

NORTHROP GRUMMAN CORP /DE/
Form PREM14C
December 06, 2001

SCHEDULE 14C

INFORMATION REQUIRED IN INFORMATION STATEMENT

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities
Exchange Act of 1934

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only
(as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

NEWPORT NEWS SHIPBUILDING INC.

(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No Fee required
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11

(1) Title of each class of securities to which transaction applies:
Common stock, par value \$0.01 per share of Newport News Shipbuilding Inc.

(2) Aggregate number of securities to which transaction applies:
32,512,951

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (Set forth the amount on which
the filing fee is calculated and state how it was determined):
\$67.50 based on (i) the average of the closing sale price for a share of
Northrop Grumman common stock on the New York Stock Exchange as reported in
the Wall Street Journal over the 5-day trading period starting on
November 20, 2001 and ending on November 27, 2001, which equals \$93.84
multiplied by (ii) 0.7193.

(4) Proposed maximum aggregate value of transaction:
\$2,194,624,192

(5) Total fee paid:
\$438,924.84*

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange
Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee

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was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:
\$340,398.04

(2) Form, schedule or registration Statement No.:
Registration No.333-61506, Form S-4

(3) Filing party:
Northrop Grumman Corporation

(4) Date filed:
May 23, 2001

* This amount is offset by the \$340,398.04 fee previously paid in connection with the filing of the Form S-4 by Northrop Grumman Corporation on May 23, 2001, in connection with the first step of the transactions of which the merger that is the subject of this information statement is a part, and as such the Northrop Grumman Corporation will pay the remaining fee of \$98,526.80.

NEWPORT NEWS SHIPBUILDING INC.
4101 Washington Avenue
Newport News, Virginia 23607

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JANUARY 16, 2002

December 17, 2001

To the Stockholders of Newport News Shipbuilding Inc.:

We will hold a special meeting of our stockholders on Wednesday, January 16, 2002 at 9:00 a.m. (local time) at Fried, Frank, Harris, Shriver & Jacobson at 350 South Grand Avenue, Los Angeles, CA 90071.

As described in the enclosed Information Statement, at the special meeting you will:

- (1) Consider and vote upon a proposal to adopt an agreement and plan of merger by and among Newport News Shipbuilding Inc., Northrop Grumman Corporation, and Purchaser Corp. I, a wholly owned subsidiary of Northrop Grumman, providing for, among other things, the merger of Newport News with and into Purchaser Corp. I. Following the merger, Purchaser Corp. I will continue as the surviving corporation and the separate existence of Newport News will cease.
- (2) Transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

On November 7, 2001, the Newport News board of directors approved the merger agreement and the merger.

The merger will constitute the second and final step of the acquisition of Newport News by Northrop Grumman in a two-step transaction pursuant to which

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Northrop Grumman, as the owner of all of the capital stock of Purchaser Corp. I, will acquire the entire equity interest in Newport News. The first step was an exchange offer commenced by Northrop Grumman through Purchaser Corp. I on May 23, 2001 for the right to receive either 0.7193 shares of Northrop Grumman common stock, par value \$1.00 per share, or \$67.50 net in cash, for each outstanding share of Newport News common stock, par value \$0.01 per share (subject to the proration procedures and limitations described in the offer). The offer expired on November 29, 2001. Purchaser Corp. I acquired approximately 26,241,019 shares of Newport News (representing approximately 80.7% of the shares outstanding as of November 29, 2001).

Upon completion of the merger, each share of Newport News common stock (other than common stock owned by Newport News, Northrop Grumman or Purchaser Corp. I and Newport News common stock for which appraisal rights have been exercised in accordance with Delaware law) will be converted into the right to receive either 0.7193 shares of Northrop Grumman common stock or \$67.50 net in cash (subject to the proration procedures and limitations described in the offer), the same consideration as in the exchange offer. Northrop Grumman currently anticipates that the merger will be completed on January 16, 2002, or as promptly as practicable thereafter.

Holdes of record of Newport News common stock at the close of business on December 5, 2001 will be entitled to vote at the special meeting or any adjournment or postponement. As of the record date, Northrop Grumman and its affiliates own an aggregate of 26,241,019 shares, representing approximately 80.7% of all shares outstanding on that date. The affirmative vote of the holders of a majority of all outstanding shares is sufficient to adopt the merger agreement. Therefore, Northrop Grumman can cause the merger to occur without the affirmative vote of any other stockholder.

Please read the attached Information Statement carefully.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND A PROXY.

Enclosed with this information statement is a letter of election and transmittal for use in surrendering your share certificates. You will have until January 16, 2002 (the effective time of the merger), upon surrender of your certificates, to elect to receive either cash or stock in the merger. After January 16, 2002, you will still be able to surrender your share certificates but will not be able to elect the form of consideration that you will receive.

By Order of the Board of Directors,

John H. Mullan
Secretary and Director

Newport News, Virginia
December 17, 2001

NEWPORT NEWS SHIPBUILDING INC.
4101 Washington Avenue
Newport News, Virginia 23607

INFORMATION STATEMENT

SPECIAL MEETING OF STOCKHOLDERS TO BE HELD JANUARY 16, 2002

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WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

This Information Statement is being furnished to the holders of common stock of Newport News Shipbuilding Inc., a Delaware corporation in connection with the special meeting of stockholders of Newport News to be held on January 16, 2002 at 9:00 a.m., local time, at Fried, Frank, Harris, Shriver & Jacobson at 350 South Grand Avenue, Los Angeles, CA 90071, for the following purposes:

1. To consider and vote upon a proposal to adopt the merger agreement, dated November 7, 2001, among Newport News, Northrop Grumman Corporation and Purchaser Corp. I, a wholly owned subsidiary of Northrop Grumman, as described in this Information Statement; and
2. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The merger is the second and final step of Northrop Grumman's two-part acquisition of Newport News. The first step was an exchange offer commenced by Purchaser Corp. I on May 23, 2001 for the right to receive either 0.7193 shares of Northrop Grumman common stock, par value \$1.00 per share, or \$67.50 net in cash, for each outstanding share of Newport News common stock, par value \$0.01 per share (subject to the proration procedures and limitations described in the offer). The offer expired on November 29, 2001. Purchaser Corp. I acquired approximately 26,241,019 shares of Newport News (representing approximately 80.7% of the shares outstanding as of November 29, 2001).

Holders of record of Newport News common stock at the close of business on December 5, 2001 will be entitled to vote at the special meeting or any adjournment or postponement.

Northrop Grumman can cause the merger to occur without the affirmative vote of any other holder of shares.

Enclosed with this information statement is a letter of election and transmittal for use in surrendering your share certificates. You will have until January 16, 2002 (the effective time of the merger), upon surrender of your certificates, to elect to receive either cash or stock in the merger. After January 16, 2002, you will still be able to surrender your share certificates but will not be able to elect the form of consideration that you will receive. Please read this Information Statement carefully.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Information Statement dated December 17, 2001, and intended to be first mailed to stockholders on December 17, 2001.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The merger of Newport News with and into Purchaser Corp. I, a wholly owned subsidiary of Northrop Grumman Corporation, will constitute the second and final step of the acquisition of Newport News by Northrop Grumman. The first step was an exchange offer, commenced by Northrop Grumman through its subsidiary on May 23, 2001, for the right to receive either 0.7193 shares of Northrop Grumman common stock or \$67.50 net in cash for each outstanding share of Newport News common stock (subject to the proration procedures and limitations described in the offer). The offer expired on November 29, 2001. Purchaser Corp. I acquired approximately 26,241,019 shares representing approximately 80.7% of the shares outstanding as of November 29, 2001. The following are some questions you, as a stockholder of Newport News, may have and the answers to those questions. We urge you to carefully read the remainder of this information statement because the information provided in these questions and answers is not complete and additional important information is contained in the remainder of this information statement. Stockholders are urged to read this information statement in its entirety.

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Q: When and where is the special meeting?

A: Newport News will hold a special meeting of stockholders on January 16, 2002, at 9:00 a.m., local time, at Fried, Frank, Harris, Shriver & Jacobson at 350 South Grand Avenue, Los Angeles, CA 90071. See "The Special Meeting."

Q: Is my vote required to adopt the merger agreement?

A: No. The affirmative vote of a majority of the votes entitled to be cast by the holders of all outstanding shares as of the record date will be required to adopt the merger agreement. Northrop Grumman and Purchaser Corp. I have agreed to vote all of the shares they own in favor of the adoption of the merger agreement. Because Northrop Grumman and its affiliates own approximately 80.7% of the outstanding shares on the record date, adoption of the merger agreement is assured without the vote of any other stockholder. You are not being asked for a proxy and you are requested not to send one. See "The Special Meeting -- Vote Required."

Q: Who are the parties to the transaction?

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

Northrop Grumman is 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. As a prime contractor, principal subcontractor, partner or preferred supplier, Northrop Grumman participates in many high-priority defense and commercial technology programs in the United States and abroad. Northrop Grumman is a holding company formed in connection with the acquisition of Litton Industries, Inc. in April 2001. Northrop Grumman is aligned into five business sectors: Integrated Systems, Electronic Systems, Information Technology, Ship Systems and Component Technologies.

Purchaser Corp. I
c/o Northrop Grumman Corporation
1840 Century Park East
Los Angeles, California 90067
(310) 553-6262

Purchaser Corp. I is a wholly owned subsidiary of Northrop Grumman. Purchaser Corp. I was organized on October 11, 2001 for the purpose of acquiring the Newport News shares tendered in response to the offer and merging with Newport News in the merger. It has not carried on any activities other than in connection with the transactions contemplated by the merger agreement.

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Newport News
4101 Washington Avenue
Newport News, Virginia 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.

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As a result of the first step, Newport News is approximately 80.7% owned by Purchaser Corp. I, a wholly owned subsidiary of Northrop Grumman.

Q: What will I be entitled to receive in exchange for my shares of Newport News?

A: Upon completion of the merger, each share of Newport News common stock (other than shares owned by Northrop Grumman, Purchaser Corp. I, or Newport News and shares for which appraisal rights have been exercised in accordance with Delaware law) will be converted into the right to receive either 0.7193 shares of Northrop Grumman common stock or \$67.50 net in cash (subject to the proration procedures and limitations described in the offer), the same consideration paid in the offer. See "The Special Meeting -- The Merger Consideration."

Q: Is there an agreement governing the merger?

A: Yes. Northrop Grumman, Purchaser Corp. I and Newport News entered into an agreement and plan of merger dated as of November 7, 2001. The merger agreement provides, among other things, for the terms and conditions of the offer and the merger of Newport News into Purchaser Corp. I following the offer. See "The Merger -- Purpose and Structure of the Merger; Reasons of Northrop Grumman for the Merger."

Q: Does Newport News support the merger?

A: Yes. Newport News' board of directors has determined that the merger agreement and the transactions contemplated thereby, including the offer and the merger, taken together, are advisable and fair to, and in the best interests of, Newport News stockholders and unanimously recommends that Newport News stockholders adopt the merger agreement. Newport News' board of directors has approved the merger agreement and the transactions contemplated thereby. Information about the recommendation of Newport News' board of directors is more fully described in Newport News' amended Solicitation/Recommendation Statement on Schedule 14D-9/A, which was previously mailed to Newport News stockholders together with the prospectus dated November 13, 2001.

Q: Did the Newport News board of directors receive an opinion from its financial advisor?

A: Yes. In connection with the offer and merger, Newport News' board of directors received the opinion of its financial advisor, Credit Suisse First Boston Corporation, regarding the fairness, from a financial point of view, of the aggregate consideration to be received in the offer and merger by the holders of Newport News common stock (other than Northrop Grumman and its affiliates). A copy of the opinion is included in Newport News Solicitation/Recommendation Statement on Schedule 14D-9/A, which was previously mailed to Newport News stockholders. See "The Merger -- Opinion of Newport News' Financial Advisor."

Q: When do the companies expect to complete the merger?

A: Northrop Grumman expects to complete the merger on January 16, 2002, or as soon as practicable thereafter. The merger will become effective upon filing the certificate of merger with the Secretary of the State of Delaware or such later time as is agreed by Newport News and Northrop Grumman and specified in the certificate of merger. See "The Merger."

Q: Can the merger agreement be terminated?

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A: The merger agreement may be terminated by either Northrop Grumman, Purchaser Corp. I or Newport News under certain circumstances. See "The Merger -- Merger Agreement."

Q: Is Northrop Grumman's financial condition relevant?

A: Yes. Since shares of Newport News common stock issued and outstanding immediately prior to the effective time (other than shares owned by Northrop Grumman, Purchaser Corp. I or Newport News or shares for which appraisal rights have been exercised in accordance with Delaware law) will be converted into a right to receive 0.7193 shares of Northrop Grumman common stock or \$67.50 net in cash (subject to the proration procedures and limitations described in the offer), Newport News stockholders should consider Northrop Grumman's financial condition and particularly, the section entitled "Risk Factors" before deciding whether to elect to become one of Northrop Grumman's stockholders pursuant to the merger. In considering Northrop Grumman's financial condition, you should review carefully the information in this information statement, the prospectus dated November 13, 2001 and the documents incorporated by reference in this information statement because they contain detailed business, financial and other information about Northrop Grumman.

Q: What will happen to Newport News after the merger is completed?

A: After completion of the merger, Purchaser Corp. I will continue as the surviving corporation and Newport News' separate corporate existence will cease. The former holders of Newport News shares will no longer possess any direct interest in Newport News. Promptly upon completion of the merger, Newport News will terminate the registration of its shares under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, upon termination of the registration of the shares under the Exchange Act, the shares will no longer be eligible for inclusion on the New York Stock Exchange and on the Chicago Stock Exchange. See "The Merger -- Delisting of Newport News Shares Following the Merger." In the merger, Purchaser Corp. I will change its name to Newport News Shipbuilding Inc.

Q: What is the accounting treatment for the merger?

A: The acquisition of Newport News by Northrop Grumman's wholly owned subsidiary, Purchaser Corp. I, would be accounted for under the purchase method of accounting under U.S. generally accepted accounting principles, which means that Newport News' results of operations will be included with Northrop Grumman's from the closing date and Newport News' consolidated assets and liabilities will be recorded at their fair values at the same date.

Q: Do any existing or former members of Newport News' management or board of directors have interests in the merger other than as stockholders of Newport News?

A: Yes. Certain existing and former members of Newport News' management and board of directors (as well as employees of Newport News) have interests in the merger other than as stockholders relating to, among other things, (i) the terms of employment and non-competition agreements and change of control severance agreements between Newport News and certain members of management, providing for cash payments and other benefits; and (ii) the acceleration of unvested stock options for certain members of management. See "Interests of Certain Persons in the Merger."

Q: Should I send in my stock certificates now?

A: Yes. A letter of election and transmittal for use in surrendering share certificates is enclosed with this information statement. See "The Merger." Certificates representing Newport News shares should be sent in once

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stockholders receive the enclosed letter of election and transmittal and accompanying instructions, and then should be surrendered only in accordance with such instructions. Stockholders will have until January 16, 2002 (the effective time of the merger), upon surrender of their certificates, to elect the right to receive either cash or stock in the merger. You may make an election by completing the enclosed letter of election and transmittal without surrendering your Newport News stock certificates; however, if you surrender your Newport News stock certificates when returning the letter of election and transmittal, you will lose your appraisal rights, if any. After January 16, 2002, stockholders will still be able to exchange their shares

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but will not be able to elect the form of consideration that they will receive. Rather, you will receive the underelected form of consideration (or a proportionate share of each form of consideration if neither is oversubscribed). See "The Special Meeting -- The Merger Consideration."

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 the offer and 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 receive a combination of Northrop Grumman shares and cash or solely Northrop Grumman shares and 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 the merger will be treated as a "reorganization" for federal income tax purposes. Northrop Grumman's counsel, Fried, Frank, Harris, Shriver & Jacobson, has provided an opinion to that effect, based on certain assumptions and representations. At the time of the merger Northrop Grumman will seek to have Fried, Frank, Harris Shriver & Jacobson confirm its opinion based on the facts existing at that time. If that opinion cannot be obtained, the merger will be restructured as a merger of Purchaser Corp. I into Newport News. If the merger is restructured, your exchange of Newport News shares for Northrop Grumman shares and/or cash pursuant to the merger will be a fully taxable transaction. For more information, see "Material U.S. Federal Income Tax Consequences of the Merger."

Q: Are any regulatory approvals required?

A: No. On October 23, 2001 Northrop Grumman received clearance from the Department of Defense and the Department of Justice with respect to Hart-Scott-Rodino Antitrust Improvements Act of 1976. See "The Merger -- Regulatory Approvals."

Newport News and Northrop Grumman believe that there are no other material regulatory or governmental approvals required in order for the merger to be completed.

Q: Can I exercise appraisal rights?

A: Under Delaware law, stockholders who do not vote to approve the merger, who are stockholders of record as of the time they demand appraisal rights, who continuously own the shares through the effective time of the merger and who otherwise strictly comply with applicable requirements of the Delaware General Corporation Law may be able to demand payment in cash from Newport News for the

fair value of their shares. See "Appraisal Rights."

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RISK FACTORS

In deciding whether to vote upon a proposal to adopt the merger agreement and to transact such other business as may properly come before the meeting or any adjournment or postponement thereof, you should read carefully this information statement 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 the proposed acquisition is completed, 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. Northrop Grumman's 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.

THE NORTHROP GRUMMAN COMMON STOCK TO BE RECEIVED BY NEWPORT NEWS STOCKHOLDERS IN THE MERGER WILL FLUCTUATE IN VALUE

The market price of the shares of Northrop Grumman common stock to be issued in the merger in exchange for Newport News common stock may change as a result of change in Northrop Grumman's business, operations or prospects, market assessments of the impact of the merger or general market conditions. Northrop Grumman's results of operations, as well as the market price of Northrop Grumman's common stock, may be affected by factors different from those affecting Newport News' results of operations and the market price of Newport News' common stock. Because the market price of Northrop Grumman's common stock fluctuates, the value of the Northrop Grumman shares to be received by Newport News stockholders in the merger will depend upon the market price of such shares at the time they are received pursuant to the merger. There can be no assurance as to this value. In addition, because the fraction of a Northrop Grumman share to be exchanged for each Newport News share is fixed, the amount by which the value of the consideration actually received by you in the merger could decline.

EXCHANGE RATIO OF THE OFFER AND MERGER COULD WORK TO YOUR DISADVANTAGE

Northrop Grumman is offering to exchange each share of Newport News common stock for the right to receive 0.7193 shares of Northrop Grumman common stock or \$67.50 net in cash (subject to the election and proration procedures and limitations described in the offer). Although 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.

YOU MAY NOT RECEIVE ALL CONSIDERATION IN THE FORM YOU HAVE ELECTED

At the time you 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 stockholders. You can tell Northrop Grumman your preference to receive either 0.7193 shares of Northrop Grumman common stock

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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 stockholders. To the extent the demand for either the cash or the stock component of the merger exceeds the aggregate amount of cash or stock in the merger, Northrop Grumman 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

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share of each component if neither is oversubscribed), after taking into account the preferences of the tendering stockholders who make elections. See "The Special Meeting -- The Merger Consideration."

THE RECEIPT OF NORTHROP GRUMMAN SHARES IN CONNECTION WITH THE MERGER MAY BE TAXABLE TO YOU

Fried, Frank, Harris, Shriver & Jacobson has provided an opinion, based on certain assumptions and representations, that the offer and the merger will be treated as a single integrated transaction that constitutes a reorganization for federal income tax purposes. At the time of the merger Northrop Grumman will seek to have Fried, Frank, Harris, Shriver & Jacobson confirm its opinion based on the facts existing at that time. If that opinion cannot be obtained, the merger will be restructured as a merger of Purchaser Corp. I into Newport News. If the merger is restructured or if the merger otherwise is not treated as a reorganization for federal income tax purposes, your exchange of Newport News shares for Northrop Grumman shares and/or cash pursuant to the merger will be a fully taxable transaction for U.S. federal income tax purposes.

For more information, see "Material U.S. Federal Income Tax Consequences."

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR TO DETERMINE THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE OFFER AND THE MERGER, INCLUDING ANY FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES, AND ANY TAX RETURN FILING OR OTHER REPORTING REQUIREMENTS.

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 the merger, some holders of Newport News common stock will be entitled to 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
- . costs incurred by Newport News related to the merger, including legal and accounting fees as well as a portion of the financial advisor fees

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that would be payable upon completion of the merger, must be paid by Newport News even if the merger is not completed.

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NORTHROP GRUMMAN'S INDEBTEDNESS FOLLOWING THE OFFER AND THE MERGER WILL BE HIGHER THAN ITS EXISTING INDEBTEDNESS

The indebtedness of Northrop Grumman as of September 30, 2001 was approximately \$5.319 billion. Northrop Grumman's pro forma indebtedness as of September 30, 2001 giving effect to the offer and the merger (as described in "Northrop Grumman Selected Historical and Unaudited Pro Forma Condensed Combined Financial Data") is approximately \$6.455 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 the 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.

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;
- . performance degradation if expectations are not met;
- . changes in customer needs and plans;
- . unanticipated incompatibility of systems, procedures and operating methods;
- . unanticipated costs relating to facilities and operations; and
- . the effect of complying with any government imposed organizational conflict-of-interest rules.

NORTHROP GRUMMAN'S ABILITY TO RETAIN PERSONNEL WHO ARE KEY TO NORTHROP GRUMMAN'S AND NEWPORT NEWS' BUSINESS

The success of Northrop Grumman's operations is dependent, among other things, on its ability to attract and retain highly qualified professional personnel. Competition for key personnel in the various localities and business segments in which Northrop Grumman operates is intense. Northrop Grumman's ability to attract and retain key personnel, including senior officers and experienced engineers, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for

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the same talent, who may offer different employment packages. These same pressures and concerns also apply to Newport News' business.

RISKS RELATED TO THE BUSINESS OF NORTHROP GRUMMAN AND NEWPORT NEWS

Results of operations of Northrop Grumman will be subject to numerous risks affecting the businesses of Northrop Grumman Newport News, many of which are beyond the companies' control. Many of the risks affecting Northrop Grumman are identified below under "Forward-Looking Statements" may prove inaccurate.

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OFFICERS AND DIRECTORS OF NEWPORT NEWS HAVE POTENTIAL CONFLICTS OF INTEREST IN THE TRANSACTION

Newport News stockholders should be aware of potential conflicts of interest and the benefits available to Newport News directors when considering Newport News' board of directors' recommendation to approve the transaction. Newport News officers and directors have or had stock options, employment agreements and/or benefit plans that provide them with interests in the transaction that are different from, or in addition to, interests of Newport News stockholders. See "Interests of Certain Persons in the Merger."

FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE

Some of the information included in this information statement 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 less than planned. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include:

- . dependence on sales to the United States Government;
- . successful performance of internal plans;
- . government customers' budgetary restraints;
- . customer changes in short-range and long-range plans;
- . domestic and international competition in both the defense and commercial areas;
- . product performance;
- . continued development and acceptance of new products;
- . performance issues with key suppliers and subcontractors;
- . government import and export policies;
- . termination of government contracts, which may include termination for the convenience of the government;

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- . the outcome of political and legal processes;
- . Northrop Grumman maintaining satisfactory relations with labor unions that represent certain of Northrop Grumman employees;
- . legal, financial and governmental risks related to international transactions and global needs for military and commercial aircraft, electronic systems and support, information technologies and ships; and
- . other economic, political and technological risks and uncertainties.

See also "Risk Factors," and the risk factors disclosed in Northrop Grumman's Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2000 and Northrop Grumman Quarterly Reports on Form 10-Q, for the

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periods ended March 31, 2001, June 30, 2001 and September 30, 2001, which are incorporated herein by reference. For additional factors that might affect the forward-looking statements with respect to Newport News, see Newport News' Annual Report on Form 10-K, for the fiscal year ended December 31, 2000 and Newport News' Quarterly Reports on Form 10-Q, for the periods ended March 18, 2001, June 17, 2001 and September 16, 2001, which are incorporated in this information statement by reference. See "Where You Can Find More Information." Readers are cautioned not to put undue reliance on forward-looking statements. Northrop Grumman disclaims any intent or obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise.

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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 nine months ended September 30, 2000 and for Northrop Grumman for the nine months ended September 30, 2001, and selected unaudited pro forma condensed combined financial data of Northrop Grumman, Litton Industries, Inc. and Newport News for the year ended December 31, 2000 and the nine months ended September 30, 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 Northrop Grumman with the SEC. Consolidated financial data for the year ended December 31, 1996 and for the nine months ended September 30, 2001 and 2000 have been derived from unaudited consolidated financial statements and notes thereto of Northrop Systems and Northrop Grumman. The selected historical financial data for each of the years in the five-year period ending December 31, 2000 do not give effect to the Litton acquisition or the resulting debt. The historical operating data for the nine months ended September 30, 2001 include six months of Litton's operating results subsequent to the acquisition by Northrop Grumman on April 3, 2001.

The operating results for the nine months ended September 30, 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

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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 were obtained from the Unaudited Pro Forma Condensed Combined Financial Statements. The pro forma financial statements are 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. The pro forma financial 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 nine months ended September 30, 2001, which are incorporated by reference in this information statement, (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 information statement, 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 September 16, 2001, which are incorporated by reference in this information statement. 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 Report 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.

The acquisition of Litton, which is valued at approximately \$5.2 billion, including the assumption of Litton's net debt of \$1.3 billion, is accounted for using the purchase method of accounting. Under the purchase method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values, with the excess recorded as goodwill. The Unaudited Pro Forma Condensed Combined Financial Data reflects preliminary estimates of the fair market value of the Litton

assets acquired and liabilities assumed and the related allocations of purchase price, and preliminary estimates of adjustments necessary to conform Litton data to Northrop Grumman's accounting policies. The Unaudited Pro Forma Condensed Combined Financial Data do not include the recognition of liabilities associated with certain potential restructuring activities. Northrop Grumman is currently reviewing the preliminary estimates of the fair market value of the Litton assets acquired and liabilities assumed, including valuations associated with certain contracts and preliminary valuation study results for intangible assets, property, plant and equipment, and retiree benefits assets and liabilities. Northrop Grumman also is evaluating several possible restructuring activities of

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Litton operations. The final determination of the fair market value of assets acquired and liabilities assumed and final allocation of the purchase price may differ from the amounts assumed in the Unaudited Pro Forma Condensed Combined Financial Data. Adjustments to the purchase price allocations are expected to be finalized by December 31, 2001, and will be reflected in future Northrop Grumman filings. There can be no assurance that such adjustments will not be material.

As of the date of this information statement, Northrop Grumman has not completed the valuation studies necessary to arrive at the required estimates of the fair market value of the Newport News assets to be acquired in the merger 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 Newport News data to Northrop Grumman's accounting policies. Accordingly, Northrop Grumman has used the historical book values of the assets and liabilities of Newport News and has used the historical revenue recognition policies of Newport News to prepare the Unaudited Pro Forma Condensed Combined Financial Statements, with the excess of the purchase price over the historical net assets of 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, such pro forma financial statements will be subject to adjustment. Such adjustments will likely result in changes to the pro forma statement of financial position to reflect the final allocations of purchase price and the pro forma statements of income, and there can be no assurance that such 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 the offer and the Litton and Newport News acquisitions occurred on the dates 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, except for preliminary estimates of costs to consolidate the Litton and Northrop Grumman corporate offices.

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 information statement and the Unaudited Pro Forma Condensed Combined Financial Statements.

NORTHROP GRUMMAN/ LITTON/ NEWPORT NEWS	NORTHROP GRUMMAN	NORTHROP GRUMMAN/ LITTON/ NEWPORT NEWS	NORTHROP GR
PRO FORMA	HISTORICAL DATA	PRO FORMA	HISTORICAL
-----		-----	
		YEAR ENDED	

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	NINE MONTHS ENDED SEPTEMBER 30,			DECEMBER 31,		YEAR ENDED DE	
	2001	2001	2000	2000	2000	1999	1998
(IN MILLIONS, EXCEPT PER SHARE DATA)							
OPERATING DATA:							
Net sales.....	\$12,220	\$ 9,254	\$5,389	\$15,255	\$7,618	\$7,616	\$7,3
Income from continuing operations, net of tax.....	338	296	481	702	625	474	1
Basic earnings per share, from continuing operations.....	3.14	3.53	6.86	6.76	8.86	6.84	2.
Diluted earnings per share, from continuing operations.....	3.11	3.50	6.84	6.73	8.82	6.80	2.
Cash dividends per common share.....	1.20	1.20	1.20	1.60	1.60	1.60	1.
BALANCE SHEET DATA:							
Total assets.....	\$20,767	\$17,214	\$9,354	N/A	\$9,622	\$9,285	\$9,5
Total long-term obligations.....	9,011	7,636	3,111	N/A	3,015	3,564	4,3
Redeemable preferred stock.....	350	350	-	N/A	-	-	-

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SELECTED HISTORIAL 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 nine months ended September 16, 2001 and September 17, 2000. The operating results for the nine months ended September 16, 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 September 16, 2001 and September 17, 2000, and is qualified in its entirety by such documents. See "Where You Can Find More Information". You should read this summary together with the financial statements which are incorporated by reference in this information statement and their accompanying notes and in conjunction with managements' discussion and analysis of operations and financial conditions of Newport News contained in such reports.

	NINE MONTHS ENDED		YEAR E	
	SEPTEMBER 16, 2001	SEPTEMBER 17, 2000	2000	1999

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(IN MILLIONS, EXCEPT PER SHARE DATA)

OPERATING DATA:

Revenues.....	\$1,639	\$1,494	\$2,072	\$1,863
Net earnings (loss)...	72	66	90	97
Net earnings (loss) per common share, basic.....	2.43	2.12	2.91	2.83
Net earnings (loss) per common share, diluted.....	2.29	2.03	2.77	2.72
Cash dividends declared per share (a).....	.12	.12	.16	.16
BALANCE SHEET DATA:				
Total assets.....	\$1,638	\$1,506	\$1,476	\$1,512
Long-term obligations.....	432	508	498	525

(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.

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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 a 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 information statement. 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 the 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 0.7193, the percentage of a share of Northrop Grumman common stock that will be exchanged for each share of Newport News common stock. The historical per share information of

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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.

	NINE MONTHS ENDED SEPTEMBER 30, 20

NORTHROP GRUMMAN AND NORTHROP SYSTEMS - HISTORICAL	
Historical per common share:	
Income per basic share	\$ 3.53
Income per diluted share	3.50
Dividends declared-Common	1.20
Dividends declared-Preferred	3.44
Book value per share	61.57
LITTON - HISTORICAL	
Historical per common share:	
Income per basic share	\$ N/A
Income per diluted share	N/A
Dividends declared-Common	N/A
Dividends declared-Preferred	N/A
Book value per share	N/A
NEWPORT NEWS - HISTORICAL*	
Historical per common share:	
Income per basic share	\$ 2.43
Income per diluted share	2.29
Dividends declared-Common	0.12
Dividends declared-Preferred	--
Book value per share	10.29
UNAUDITED PRO FORMA COMBINED	
Unaudited pro forma per share of Northrop Grumman common shares:	
Income per basic share	\$ 3.14
Income per diluted share	3.11
Dividends declared-Common	1.20
Dividends declared-Preferred	5.25
Book value per share	66.82
UNAUDITED PRO FORMA NEWPORT NEWS EQUIVALENTS*	

Unaudited pro forma per share of Newport News common shares:		
Income per basic share	\$ 2.26	\$4.86
Income per diluted share	2.24	4.84
Dividends declared-Common	0.86	1.15
Dividends declared-Preferred	3.78	5.04
Book value per share	48.06	N/A

* Nine month data for Newport News is for the nine-month period ended September 16, 2001.

COMPARATIVE MARKET DATA

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 December 14, 2001. May 8, 2001 was the last trading day before the announcement of Northrop Grumman's intention to make an offer for Newport News shares and December 14, 2001 was the last practicable trading day prior to the filing date of this information statement. Newport News equivalent per share amounts are calculated by multiplying Northrop Grumman per share amounts by .7193, the exchange ratio of Northrop Grumman shares for each Newport News share, by \$93.84, which represents 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 5-day trading period beginning on November 20, 2001 and ending on November 27, 2001. The actual value of the shares of Northrop Grumman common stock a stockholder will be entitled to receive following the merger may be higher or lower than the prices set forth below. You should read the information presented below in conjunction with "Comparative Per Share Market Price and Dividend Information".

	NORTHROP GRUMMAN COMMON STOCK			NEWPORT NEWS COMMON STOCK			EQUI
	HIGH	LOW	CLOSING	HIGH	LOW	CLOSING	HIGH
May 8, 2001.....	\$92.46	\$90.74	\$91.50	\$65.20	\$64.93	\$65.00	\$66.51
December 14, 2001.....							

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The Unaudited Pro Forma Condensed Combined Financial Statements presented below are derived from the historical consolidated financial statements of each of Northrop Systems, Northrop Grumman, Litton and Newport News. The Unaudited Pro Forma Condensed Combined Financial Statements are prepared using the purchase method of accounting, with Northrop Grumman treated as the acquiror and as if the Newport News and Litton acquisitions had been completed as of the beginning of the periods presented for statements of operations purposes and as if the Newport News acquisition had been completed on September 30, 2001 for balance sheet purposes.

The Unaudited Pro Forma Condensed Combined Financial Statements are based

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upon the historical financial statements of Northrop Systems, North Grumman, Litton and Newport News adjusted to give effect to the Litton acquisition and the Newport News acquisition. The pro forma adjustments are described in the accompanying notes presented on the following pages. The pro forma financial 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 nine months ended September 30, 2001, which are incorporated by reference in this information statement, (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 information statement, 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 September 16, 2001, which are incorporated by reference in this information statement. In addition, 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 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 these Unaudited Pro Forma Condensed Combined Financial Statements.

The acquisition of Litton, which is valued at approximately \$5.2 billion, including the assumption of Litton's net debt of \$1.3 billion, is accounted for using the purchase method of accounting. Under the purchase method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values, with the excess recorded as goodwill. The Unaudited Pro Forma Condensed Combined Financial Statements reflect preliminary estimates of the fair market value of the Litton assets acquired and liabilities assumed and the related allocations of purchase price, and preliminary estimates of adjustments necessary to conform Litton data to Northrop Grumman's accounting policies. The Unaudited Pro Forma Condensed Combined Financial Statements do not include the recognition of liabilities associated with certain potential restructuring activities. Northrop Grumman is currently reviewing the preliminary estimates of the fair market value of the Litton assets acquired and liabilities assumed, including valuations associated with certain contracts and preliminary valuation study results for intangible assets, property, plant and equipment, and retiree benefits assets and liabilities. Northrop Grumman also is evaluating several possible restructuring activities of Litton operations. The final determination of the fair market value of assets acquired and liabilities assumed and final allocation of the purchase price may differ from the amounts assumed in these Unaudited Pro Forma Condensed Combined Financial Statements. Adjustments to the purchase price allocations are expected to be finalized by December 31, 2001, and will be reflected in future Northrop Grumman filings. There can be no assurance that such adjustments will not be material.

As of the date of this information statement, Northrop Grumman has not completed the valuation studies necessary to arrive at the required estimates of the fair market value of the Newport News assets to be assumed in the merger and the Newport News liabilities to be assumed in the merger and the related allocations of purchase price, nor has it identified the adjustments necessary, if any, to conform Newport News data to Northrop Grumman's accounting policies. Accordingly, Northrop Grumman has used the historical book values of the assets

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and liabilities of Newport News and has used the historical revenue recognition policies of Newport News to prepare the Unaudited Pro Forma

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Condensed Combined Financial Statements set forth herein, with the excess of the Purchase price over the historical net assets of 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, such pro forma financial statements will be subject to adjustment. Such adjustments will likely result in changes to the pro forma statement of financial position to reflect the final allocations of purchase price and the pro forma statements of income, and there can be no assurance that such adjustments will not be material.

The Unaudited Pro Forma Condensed Combined Financial Statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Northrop Grumman would have been had the offer and the Litton and Newport News acquisitions occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial position.

The Unaudited Pro Forma Condensed Combined Financial Statements do not include the realization of cost savings from operating efficiencies, synergies or other restructurings resulting from the Litton and Newport News acquisitions, except for preliminary estimates of costs to consolidate the Litton and Northrop Grumman corporate offices.

The Unaudited Pro Forma Condensed Combined Financial Statements 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 information statement.

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UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENT OF FINANCIAL POSITION
September 30, 2001
(\$ in millions)

	NORTHROP GRUMMAN	NEWPORT NEWS	----- ADJUST
	-----	-----	-----
Assets:			
Current assets			
Cash and cash equivalents	\$ 310	\$ 66	\$
Accounts receivable	2,297	131	
Inventoried costs	1,222	409	
Deferred income taxes	35	110	
Prepaid expenses and other current assets	140	19	
	-----	-----	-----
Total current assets	4,004	735	
	-----	-----	-----

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Property, plant and equipment	3,297	1,616	
Accumulated depreciation	(1,211)	(950)	
	-----	-----	
Property, plant and equipment, net	2,086	666	
	-----	-----	
Other assets			
Goodwill and other purchased intangibles, net	7,956	--	1
Prepaid retiree benefits costs and intangible pension asset ...	2,773	--	
Other assets	395	237	
	-----	-----	
	11,124	237	1
	-----	-----	
	\$ 17,214	\$ 1,638	\$ 1
	=====	=====	=====
Liabilities and Shareholders' Equity:			
Current liabilities			
Notes payable and current portion of long-term debt	\$ 134	\$ 46	\$
Accounts payable	757	87	
Accrued employees' compensation	629	--	
Advances on contracts	837	--	
Income taxes	373	--	
Other current liabilities	1,223	484	
	-----	-----	
Total current liabilities	3,953	617	
	-----	-----	
Long-term debt	5,185	432	
Accrued retiree benefits	1,478	--	
Deferred tax and other long-term liabilities	973	285	
Redeemable preferred stock	350	--	
Shareholders' equity			
Paid in capital and unearned compensation	2,366	452	1
Retained earnings	2,928	236	
Accumulated other comprehensive loss	(19)	--	
Stock Employee Compensation Trust	--	(384)	
	-----	-----	
	5,275	304	1
	-----	-----	
	\$ 17,214	\$ 1,638	\$ 1
	=====	=====	=====

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UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENT OF INCOME
Year Ended December 31, 2000
(\$ in millions, except per share)

NORTHROP GRUMMAN	LITTON	----- PRO FORMA ADJUSTMENTS	----- COMBINED	----- NEWPO NEW
-----	-----	-----	-----	-----

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Sales and service revenues	\$ 7,618	\$ 5,626	\$ (61) (b)	\$ 13,183	\$ 2,
Cost of sales					
Operating costs	5,446	4,669	88 (b) (c) (d)	10,203	1,
Administrative and general expenses	1,074	491	--	1,565	
	-----	-----	-----	-----	-----
Operating margin	1,098	466	(149)	1,415	
Interest expense	(175)	(105)	(191) (e)	(471)	
Other, net	52	16	--	68	
	-----	-----	-----	-----	-----
Income from continuing operations before income taxes	975	377	(340)	1,012	
Federal and foreign income taxes	350	151	(119) (f)	382	
	-----	-----	-----	-----	-----
Income from continuing operations	\$ 625	\$ 226	\$ (221)	\$ 630	\$
	=====	=====	=====	=====	=====
Less, dividends paid to preferred shareholders	--	--	(25) (g)	(25)	
	-----	-----	-----	-----	-----
Income available to common shareholders	\$ 625	\$ 226	\$ (246)	\$ 605	\$
	=====	=====	=====	=====	=====
Average shares basic	70.58			83.58	
Average shares diluted	70.88			84.00	
Basic earnings per share:					
Continuing operations	\$ 8.86			\$ 7.24	
Diluted earnings per share:					
Continuing operations	\$ 8.82			\$ 7.20**	

** Calculated by dividing income available to common stockholders by average shares diluted, which is calculated assuming preferred shares are not converted to common shares, resulting in the most dilutive effect.

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UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENT OF INCOME
Nine Months Ended September 30, 2001
(\$ in millions, except per share)

	NORTHROP GRUMMAN	LITTON	PRO FORMA ----- ADJUSTMENTS	COMBINED -----	NEWPORT NEWS ----
Sales and service revenues...	\$ 9,254	\$ 1,345	\$ (18) (b)	\$ 10,581	\$ 1,639
Cost of sales					
Operating costs	7,656	1,120	19 (b) (c) (d)	8,795	1,481
Administrative and general expenses	908	121	--	1,029	--
	-----	-----	-----	-----	-----

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Operating margin	690	104	(37)	757	158
Interest expense	(269)	(27)	(64) (e)	(360)	(37)
Other, net	64	3	--	67	(1)
	-----	-----	-----	-----	-----
Income from continuing operations before income taxes	485	80	(101)	464	120
Federal and foreign income taxes	189	30	(35) (f)	184	48
	-----	-----	-----	-----	-----
Income from continuing operations	\$ 296	\$ 50	\$ (66)	\$ 280	\$ 72
	=====	=====	=====	=====	=====
Less, dividends paid to preferred shareholders....	(12)	--	(6) (g)	(18)	--
	-----	-----	-----	-----	-----
Income available to common shareholders	\$ 284	\$ 50	\$ (72)	\$ 262	\$ 72
	=====	=====	=====	=====	=====
Average shares basic	80.34			85.32	
Average shares diluted	81.03			86.11	
Basic earnings per share:					
Continuing operations... \$	3.53			\$ 3.07	
Diluted earnings per share:					
Continuing operations... \$	3.50**			\$ 3.04**	

 ** Calculated by dividing income available to common stockholders by average shares diluted, which is calculated assuming preferred shares are not converted to common shares, resulting in the most dilutive effect.

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NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

- (a) Adjustments to (i) eliminate the equity of Newport News, (ii) record issuance of common stock, (iii) record debt financing for the Newport News acquisition along with additional acquisition related costs, (iv) record the repayment of the Stock Employee Compensation Trust's indebtedness to Newport News and (v) record goodwill and other purchased intangibles.

The amount of the purchase price allocated to goodwill and other purchased intangibles is subject to change and is calculated based on the following assumptions:

- (i) The Parent Stock value (as defined in the Merger Agreement) is \$93.84;
 - (ii) The exchange ratio is .7193; and
 - (iii) All of the 16,636,885 Parent Available Shares will be issued in our offer and merger.
- (b) Adjustment to eliminate intercompany sales and cost of sales transactions between Northrop Grumman and Litton.
- (c) Adjustment to amortize the preliminary estimate of goodwill and other purchased intangible assets arising out of the acquisition of Litton over

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an estimated weighted average life of 26 years on a straight line basis.

- (d) Adjustment to record preliminary depreciation of property, plant and equipment and amortization of capitalized software arising out of the acquisition of Litton.
- (e) Adjustment to record interest expense and the amortization of debt issuance costs on new financing for the acquisition of Litton at a weighted average rate of 6.8 and 7.5 percent for the nine months ended September 30, 2001 and the year ended December 31, 2000, respectively.
- (f) Adjustment to record income tax effects on pre-tax pro forma adjustments, using a statutory tax rate of thirty-five percent.
- (g) Adjusted, pro rata, for dividends to preferred stockholders using a \$7 per share dividend rate for redeemable preferred stock issued in the acquisition of Litton.
- (h) Adjustment to amortize purchased intangible assets arising out of the Newport News acquisition over an estimated life of 30 years on a straight line basis.
- (i) Adjustment to record interest on debt financing for the Newport News acquisition at the current rate of 3.4 percent as of October 26, 2001.
- (j) Adjustment to conform Newport News data to classifications utilized by Northrop Grumman.

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THE SPECIAL MEETING

Time, Place, Date

This information statement is being furnished to the holders of outstanding shares of Newport News common stock in connection with the special meeting to be held on January 16, 2002, at 9:00 a.m., local time, at Fried, Frank, Harris, Shriver & Jacobson at 350 South Grand Avenue, Los Angeles, CA 90071, including any adjournments or postponements thereof.

Purpose of the Special Meeting

At the special meeting, stockholders of Newport News will consider and vote upon a proposal to adopt the merger agreement, dated as of November 7, 2001, among Newport News, Northrop Grumman and Purchaser Corp. I pursuant to which Newport News will be merged with and into Purchaser Corp. I with Purchaser Corp. I as the surviving corporation at and after the effective time of the merger. The merger agreement is incorporated by reference to Northrop Grumman's Registration Statement on Form S-4. Stockholders will also consider such other business as may properly come before the meeting.

Record Date; Quorum; Outstanding Shares Entitled to Vote

The record date for the special meeting has been fixed as the close of business on December 5, 2001. Only holders of record of shares on the record date are entitled to vote at the special meeting. Holders of shares on the record date are entitled to one vote on matters properly presented at the special meeting for each share held.

On the record date, there were 32,522,528 shares outstanding. The

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outstanding shares were held of record by approximately [] registered holders. The presence in person of holders of a majority of the shares entitled to vote will constitute a quorum for the transaction of business at the special meeting. Because the shares owned by Northrop Grumman and its affiliates will be represented at the special meeting, a quorum will be present, even if no other stockholders are present.

Vote Required

Pursuant to Delaware law, the merger agreement must be adopted by the affirmative vote of the holders of a majority of the total number of outstanding shares. Abstentions of shares that are present at the special meeting and broker non-votes will each have the same effect as a vote against adoption of the merger agreement. Pursuant to the merger agreement, Northrop Grumman and its affiliates are required to vote their shares for adoption of the merger agreement. As of the record date, Northrop Grumman and its affiliates beneficially owned 26,469,448 shares (approximately 80.7% of all outstanding shares). Because the approval of the holders of a majority of all outstanding shares is sufficient to approve and adopt the merger agreement, Northrop Grumman can cause the merger to occur without the affirmative vote of any other stockholder. You are not being asked for a proxy and you are requested not to send one. If you wish to vote your shares, you may do so only by attending the special meeting in person.

Newport News stockholders may be able to exercise appraisal rights in connection with the merger. See "Appraisal Rights."

Surrender of Certificates and Payment Procedures

A letter of election and transmittal and instructions for effecting the surrender of your Newport News stock certificates is enclosed with this information statement. Upon surrender to Mellon Investor Services, the exchange agent of a certificate representing a share of Newport News common stock, together with a duly completed and validly executed letter of election and transmittal and such other documents as may reasonably be required by the exchange agent, the holder of such certificate shall be entitled to receive in exchange therefore certificates representing the number of whole shares of Northrop Grumman common stock or \$67.50 per share net in cash into which their

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shares of Newport News common stock were converted into the right to receive, pursuant to the merger agreement, and the certificates so surrendered will be canceled.

No dividends or other distributions declared after the effective time of the merger on Northrop Grumman common stock will be paid in respect of any Newport News common stock formerly represented by a certificate until such certificate is surrendered for exchange. Following surrender of any such certificate, the holder of the certificates representing whole Northrop Grumman common stock issued in exchange will be paid, without interest, (1) at the time of the surrender, the amount of dividends or other distributions with a record date after the effective time of the merger, payable with respect to the whole Northrop Grumman common stock and not paid, less the amount of any withholding taxes which may be required, and (2) at the appropriate payment date, the amount of dividends or other distributions with a record date after the effective time of the merger but prior to surrender and a payment date subsequent to surrender payable with respect to such whole Northrop Grumman common stock, less the amount of any withholding taxes which may be required.

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You should send your share certificates and the enclosed letter of election and transmittal to the exchange agent now. Share certificates should be sent to the exchange agent only pursuant to instructions set forth in the enclosed letter of election and transmittal which is included with this information statement. In all cases, the merger consideration will be provided only in accordance with the procedures set forth in this information statement, the merger agreement and the letter of election and transmittal. Stockholders will have until January 16, 2002 (the effective time of the merger), upon surrender of their certificates, to elect the right to receive either cash or stock in the merger. After January 16, 2002, stockholders will still be able to exchange their shares but will not be able to elect the form of consideration that they will receive. Rather, you will receive the underelected form of consideration (or a proportionate share of each form of consideration if neither is oversubscribed). See "The Merger Consideration" below.

Each share of Newport News common stock which has not been exchanged or accepted for exchange in the offer will be converted in the merger into the right to receive the same consideration as was paid in the offer.

Any questions concerning the exchange procedures and requests for letters of election and transmittal may be addressed to the information agent, D.F. King & Co., Inc., at 1-800-758-5378 (toll free).

The Merger Consideration

Under the terms of the merger agreement, Northrop Grumman will exchange a combination of cash and newly issued Northrop Grumman common stock for all Newport News shares outstanding at the time the merger is complete.

Election Right. Each Newport News stockholder may elect for Newport News shares exchanged by him or her, either \$67.50 in cash, without interest, or 0.7193 shares of Northrop Grumman common stock (subject, in each case, to the election and proration procedures and limitations described below). The exchange ratio for the merger is the same as it was for the offer, regardless of the Northrop Grumman stock price at the time of completion of the merger.

Northrop Grumman will (a) issue the remaining available shares and (b) distribute the remaining available cash, subject to increase for fractional shares.

The offer expired on November 29, 2001. Prior to the expiration of the offer, Northrop Grumman stated that, pursuant to the merger agreement, it would issue 16,636,885 shares of its common stock in the offer and merger. Northrop Grumman issued 13,358,229 shares in the offer, which leaves 3,278,656 shares remaining to be issued pursuant to the merger. Prior to the expiration of the offer, Northrop Grumman stated that it would pay \$633,452,178 in cash for Newport News shares in the offer and the merger. Northrop Grumman paid out \$511,440,945 in the offer and with the adjustments, now has \$122,011,233 remaining to pay out pursuant to the merger.

Consequences of Over- and Under-Election. If Newport News stockholders elect to receive cash in excess of the amount of cash available to be paid in the merger, 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 Northrop Grumman will pay to all Newport News stockholders in the merger will equal the amount of remaining cash available. If

this reduction occurs, in addition to the reduced amount of cash, Northrop Grumman will issue, in respect of each Newport News share for which a cash election was made, shares of Northrop Grumman common stock in lieu of the cash the Newport News stockholder would have otherwise received. The number of shares of Northrop Grumman common stock Northrop Grumman will issue for each Newport News share subject to a cash election in this situation will be calculated by multiplying 0.7193 by the percentage reduction in the cash consideration paid to Newport News stockholders making cash elections. If Newport News stockholders elect to receive pursuant to the merger shares of Northrop Grumman common stock in excess of the amount of remaining shares available, the number of shares of Northrop Grumman common stock Newport News stockholders will receive for each Newport News share for which they made a share election will be reduced pro rata so that the total number of shares that Northrop Grumman will issue to all Newport News stockholders in the merger will equal the amount of remaining shares available. If this reduction occurs, in addition to the reduced number of Northrop Grumman shares, Northrop Grumman will pay, in respect of each Newport News share for which a share election was made, cash in lieu of the Northrop Grumman shares that the Newport News stockholder would have otherwise received. The amount of cash to be paid for each Newport News share subject to a share election in this situation will be calculated by multiplying \$67.50 by the percentage reduction in Northrop Grumman shares issued to Newport News stockholders making share elections. In the case of an over-election for either cash or Northrop Grumman shares, those Newport News stockholders who fail to make a valid election with respect to their shares will receive the under-elected form of consideration for those shares. Therefore, you are encouraged to make a valid election with respect to all of your shares. If all Newport News stockholders together make valid cash elections for less than the amount of remaining cash available and valid share elections for fewer than all the amount of remaining shares available, all of the remaining cash and Northrop Grumman shares that will be paid and issued in the merger will be allocated pro rata among the holders of non-electing shares. This means that, under these circumstances, non-electing stockholders would receive both cash and Northrop Grumman shares for their Newport News shares.

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APPRAISAL RIGHTS

Stockholders of Newport News may be entitled to appraisal rights under Section 262 of the General Corporation Law of the State of Delaware as to shares owned by them. Newport News stockholders will not be entitled to demand appraisal of their shares in connection with the merger unless (x) any Newport News stockholder elects to receive shares of Northrop Grumman common stock pursuant to the merger and receive, in whole or in part, cash (other than cash in lieu of fractional shares) or (y) any Newport News stockholder does not make an election as to the form of consideration to be received and receive, in whole or in part, cash (other than cash in lieu of fractional shares). Set forth below is a summary description of Section 262. Section 262 is reprinted in its entirety as Annex A to this information statement. All references in Section 262 and in this summary to a "stockholder" are to the record holder of the Newport shares as to which appraisal rights, if any, are asserted. A person having a beneficial interest in Newport News shares that are held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect whatever appraisal rights, if any, the beneficial owner may have.

FOR MORE DETAIL REGARDING APPRAISAL RIGHTS, SEE ANNEX A. THIS SUMMARY AND ANNEX A SHOULD BE REVIEWED CAREFULLY BY ANY HOLDER WHO WISHES TO EXERCISE STATUTORY APPRAISAL RIGHTS, IF ANY, OR WHO WISHES TO PRESERVE THE RIGHT TO DO SO

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BECAUSE FAILURE TO COMPLY STRICTLY WITH THE PROCEDURES SET FORTH IN THIS SUMMARY AND ANNEX A WILL RESULT IN THE LOSS OF APPRAISAL RIGHTS, IF ANY.

In accordance with Section 262, any stockholder may, before the vote at the special meeting upon the proposal to adopt the merger agreement, demand in writing from Newport News the appraisal of the fair value of the stockholder's shares. The demand must reasonably inform Newport News of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of the stockholder's shares. A stockholder will lose appraisal rights, if any, if among other things,

- . the written demand for appraisal of shares is not executed by the record owner on the date of the demand of the shares for which appraisal is sought (or a duly authorized agent of such record owner);
- . the record owner fails to hold the shares continuously through the effective time of the merger;
- . the record owner surrenders his or her Newport News stock certificates when making an election pursuant to the letter of election and transmittal;
- . the record owner does not properly demand an appraisal as summarized in this paragraph and the following paragraphs (and more fully in Section 262);
- . the shares for which appraisal is sought are voted in favor of the proposal to adopt the merger agreement; or
- . no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the effective time of the merger.

A stockholder who elects to exercise appraisal rights, if any, must mail or deliver such stockholder's written demand to Newport News at 4101 Washington Avenue, Newport News, Virginia 23607, Attention: Charles Ream, Chief Financial Officer. A demand for appraisal will not be effective if it is not actually received by Newport News before the vote at the special meeting upon the proposal to adopt the merger agreement. A vote against the merger agreement or a failure to vote for the merger agreement would not by itself constitute sufficient notice of a stockholder's election to exercise appraisal rights agreement, if any.

Only a stockholder of record on the date a demand for appraisal is made is entitled to assert appraisal rights, if any, for shares registered in the name of the stockholder. A demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as the stockholder's name appears on the certificate or certificates representing his or her shares. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian, or custodian, demand must be executed by the fiduciary. If the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be executed by all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, that person is acting as agent for the record owner.

If a person holds shares through a broker who in turn holds the shares through a central depository nominee, such as Cede & Co., a demand for appraisal of the shares must be made by or on behalf of the depository nominee and must identify the depository nominee as the holder of record.

A stockholder, such as a broker, a central depository nominee, or other stockholder who holds shares as a nominee for the benefit of others, may exercise appraisal rights, if any, with respect to the shares held for all or less than all beneficial owners of shares as to which the person is the record owner. In this case, the written demand must set forth the number of shares covered by the demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares outstanding in the name of the record owner. Beneficial owners who are not record owners and who intend to exercise appraisal rights, if any, should instruct the record owner to comply strictly with the statutory requirements with respect to the exercise of appraisal rights.

Within 120 days after the effective time of the merger, if appraisal rights are available in connection with the merger, either the surviving corporation or any stockholder of record who has complied with the required conditions of Section 262 may file a petition in the Delaware Chancery Court demanding a determination of the fair value of the Newport News shares of the dissenting stockholders. If appraisal rights are available in connection with the merger, a petition for an appraisal is timely filed and a copy thereof is served upon the surviving corporation, the surviving corporation will then be obligated within 20 days to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached. After notice to such stockholders as required by the Court, the Delaware Court of Chancery is empowered to conduct a hearing on such petition to determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the stockholders who demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceeding; and if any stockholder fails to comply with such direction, the Court of Chancery may dismiss the proceedings as to such stockholder.

After determining the stockholders entitled to appraisal, the Delaware Court of Chancery will appraise the Newport News shares formerly owned by those stockholders, determining the fair value of the shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining the fair value, the Delaware Chancery Court is to take into account all relevant factors.

Stockholders considering seeking appraisal should note that the "fair value" of their shares determined under Section 262 could be more than, the same as or less than the merger consideration, and that opinions of investment banking firms as to fairness, from a financial point of view, are not opinions as to fair value under Section 262. The cost of the appraisal proceeding may be determined by the Delaware Chancery Court and taxed against the parties as the Delaware Chancery Court deems equitable in the circumstances. Upon application of a dissenting stockholder, the Delaware Chancery Court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all Newport News shares entitled to appraisal.

From and after the effective time of the merger, if appraisal rights are available in connection with the merger, no stockholder who has duly demanded appraisal in compliance with Section 262 will be entitled to vote for any purpose the Newport News shares subject to that demand or to receive payment of

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dividends or other distributions on the shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective time of the merger.

At any time within 60 days after the effective time of the merger, any stockholder shall have the right to withdraw their demand for appraisal and to accept the terms offered in the merger agreement; after this period, a stockholder may withdraw their demand for appraisal only with the consent of the surviving corporation. If no petition for appraisal is filed with the Delaware Chancery Court within 120 days after the effective time of the merger, stockholders' rights to appraisal, if any, shall cease, and all stockholders who had previously demanded appraisal shall thereafter be entitled to receive the merger consideration, without interest thereon, upon valid surrender of the certificates that formerly represented their shares. Inasmuch as Newport News has no obligation to file a petition, and has no present intention to do so, any stockholder who desires a petition to be filed is advised to file it on a timely basis. No petition timely filed in the Delaware Chancery Court demanding appraisal shall be dismissed as to any stockholder without the approval of the Delaware Chancery Court, and that approval may be conditioned upon terms as the Delaware Chancery Court deems just.

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THE MERGER

Background of the Offer and the Merger

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.

On March 9, 2001, Ken 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 was subject to various conditions including approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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

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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.

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, Northrop Grumman filed notification with the U.S. Department of Justice and the Federal Trade Commission of its 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, Northrop Grumman commenced its offer.

On May 25, 2001, Northrop Grumman and General Dynamics received a request from the Department of Justice for additional information under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 with respect to each company's proposed acquisition of Newport News.

On June 5, 2001, Newport News' board of directors met and determined that it was unable to take a position with respect to the Northrop Grumman offer until Newport News further investigated the position of the U.S.

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government. Newport News' board of directors also unanimously reaffirmed its recommendation of the General Dynamics offer and advised Newport News stockholders to tender their shares as part of the General Dynamics offer.

On June 15, 2001, Mr. Kresa sent a letter to Mr. Fricks, stating that Northrop Grumman was disappointed to learn that the Newport News board of directors decided not to take a position with regard to Northrop Grumman's offer. Mr. Kresa requested access to the same information that Newport News provided General Dynamics during the governmental review process. Mr. Kresa reiterated his belief that there were substantial antitrust issues facing the General Dynamics merger. This letter was filed as Exhibit (a) (5) (E) to Northrop Grumman's amended Schedule TO, filed with the SEC on June 15, 2001. See "Where You Can Find More Information."

On June 18, 2001, Northrop Grumman received a request from the Department of Justice for additional information under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 regarding its proposed acquisition of Newport News.

General Dynamics and Northrop Grumman announced, on August 9, 2001 and on August 10, 2001, respectively, that they had entered into an agreement with the Department of Defense and the Department of Justice providing that both General Dynamics and Northrop Grumman comply with a Department of Justice request not to issue their intent to complete its proposed acquisition of Newport News before August 20, 2001. The agreement provided that the Department of Justice and the Department of Defense would inform General Dynamics and Northrop Grumman of

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their enforcement intentions regarding the proposed transactions after receiving notification of General Dynamics' or Northrop Grumman's intent to close their proposed acquisition of Newport News.

On October 4, 2001, Mr. Kresa sent a letter to Mr. Fricks, reaffirming Northrop Grumman's view that its proposal was a superior proposal to that of General Dynamics. In addition, Mr. Kresa expressed a willingness to have Northrop Grumman enter into a confidentiality agreement in order to facilitate discussions with Newport News. The letter was filed as Exhibit (a)(5)(T) to Northrop Grumman's amended Schedule TO filed with the SEC on October 9, 2001.

On October 4, 2001, Newport News issued a press release announcing that its board of directors would meet on Friday, October 5, 2001 to review the General Dynamics and the Northrop Grumman offers in light of the increase of the Northrop Grumman stock price.

On October 5, 2001, Mr. Fricks called Mr. Kresa to invite Northrop Grumman to visit the Newport News offices and begin due diligence as soon as possible.

On October 5, 2001, Newport News announced that its board of directors had determined that discussions with Northrop Grumman could result in Northrop Grumman making an offer to acquire Newport News that was superior to General Dynamics' existing offer and determined to initiate discussions with Northrop Grumman concerning a possible acquisition of Newport News. Newport News' board of directors also reaffirmed its recommendation of the General Dynamics offer.

On October 5, 2001, Cravath, Swaine & Moore, outside legal counsel to Newport News, sent a draft merger agreement to Fried, Frank, Harris, Shriver & Jacobson, outside legal counsel to Northrop Grumman.

On October 6, 2001, Northrop Grumman and Newport News entered into a confidentiality agreement concerning the exchange of information between the two companies during discussions concerning Northrop Grumman's proposed acquisition of Newport News.

On October 23, 2001, the Department of Defense announced that it had completed its review of the proposals by General Dynamics and Northrop Grumman to acquire Newport News. The announcement stated that the Department of Defense had concluded that the proposal by General Dynamics would eliminate competition for nuclear submarines, resulting in a monopoly and would harm competition for surface combatants and for the

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development of emerging technologies for both nuclear submarines and surface ships. The announcement also stated that the Department of Defense had also determined that while the benefits and savings offered by each transaction were comparable, the Northrop Grumman transaction had the additional benefit of preserving competition. Also on October 23, 2001, the Department of Justice announced that it had filed an antitrust lawsuit to block General Dynamics' proposed acquisition of Newport News.

On October 24, Mr. Kresa called Mr. Fricks to assure him that Northrop Grumman remained committed to moving forward with a Newport News transaction, subject to completion of due diligence and negotiation of a mutually satisfactory merger agreement.

On October 25, 2001, Northrop Grumman issued a press release extending the offer and stating that it had not completed its due diligence regarding Newport News nor the negotiation of a possible merger agreement and that it may modify

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its offer and reserved the right to do so.

On October 26, 2001, General Dynamics and Newport News announced that they had terminated their merger agreement.

Between October 26, 2001 and November 7, 2001, Northrop Grumman completed its due diligence review and Northrop Grumman and Newport News negotiated the terms of a proposed merger agreement.

On November 5, 2001, the Northrop Grumman board of directors unanimously approved the transaction and authorized proceeding with the completion of the transaction.

On November 6, 2001, Newport News announced that it had received a revised proposal from Northrop Grumman in which the "collar" used in determining the amount of Northrop Grumman common stock and cash to be received by Newport News stockholders would be adjusted so that Newport News stockholders would receive a value of \$67.50 per share if the market value of Northrop Grumman common stock does not exceed \$100.00 per share and is not less than \$80.00 per share.

On November 7, 2001, the Newport News board of directors unanimously approved the proposed transaction, determined it to be fair to and in the best interests of the stockholders of Newport News, and agreed to recommend it to its stockholders.

On November 7, 2001, the merger agreement was executed by Northrop Grumman, Purchaser Corp. I and Newport News.

On November 8, 2001, Northrop Grumman and Newport News issued a joint press release announcing the transaction.

On November 21, 2001, Northrop Grumman announced that the Registration Statement on Form S-4 had been declared effective by the SEC.

On November 27, 2001, Northrop Grumman announced the exchange ratio for the offer to be fixed at 0.7193. Northrop Grumman also announced that pursuant to the merger agreement the Parent Stock Value (as defined in the merger agreement) was approximately \$93.84 and the Adjusted Cash Basis (as defined in the merger agreement) was \$633,452,178. It was also announced that the New York Stock Exchange approved for listing the 16,636,885 shares of Northrop Grumman common stock to be issued in the offer and merger.

On November 30, 2001, Northrop Grumman announced it had completed the tender offer for Newport News on November 29, 2001. A total of approximately 26,241,019 shares were tendered in the offer and accepted, including approximately 14,274,961 delivered through notice of guaranteed delivery, representing approximately 80.7% of the outstanding Newport News common stock. In addition, the resignations of all members of the Newport News board of directors except for Hon. Gerald L. Baliles and Hon. Charles A. Bowsher were accepted, and Messrs. W. Burks Terry, John H. Mullan and Albert F. Myers were appointed to serve on the Newport News

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board of directors. Thomas C. Schievelbein, previously executive vice president of Newport News, was named a Northrop Grumman corporate vice president and president of the new Newport News sector.

During the pendency of the offer and the merger, Northrop Grumman and Purchaser Corp. I intend to have ongoing contacts with Newport News and its

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directors, officers and stockholders.

Northrop Grumman Reasons for the Offer and Merger

Northrop Grumman believes that the 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;
- . the acquisition would provide 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;
- . the combination of Northrop Grumman and Newport News will strengthen Northrop Grumman's position in the defense industry marketplace. Acquisition of Newport News' nuclear-powered aircraft carrier and submarine capabilities would broaden Northrop Grumman's base, enabling it to respond to the U.S. Government's demand by providing products complementary to Northrop Grumman's existing businesses; and
- . Newport News' strength in the design, construction, repair, maintenance, overhaul and refueling of nuclear-powered aircraft carriers and submarines should provide an opportunity for Northrop Grumman to expand its presence into those markets.

Achieving these objectives depends on successfully integrating companies that have previously operated independently and on other uncertainties described under "Risk Factors."

Recommendation and Reasons of Newport News Board of Directors

On November 7, 2001, Newport News' board of directors determined by unanimous vote that the merger agreement and transactions contemplated by the merger agreement, including the offer and the merger, taken together, are advisable and fair to and in the best interests of Newport News stockholders, and recommended that Newport News stockholders accept the offer and tender their shares into the offer. Newport News' board of directors determined by unanimous vote to approve the merger agreement.

In reaching its decision to approve the merger agreement and recommend that the holders of Newport News shares adopt the merger agreement, the Newport News board of directors considered a number of factors. The material favorable factors were the following:

- . The recommendation of the Newport News' management that the merger agreement, including the offer and the merger, be approved by the Newport News board of directors.
- . The price to be paid pursuant to the offer and the merger (assuming a value of \$67.50 per share), represented a 20% premium over the closing price of the shares on April 20, 2001 (a date shortly prior to the announcement of the General Dynamics transaction), a 31% premium over the average closing price of the shares for the four-week period preceding April 20, 2001 and a 32% premium over the average closing price of the shares for the

six-month period preceding April 20, 2001. The Newport

News board of di