you. You should also carefully consider the following factors:

The Anticipated Benefits of the Acquisition May Not Be Realized and as a Result the Price of Northrop Grumman Shares May Decline

If we complete the proposed acquisition, Northrop Grumman expects that Newport News initially will continue to operate as a separate business from that of Northrop Grumman. However, there will be inherent challenges in transferring ownership of Newport News to Northrop Grumman. These challenges may result in significant diversions of management time and attention. Our current efforts to integrate the Litton acquisition may also contribute to the diversion of management time and attention. In addition, the acquisition of Newport News could result in business or operational difficulties not currently anticipated by Northrop Grumman. As a result, Northrop Grumman may not realize the benefits it anticipates from the ownership of Newport News and so Northrop Grumman's business could be adversely affected.

Exchange Ratio of Our Offer Could Work to Your Disadvantage

We are offering to exchange shares of Northrop Grumman common stock designed to have a value of \$67.50, or \$67.50 in cash, at your election, for each outstanding share of Newport News common stock you own, subject, in each case, to the election and proration procedures and limitations described in this prospectus and the related letter of election and transmittal. If you receive Northrop Grumman common stock (either because you have elected to receive Northrop Grumman shares or because of the allocation procedures), you will not be able to capture gains from possible increases in value of Newport News common stock. Also, while you may benefit from possible increases in value in Northrop Grumman common stock, you may incur losses from possible decreases in value in Northrop Grumman common stock. In particular, because of the manner in which the exchange ratio is calculated, stockholders who receive solely Northrop Grumman shares or a combination of Northrop Grumman shares and cash in our offer or the merger will receive less than \$67.50 per share of value if the value of Northrop Grumman shares determined for purposes of the exchange ratio is less than \$85.00.

You May Not Receive All Consideration in the Form You Have Elected

At the time you tender your shares and make your election, you will not know exactly what combination of stock and/or cash you will receive because it will also depend upon the elections made by other tendering stockholders. You can tell us your preference to receive either Northrop Grumman common stock designed to have a value of \$67.50 or \$67.50 in cash for each of your Newport News common shares, and you will receive either cash, Northrop Grumman common stock, or a combination of cash and Northrop Grumman common stock, based upon your stated preference and the preferences of other tendering stockholders. To the extent the demand for either the cash or the stock component of our offer exceeds the aggregate amount of cash or stock in our offer, we will prorate the total cash or stock, as the case may be, proportionally among the stockholders who elect that component. Stockholders who do not make an election will be allocated whatever component is remaining (or a proportionate share of each component if neither is oversubscribed), after taking into account the preferences of the tendering stockholders who make elections. We describe our procedures for prorating cash and common stock under the caption "Our Offer--Consideration to Be Paid--Consequences of Over- and Under-Election."

The Receipt of Northrop Grumman Shares in Connection with Our Offer May Be Taxable to You

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If our offer and the merger are not treated as an integrated transaction for federal income tax purposes, or if the merger is not completed, the exchange of your Newport News shares for Northrop Grumman shares will be taxable to you for U.S. federal income tax purposes. In the opinion of Fried, Frank, Harris, Shriver & Jacobson, our counsel, our offer and the merger will be treated as an integrated transaction, but that treatment is not free from doubt under some circumstances. See "Our Offer--Material U.S. Federal Income Tax

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Consequences of Our Offer and Merger--Treatment of Our Offer and the Merger for Tax Purposes as a Single Transaction" on page 43.

The treatment of exchange of your Newport News shares for Northrop Grumman shares as a tax free transaction for federal income tax purposes will depend on several factors that have been assumed will be true but will not be definitively known prior to completion of our offer and the merger, including assumptions regarding the value of the Northrop Grumman shares at the time of the transaction. For more information, see "Our Offer--Material U.S. Federal Income Tax Consequences of Our Offer and the Merger--Tax Consequences if the Offer and Merger Are Treated as a Single Transaction" on page 43.

You are urged to consult your tax advisor to determine the specific tax consequences to you of our offer and the merger, including any federal, state, local, foreign or other tax consequences, and any tax return filing or other reporting requirements.

Resales of Northrop Grumman Shares Following Our Offer May Cause the Market Price of that Stock to Fall, Decreasing the Value of the Northrop Grumman Shares Issued in Our Offer

As of May 21, 2001, Northrop Grumman had 85,317,361 shares of common stock outstanding and also had options outstanding to purchase an additional 5,505,727 shares of common stock. We expect that we will issue 16,636,885 shares in connection with our offer and the subsequent merger. The sale of those new shares and the sale of additional shares of our common stock that may become eligible for sale in the public market from time to time upon exercise of options could have the effect of depressing the market price for our common stock. This could negatively affect those who receive our shares in connection with our offer or the subsequent merger.

The Trading Price of Northrop Grumman Common Stock May Be Affected by Factors Different from Those Affecting the Price of Newport News Common Stock

Upon completion of our offer and the merger, holders of Newport News common stock will become holders of Northrop Grumman common stock. Northrop Grumman's business differs from that of Newport News, and Northrop Grumman's results of operations, as well as the trading price of Northrop Grumman common stock, may be affected by factors different from those affecting Newport News' results of operations and the price of Newport News common stock.

Failure to Complete the Merger Could Negatively Impact Newport News' Stock Price and Future Business and Operations

If the merger is not completed for any reason, Newport News may be subject to a number of material risks, including the following:

- . the price of Newport News common stock may decline to the extent that the current market price of Newport News common stock reflects a market assumption that a merger will be completed; and

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- . costs incurred by Newport News related to the merger, including legal and accounting fees as well as a portion of the financial advisor fees that would be payable upon completion of the merger, must be paid by Newport News even if the merger is not completed.

Our Indebtedness Following Our Offer Will Be Higher Than Our Existing Indebtedness

The indebtedness of Northrop Grumman as of March 31, 2001 was approximately \$3.105 billion. Northrop Grumman's pro forma indebtedness as of March 31, 2001 giving effect to the Litton acquisition and our offer and the merger (as described in "Selected Historical and Unaudited Pro Forma Combined Financial Data") is approximately \$7.004 billion. As a result of the increase in debt, demands on the cash resources of Northrop Grumman will increase after the merger, which could have important effects on an investment in our common stock. For example, the increased levels of indebtedness could:

- . reduce funds available for investment in research and development and capital expenditures; or
- . create competitive disadvantages compared to other companies with lower debt levels.

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Successful Integration of the Northrop Grumman and Newport News Business Is Not Assured

Integrating and coordinating the operations and personnel of Northrop Grumman and Newport News will involve complex technological, operational and personnel-related challenges. This process will be time-consuming and expensive, and may disrupt the business of the companies. In addition, integration of the Litton acquisition is expected to require significant management time and attention. The integration of the companies may not result in the benefits expected by Northrop Grumman. The difficulties, costs and delays that could be encountered may include:

- . anticipated issues in integrating the information, communications and other systems;
- . negative impacts on employee morale and performance as a result of job changes and reassignments;
- . loss of customers;
- . unanticipated incompatibility of systems, procedures and operating methods;
- . unanticipated costs in termination or relocation of facilities and operations; and
- . the effect of complying with any government imposed organizational conflict-of-interest rules.

We May Be Unable to Retain Personnel Who Are Key to Northrop Grumman's and Newport News' Business

The success of our operations is dependent, among other things, on our ability to attract and retain highly qualified professional personnel. Competition for key personnel in the various localities and business segments

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in which we operate is intense. Our ability to attract and retain key personnel, in particular senior officers and experienced and top rate engineers, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent, who may offer compensation packages that include considerable equity based incentives through stock option or similar programs. These same pressures and concerns also apply to Newport News' business.

Risks Related to the Business of Northrop Grumman and Newport News

Results of operation of Northrop Grumman will be subject to numerous risks affecting the businesses of Northrop Grumman and Newport News, many of which are beyond the companies' control. Many of the risks affecting Northrop Grumman are identified under "Forward-Looking Statements" on page 69.

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INFORMATION ABOUT NORTHROP GRUMMAN AND NEWPORT NEWS

Northrop Grumman Corporation

We are a leading global aerospace and defense company providing products and services in defense and commercial electronics, systems integration, information technology and non-nuclear-powered shipbuilding and systems. Northrop Grumman is a holding company formed in connection with the acquisition of Litton Industries Inc. by Northrop Grumman. Northrop Systems is a wholly owned subsidiary of Northrop Grumman. Litton is a 97% owned subsidiary of Northrop Grumman.

Northrop Systems

Northrop Systems is a leading defense electronics, systems integration and information technology company with strong capabilities in military aircraft systems and modifications and marine systems. As a prime contractor, principal subcontractor, partner, or preferred supplier, Northrop Systems participates in many high-priority defense and commercial programs in the United States and abroad.

Northrop Systems is aligned into three business sectors as follows:

Integrated Systems Sector (ISS). This sector includes the design, development and production of airborne early warning, electronic warfare and surveillance and battlefield management systems. ISS is the prime contractor for the Joint STARS advanced airborne targeting and battle management system, the U.S. Air Force's B-2 Spirit stealth bomber, unmanned vehicles including The Global Hawk, and the EA-6B Prowler electronic countermeasures aircraft, and is upgrading the E-2C Hawkeye early warning aircraft. ISS also has a principal role in producing the U.S. Navy's F/A18 Hornet strike fighter.

Electronic Sensors and Systems Sector (ESSS). This sector includes the design, development, manufacture, and integration of a wide variety of defense electronics and systems, airspace management systems, precision weapons, marine systems, logistics systems, space systems, and automation and information systems. Significant programs include fire control radars for the F-16 and F-22 fighter aircraft and the Longbow Apache helicopter, the AWACS airborne early warning radar, the Joint STARS air-to-ground surveillance radar sensor, the Longbow Hellfire missile and the BAT "brilliant" anti-armor submunition. ESSS also provides tactical military radars and country-wide air defense systems, plus airborne electronic countermeasures systems intended to jam enemy aircraft and weapons systems.

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On April 20, 2001 we announced that we had signed a definitive agreement to acquire the electronics and information systems group of Aerojet-General Corporation for \$315 million in cash. The transaction is subject to normal government reviews and is expected to close by the second or third quarter of this fiscal year. We expect to integrate the Aerojet-General circuit into the Aerospace Division of our Electronic Sensors and Systems sector.

Logicon, Inc. This sector includes the design, development, operation and support of computer systems for scientific and management information. Logicon has extensive expertise in command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR). It is a key management support element for major weapons systems, such as the U.S. Navy's AEGIS class destroyer and also provides mission planning for the U.S. Navy, Air Force and Special Operations Command. Logicon provides base operations support for NASA's Kennedy Space Center, Cape Canaveral Air Station and Patrick Air Force Base, among others. In addition, Logicon provides information technology services to commercial customers and to the other Northrop Systems sectors.

Litton

Litton designs, builds and overhauls non-nuclear-powered surface ships and is a provider of defense and commercial electronics technology, components and materials for government and commercial customers

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worldwide. In addition, Litton is a prime contractor to the U.S. Government for information technology services and provides specialized information technology services to commercial customers and governments in local and foreign jurisdictions. Northrop Grumman acquired 97% of Litton in a transaction that closed April 3, 2001.

The principal executive offices of Northrop Grumman, Northrop Systems and Litton are located at 1840 Century Park East, Los Angeles, California 90067 and our telephone number is (310) 553-6262.

Additional information concerning Northrop Grumman is included in the Northrop Grumman reports incorporated by reference in this prospectus. See "Where You Can Find More Information" beginning on page 6.

Newport News

Newport News is the largest non-government-owned shipyard in the United States, as measured by each of revenues, size of facilities, and number of employees. Its primary business is the design, construction, repair, maintenance, overhaul, life-cycle support and refueling of nuclear-powered aircraft carriers and the design, life-cycle support and construction of submarines for the U.S. Navy. Newport News disclosed in its Annual Report on Form 10-K for the year ended December 31, 2000 that it believes it was, at that time:

- . the only shipyard capable of building the U.S. Navy's nuclear-powered aircraft carriers;
- . the only non-government-owned shipyard capable of refueling and overhauling the U.S. Navy's nuclear-powered aircraft carriers; and
- . one of only two shipyards capable of building the U.S. Navy's nuclear-powered submarines.

U.S. Navy contracts for aircraft carrier and submarine construction and

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carrier refuelings and overhauls have generated the majority of Newport News' revenues. Overall, Newport News' U.S. Navy business accounted for approximately 98% of its revenues for 2000 and 1999, and 92% for 1998. Newport News has built 10 of the 12 active aircraft carriers in the U.S. fleet, including all nine nuclear-powered aircraft carriers. For the last 40 years, Newport News has been the sole designer and builder of the U.S. Navy's aircraft carriers.

The principal office of Newport News is located at 4101 Washington Avenue, Newport News, Virginia, 23607, telephone number (757) 380-2000.

Additional information concerning Newport News is included in the Newport News reports incorporated by reference in this prospectus. See "Where You Can Find More Information" beginning on page 6.

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REASONS FOR OUR OFFER

We believe that our proposed acquisition of Newport News represents a compelling opportunity to enhance value for both Newport News stockholders and Northrop Grumman stockholders for reasons that include the following:

- . a combination of Northrop Grumman (which recently completed its purchase of Litton) and Newport News would offer a variety of strategic benefits, including making Northrop Grumman a complete full-line shipbuilding competitor and providing an opportunity for significant cost savings to the U.S. Navy and the opportunity for Newport News to realize efficiencies available as part of a larger, more diversified company; and
- . if the proposed General Dynamics transaction is permitted to proceed, it would leave the United States vulnerable with only one nuclear capable builder of submarines and ships. Also, a 1999 Department of Defense analysis indicated that "over 75 percent of the total shipyard engineering talent and over 95 percent of the Navy R&D investment would exist in a combined General Dynamics-Newport News entity." This would leave the Navy vulnerable to a General Dynamics virtual monopoly in shipbuilding research and development. We believe that nothing has materially changed since that analysis and that the proposed acquisition of Newport News by General Dynamics would therefore not be in the best interests of the United States, the Navy or Northrop Grumman and its stockholders.

In addition, our offer has been made based solely on publicly available information regarding Newport News. If we are provided the opportunity to conduct a due diligence review of Newport News, we would be prepared to enter into negotiations immediately with respect to all aspects of our offer.

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BACKGROUND OF OUR OFFER

Background

On May 6, 1999, Litton proposed to acquire Newport News in a stock-for-stock merger valued at \$35.61 per Newport News share of common stock based on the May 6, 1999 closing price of \$64.75 for Litton Industries common stock. Newport News was unwilling to accept the Litton proposal and in July, 1999, Litton withdrew its proposal.

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On March 9, 2001 Kent Kresa, Chairman, President and Chief Executive Officer of Northrop Grumman, called William Fricks, Chairman and Chief Executive Officer of Newport News. Mr. Kresa advised Mr. Fricks that Northrop Grumman was in the process of completing the Litton acquisition, and was looking forward to working with Newport News in the shipbuilding industry. Mr. Kresa referred to the fact that, in the past, Litton had been interested in, and had in fact proposed, a possible acquisition of Newport News. Mr. Kresa noted that while this was not the time to discuss a possible transaction with Newport News, he looked forward to the possibility of having such discussions on this topic in the future. Mr. Fricks acknowledged Mr. Kresa's comments and stated that nothing in this regard was currently being considered.

On April 24, 2001, General Dynamics and Newport News announced that they had entered into a merger agreement providing for an offer by General Dynamics to acquire all of the issued and outstanding shares of Newport News common stock for \$67.50 in cash per share. The General Dynamics offer is subject to various conditions including Hart-Scott-Rodino approval.

On May 4, 2001, General Dynamics commenced a cash tender offer pursuant to the merger agreement for all of the shares of Newport News common stock and mailed its offer to purchase and other tender offer materials to Newport News stockholders.

On May 8, 2001 Mr. Kresa called Mr. Fricks and told him that Northrop Grumman was disappointed to read about the proposed General Dynamics transaction before having had a chance to discuss a possible Northrop Grumman-Newport News transaction, and that Northrop Grumman would now be sending Mr. Fricks a letter offering to acquire Newport News. Mr. Fricks indicated that he would review the letter when it arrived.

On May 8, 2001, Northrop Grumman sent a letter to Newport News, setting forth an offer by Northrop Grumman to acquire all outstanding shares of Newport News common stock for common stock of Northrop Grumman and cash, valued at \$67.50 per Newport News share, requesting that the board of directors enter into discussions with Northrop Grumman about its offer and stating that Northrop Grumman expected to commence an exchange offer. On May 9, 2001, Northrop Grumman issued a press release which attached a copy of the letter.

The full text of the Northrop Grumman letter is as follows:

May 8, 2001

Mr. William P. Fricks
Chairman and Chief Executive Officer
Newport News Shipbuilding Inc.
4101 Washington Avenue
Newport News, VA 23607-2770

Dear Bill,

We were disappointed by your April 25th announcement that Newport News had agreed to be acquired by General Dynamics for cash without exploring alternatives with Northrop Grumman. Moreover, we believe your proposed transaction with General Dynamics raises serious antitrust issues. As the Department of Defense previously noted, over 75% of the total shipyard engineering

talent and over 95% of the shipbuilding Navy R&D investment would exist in a combined General Dynamics-Newport News entity. Furthermore, this

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combination would leave the nation vulnerable to only one nuclear capable submarine and shipbuilder.

While you stated that a nuclear "monopoly" already exists due to your recent history of Navy approved "teaming" with General Dynamics (your only nuclear capable competitor), we believe, and we believe many already agree, that there is enormous national security value for the United States in maintaining, not eliminating, competition. In short, we believe the General Dynamics-Newport News combination would eliminate competition, endanger national security and be costly both to the Navy and to the American taxpayer.

A business combination between Northrop Grumman and Newport News, on the other hand, should receive regulatory approval, and will be of greater benefit to your stockholders and other constituencies than would your current agreement with General Dynamics. Our Board of Directors has authorized me to advise you that we will match General Dynamics' offer of \$67.50 per share for all the outstanding shares of Common Stock of Newport News, comprised 75% of Northrop Grumman common stock with the remainder in cash. We expect to commence an exchange offer shortly, subject to customary conditions.

We have great respect for Newport News' management team and expect that it would be well-represented in the senior management ranks of the combined shipbuilding business, including mutually agreed upon possible Board representation. A combination of Newport News and Northrop Grumman would offer a variety of benefits, including significant cost savings to the Navy and the opportunity for Newport News' employees and communities to become part of a larger, more diversified defense company.

Northrop Grumman believes its proposal is superior to the General Dynamics offer for the following reasons:

- a) **Certainty of Completion.** Northrop Grumman can provide Newport News shareholders with greater certainty of completion than the current merger agreement with General Dynamics. As previously mentioned, the General Dynamics combination would create a monopoly for submarines and naval nuclear propulsion. The combination would result in a significant majority of U.S. Navy ship-related revenues and nearly all of the Navy-related shipbuilding R&D in a single company. In contrast, the businesses of Northrop Grumman and Newport News, while not overlapping, do provide opportunities for efficiencies, and the combination of our two companies would preserve the current competitive landscape of the military shipbuilding industry.
- b) **Superior Overall Value.** Our proposal provides Newport News shareholders with the opportunity to retain an equity interest in one of the industry's leading diversified defense electronics, systems integration, information technology and shipbuilding enterprises with significant market capitalization and potential for further appreciation. Our proposal provides Newport News shareholders with the opportunity to elect the consideration of their choice (i.e., cash, Northrop Grumman common stock or a combination of both) and exchange their shares for Northrop Grumman common stock on a tax-free basis, providing superior value to General Dynamics' taxable transaction.

Our company's extensive experience in reviewing acquisition opportunities gives us the ability to conduct an efficient and expeditious due diligence process. We are prepared to move quickly in

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completing any potential transaction in an effort to meet any reasonable time schedule established by you and are prepared to negotiate a merger agreement consistent with the structure of our proposal on terms substantially similar to your agreement with General Dynamics. As such, your Board of Directors should be aware that, once we have completed due diligence, we will be prepared to enter into negotiations immediately with respect to all aspects of our proposal.

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Our offer is a fully financed, cash and stock offer for all Newport News shares. As a company with \$15 billion in revenues, an investment grade credit rating, a market capitalization of \$8 billion and 80,000 employees, Northrop Grumman clearly has the financial wherewithal to consummate a transaction with Newport News. Accordingly and consistent with the terms of your merger agreement with General Dynamics, we believe the Board of Directors of Newport News has a fiduciary obligation to provide its shareholders with the opportunity to consider and take advantage of our offer. We trust that you will not take any action that would prevent stockholders from having a full opportunity to consider our offer.

We are convinced this transaction is truly a "win-win" opportunity for Newport News shareholders, employees, customers and is in the national interest. Our objective is a transaction that has the full support of you and the Newport News Board of Directors, as well as your employees, shareholders and many loyal customers and suppliers. We believe your Board of Directors will conclude, after considering all the factors and information available, that this offer is a Superior Proposal as defined in your agreement with General Dynamics. Accordingly, we will take the liberty of contacting you shortly to discuss the merits of this offer and arrange for a meeting.

Sincerely,

/s/ Kent Kresa

Kent Kresa
Chairman, President and CEO
Northrop Grumman Corporation

On May 9, 2001, Newport News issued a press release stating that it had received the Northrop Grumman letter and that the "Newport News Board of Directors will meet in due course to consider Northrop Grumman's proposed exchange offer once the definitive terms of the offer have been made available."

On May 18, 2001, we filed notification with the U.S. Department of Justice and the Federal Trade Commission of our intention to acquire Newport News, in compliance with the Premerger Notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

On May 23, 2001, we commenced our offer.

The General Dynamics-Newport News Merger Agreement

The following description summarizes the material provisions of the General Dynamics-Newport News merger agreement. This summary does not purport to describe all of the terms of the General Dynamics-Newport News merger agreement and is qualified in its entirety by reference to the complete text of the

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merger agreement filed as Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC by Newport News on April 24, 2001.

The General Dynamics Offer

The General Dynamics-Newport News merger agreement provides that Grail Acquisition Corporation, a wholly owned subsidiary of General Dynamics, will commence an offer to purchase all of the outstanding shares of common stock of Newport News for a cash price of \$67.50 per share.

The General Dynamics-Newport News Merger

The General Dynamics-Newport News merger agreement provides that following the completion of the General Dynamics offer and subject to the conditions set forth in the General Dynamics-Newport News merger

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agreement, Grail Acquisition Corporation will be merged with and into Newport News in accordance with the provisions of the Delaware General Corporation Law. Following the General Dynamics-Newport News merger, Newport News will continue as the surviving corporation and the separate corporate existence of Grail Acquisition Corporation will cease.

Covenants

The General Dynamics-Newport News merger agreement contains covenants by Newport News and General Dynamics, including mutual covenants by the parties to use their best efforts to complete and make effective the transactions contemplated by the General Dynamics-Newport News merger agreement, to make all required filings under the HSR Act, to provide one another with notice of any material developments affecting the ability of the parties to complete the transactions contemplated by the General Dynamics-Newport News merger agreement, to consult with one another before issuing any press release or otherwise making any public announcements with respect to the transactions contemplated by the General Dynamics-Newport News merger agreement and to give all required notices to third parties and governmental entities and use its best efforts to obtain all third party and governmental consents and approvals required in connection with the transactions contemplated by the General Dynamics-Newport News merger agreement.

Other Potential Acquirers

The General Dynamics-Newport News merger agreement contains restrictions on the ability of Newport News, its subsidiaries and their respective directors, officers, employees, agents and representatives to solicit, initiate or participate in any discussions or negotiations regarding, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any "Company Takeover Proposal." For purposes of the General Dynamics-Newport News merger agreement, a "Company Takeover Proposal" is any proposal or offer for a merger, consolidation, dissolution, liquidation, recapitalization or other business combination involving Newport News or any significant subsidiary, any proposal or offer for the issuance by Newport News of a material amount of its equity securities as consideration for the assets or securities of any person or any proposal or offer to acquire in any manner, directly or indirectly, a material equity interest in any voting securities of, or a substantial portion of the assets of, Newport News or any of its subsidiaries.

The General Dynamics-Newport News merger agreement generally prohibits Newport News, its subsidiaries and their respective directors, officers,

employees, representatives and agents from soliciting, initiating or encouraging, directly or indirectly, any Company Takeover Proposal or engaging in any negotiations or discussions with, furnishing any information to or entering into any agreement with any party relating to any Company Takeover Proposal (other than various permissible confidentiality agreements). The General Dynamics-Newport News merger agreement provides, however, that Newport News may participate in discussions and negotiations with, and furnish information or data to, a party submitting an offer or proposal not solicited by Newport News and that did not otherwise result from a breach of the General Dynamics-Newport News merger agreement and that the Board of Directors of Newport News believes in good faith could result in a "Company Superior Proposal." A "Company Superior Proposal" is any proposal to acquire, directly or indirectly, including pursuant to a tender offer, exchange offer, merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction more than 50% of the combined voting power of all of the outstanding shares of common stock of Newport News then outstanding or all or substantially all of the assets of Newport News, which proposal the Board of Directors of Newport News has determined (1) is reasonably capable of being completed, taking into account all legal, financial, regulatory and other aspects of such proposal and the third party making the proposal, and (2) presents to Newport News and its stockholders more favorable financial and other terms, taken as a whole, than the terms of the General Dynamics-Newport News merger agreement.

Pursuant to the terms of the General Dynamics-Newport News merger agreement, Newport News must, promptly upon its receipt of any Company Takeover Proposal, provide General Dynamics with the material

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terms and conditions of such Company Takeover Proposal, including the identity of the acquiring party. Newport News must also promptly inform General Dynamics of the status and content of any discussions or negotiations involving any Company Takeover Proposal.

Newport News is prohibited under the terms of the General Dynamics-Newport News merger agreement from providing any non-public information regarding Newport News or any of its subsidiaries to any party making a Company Takeover Proposal unless such party enters into a written confidentiality agreement containing provisions similar to those contained in the confidentiality agreement dated as of March 26, 2001 between Newport News and General Dynamics (other than the "standstill" provisions).

Termination Events

The General Dynamics-Newport News merger agreement may be terminated and the General Dynamics offer and the General Dynamics-Newport News merger may be abandoned at any time prior to the effective time (notwithstanding any approval of the merger agreement by the stockholders of Newport News) under various circumstances including the following:

(i) by either General Dynamics or Newport News if completion of the General Dynamics offer has not occurred on or before November 30, 2001, unless this date is extended by Newport News to April 30, 2002 if the only conditions to the General Dynamics offer not satisfied are the minimum tender condition, the HSR condition and the conditions described in clause (ii) (A) of Section 15 of the General Dynamics offer to purchase;

(ii) by General Dynamics prior to the completion of the General Dynamics offer if Newport News or its Board of Directors:

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- (A) enters into any agreement, or resolves or agrees to do so, other than a confidentiality agreement as permitted under the General Dynamics-Newport News merger agreement, with respect to any Company Takeover Proposal other than the General Dynamics offer or the General Dynamics-Newport News merger;
- (B) amends, conditions, qualifies, withdraws, modifies or contradicts, or resolves or agrees to do any of the foregoing, in a manner adverse to General Dynamics or Grail Acquisition Corporation, its approval or recommendation of the General Dynamics offer, the General Dynamics merger and the General Dynamics-Newport News merger agreement;
- (C) solicits, approves or recommends, or resolves or agrees to do so, any Company Takeover Proposal other than the General Dynamics offer or the General Dynamics-Newport News merger; or
- (D) violates Section 6.7 of the General Dynamics-Newport News merger agreement (which relates to other potential acquirers), or resolves or agrees to do so;

(iii) by Newport News prior to the completion of the General Dynamics offer if at any time prior to the completion of the General Dynamics offer (A) Newport News receives a Company Superior Proposal and (B) Newport News complies with Section 6.7 of the General Dynamics-Newport News merger agreement (which relates to other potential acquirers); provided that Newport News may not terminate the General Dynamics-Newport News merger agreement unless and until: (1) three business days have elapsed following delivery to General Dynamics of a written notice of such determination by the Board of Directors of Newport News and during such three business day period Newport News has given General Dynamics reasonable opportunity to discuss with Newport News the Company Superior Proposal and any proposed amendments to the General Dynamics-Newport News merger agreement; (2) at the end of that three business day period, the Company Takeover Proposal continues to constitute a Company Superior Proposal (taking into account any modifications to the terms proposed by General Dynamics) and the Board of Directors of Newport News

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confirms its determination that it is a Company Superior Proposal; (3) following that termination Newport News enters into a definitive acquisition, merger or similar agreement to effect a Company Superior Proposal; and (4) Newport News prior to that termination pays to General Dynamics in immediately available funds the termination fee (as described below).

Termination Fee

The General Dynamics-Newport News merger agreement provides that Newport News will be obligated to pay General Dynamics a termination fee equal to \$50 million if the General Dynamics-Newport News merger agreement is terminated by: (1) General Dynamics for the reasons described in clause (ii) above under "--Termination Events," which payment shall be payable on the date the General Dynamics-Newport News merger agreement is terminated; (2) by Newport News for the reasons described in clause (iii) above under "--Termination Events," which payment shall be payable on the date the General Dynamics-Newport News merger agreement is terminated; (3) (A) in the event a Company Takeover Proposal shall have been publicly announced or any person has publicly announced an intention to make a Company Takeover Proposal, (B) the completion of the General Dynamics offer shall not have occurred prior to the November 30, 2001, (C) on November 30, 2001, the only condition to the General Dynamics offer that shall not have been satisfied shall be the minimum tender condition, (D) the General Dynamics-

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Newport News merger agreement is thereafter terminated by either General Dynamics or Newport News pursuant to clause (i) above under "--Termination Events" and (E) within 12 months after that termination, Newport News or any of its significant subsidiaries enters into an agreement with respect to, or completes, that Company Takeover Proposal; or (4) in the event (A) there is a publicly announced Company Takeover Proposal, (B) Newport News thereafter breaches one of its covenants in the General Dynamics-Newport News merger agreement, (C) General Dynamics thereafter terminates the General Dynamics-Newport News merger agreement and (D) within 12 months after that termination, Newport News or any of its significant subsidiaries enters into an agreement with respect to, or completes, that Company Takeover Proposal; provided that with respect to clauses (3) and (4) no fee shall be payable by Newport News until and unless the agreement is entered into or Newport News Takeover Proposal is actually completed within the 12 months following that termination and shall be payable on the earlier of (y) the date the agreement is entered into or (z) Newport News Takeover Proposal is completed.

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OUR OFFER

Consideration to Be Paid

Under the terms of our offer, we will exchange a combination of cash and newly issued Northrop Grumman common stock for any and all Newport News shares outstanding at the time we complete our offer.

Election Right. Each Newport News stockholder will have the opportunity to elect to receive, for those shares of Newport News common stock he or she owns, either

- . \$67.50 in cash, without interest, per Newport News share; or
- . a number of shares of Northrop Grumman common stock (the "exchange ratio") designed to provide a value of \$67.50, per Newport News share,

subject, in each case, to the election and proration procedures and limitations described below.

We will determine the exact exchange ratio by dividing \$67.50 by the average of the closing sale prices for a share of Northrop Grumman common stock on the New York Stock Exchange as reported in The Wall Street Journal over the 10-day trading period ending on the third trading day before we complete our offer (the "Northrop Grumman Stock Value"). However, in no event will the exchange ratio be more than .7941176 ($\$67.50/\85.00) or less than .7105263 ($\$67.50/\95.00). We will issue a press release before 9:00 A.M., New York City time, on the second trading day before our offer closes, announcing the exchange ratio and the average closing price of the Northrop Grumman shares over the 10-day trading period.

We will issue 16,636,885 shares of our common stock (the "Northrop Grumman Available Shares") in our offer and the merger. The portion of these shares available in our offer will equal the number of Northrop Grumman Available Shares times the percentage of outstanding Newport News shares tendered in our offer. All Northrop Grumman Available Shares not exchanged in our offer will be issued in the merger. Other than with respect to the "top up" described below, we will not pay more in cash for the Newport News shares in our offer and the merger than \$891,934,380 (subject to increase for fractional shares and to the extent the number of outstanding Newport News shares increases due to option exercises) (the "Base Cash Amount").

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If the Northrop Grumman Stock Value is less than \$90.00 but equal to or greater than \$85.00, we will increase the aggregate amount of cash available for our offer and the merger by the product of (a) the excess of \$90.00 over the Northrop Grumman Stock Value and (b) the number of Northrop Grumman Available Shares (the "Top Up Amount").

If the Northrop Grumman Stock Value is less than \$85.00, we will increase the aggregate of amount of cash available for our offer and the merger by the Top Up Amount for an \$85.00 Northrop Grumman Stock Value, but we will not increase it beyond that point.

If the Northrop Grumman Stock Value is greater than \$90.00 but less than or equal to \$95.00, we will reduce the aggregate amount of cash available for our offer and the merger by the product of (a) the excess of the Northrop Grumman Stock Value over \$90.00 and (b) the number of Northrop Grumman Available Shares.

If the Northrop Grumman Stock Value is greater than \$95.00, we will reduce the aggregate of amount of cash available for our offer and merger by reduction for a \$95.00 Northrop Grumman Stock Value as described in the prior paragraph, but we will not reduce the cash beyond that point.

Because of the manner in which the exchange ratio is calculated, stockholders who receive solely Northrop Grumman common stock or a combination of Northrop Grumman common stock and cash in our offer or merger will receive \$67.50 per share of value (based on the Northrop Grumman Stock Value) if the Northrop Grumman Stock Value is between \$85.00 and \$95.00, will receive less than \$67.50 per share of value if the Northrop Grumman Stock Value is less than \$85.00 and will receive more than \$67.50 of value if the Northrop Grumman Stock Value is more than \$95.00.

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Consequences of Over- and Under-Election. If Newport News stockholders elect to receive cash in excess of the Base Cash Amount immediately before the closing of our offer plus any Top Up Amount, the amount of cash that Newport News stockholders will receive for each Newport News share for which they made a cash election will be reduced pro rata so the total amount of cash that we will pay to all Newport News stockholders in our offer does not exceed the Base Cash Amount plus any Top Up Amount. If this reduction occurs, in addition to the reduced amount of cash, we will issue, in respect of each Newport News share for which a cash election was made, Northrop Grumman shares in lieu of the cash the Newport News stockholder would have otherwise received. The number of shares we will issue for each Newport News share subject to a cash election in this situation will be calculated by multiplying the exchange ratio by the percentage reduction in the cash consideration paid to Newport News stockholders making cash elections.

If Newport News stockholders elect to receive Northrop Grumman shares in excess of the product of the Northrop Grumman Available Shares times the percentage of outstanding Newport News shares tendered in our offer, the number of Northrop Grumman shares Newport News stockholders will